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16  
17 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
18 **IN AND FOR THE COUNTY OF SAN DIEGO**

19 THE PEOPLE OF THE STATE OF CALIFORNIA,  
20 Plaintiff,  
21 v.  
22 THE CAMPBELL'S COMPANY, a New  
23 Jersey corporation; SNYDER'S-LANCE,  
24 INC., a North Carolina corporation;  
25 PEPPERIDGE FARM, INC., a Connecticut  
corporation; and DOES 1 through 100,  
inclusive,  
26 Defendants.

Case No.:  
**COMPLAINT FOR INJUNCTIVE RELIEF,  
RESTITUTION AND PENALTIES**  
Bus. & Prof. Code § 17200  
Lab. Code § 2775

1 The People of the State of California (the “People”), acting by and through San Diego City  
2 Attorney Heather Ferbert, bring this action against The Campbell’s Company (“Campbell’s”),  
3 Snyder’s-Lance, Inc. (“Snyder’s-Lance”), Pepperidge Farm, Inc. (“Pepperidge”), and Does one  
4 through one hundred (collectively, “Defendants”), and hereby allege as follows:

5 **I. INTRODUCTION**

6 1. Defendant Campbell’s, through its wholly owned subsidiaries Snyder’s-Lance and  
7 Pepperidge, manufactures and sells name brand products under their “Snacks” segment like  
8 Pepperidge Farm cookies, crackers, bakery products, Snyder’s of Hanover pretzels, and Lance  
9 sandwich crackers to retail stores throughout California. This is commonly called a “direct-store-  
10 delivery” model where, to gain access to valuable and limited shelf space, the manufacturer enters  
11 contracts with retailers to stock, rotate, and otherwise merchandise products directly on the retail  
12 shelves rather than going through a central distribution hub. Manufacturers like Defendants agree to  
13 service the stores according to their strict standards which dictate things like minimum service  
14 frequency, delivery receiving windows, secondary merchandising service requirements, shelf  
15 spacing, in addition to delivery worker dress and conduct standards.

16 2. Through both subsidiaries, Campbells hires hundreds of last-mile delivery and  
17 merchandising workers to distribute and deliver its products and to fulfill its promises to retail  
18 customers. But rather than classifying its workers as employees and giving them a basic minimum  
19 wage and standard workplace protections, Campbells misclassifies them as “independent  
20 contractors” and makes them sign Distribution Agreements. These agreements bind natural  
21 individuals (sometimes “Distributors”) to perform the core direct-store-delivery function by  
22 ordering adequate Campell’s product, delivering it, and merchandising the product on store shelves.

23 3. The “independent contractor” label is just that – a label. These Distributors are, in  
24 fact, and as a matter of law, employees under California law. Under California’s “ABC Test” for  
25 employment, these workers are presumed to be Defendants’ employees and Defendants cannot rebut  
26 that presumption.

27 4. More specifically, the ABC test requires hiring entities like Defendants to prove,  
28 among other things, that the workers are free from control and direction in fact and under contract,

1 and that the workers perform work outside the hiring entity’s usual course of business. Defendants  
2 cannot do either. Distributors make up a core part of Defendants’ direct-store-delivery business. In  
3 short, they are the “delivery” part of Campell’s “direct store delivery” business model. And  
4 Defendants exert heavy control over these workers under both the hiring contracts and in fact.

5 5. By misclassifying their Distributors, Defendants evade core wage protections in this  
6 state like minimum wage, overtime, expense reimbursement, sick pay, and others. They also evade  
7 state and federal employment taxes, workers compensation coverage, and take unfair advantage over  
8 law abiding competitors.

9 6. Recognizing the serious problem of employee misclassification and the harm it  
10 inflicts on workers, law-abiding businesses, taxpayers, and society more broadly, the California  
11 Legislature enacted Assembly Bill 5, which took effect on January 1, 2020. (Assem. Bill No. 5  
12 (2019-2020 Reg. Sess.) (“A.B. 5”).) A.B. 5 codified and extended the California Supreme Court’s  
13 landmark, unanimous decision in *Dynamex Operations W., Inc. v. Superior Court* (2018) 4 Cal.5th  
14 903, reh. denied (June 20, 2018) (“*Dynamex*”). California law is clear: for the full range of  
15 protections afforded by California’s Wage Orders, Labor Code, and Unemployment Insurance Code,  
16 workers are generally presumed to be employees unless the hiring entity can overcome this  
17 presumption by establishing each of the three factors embodied in the strict “ABC” test.

18 7. The State’s laws against employee misclassification protect all Californians. They  
19 protect workers by ensuring they receive the compensation and benefits they have earned through  
20 the dignity of their labor. They protect law-abiding businesses from unfair competition and prevent  
21 the race to the bottom that occurs when businesses adopt substandard wages and unhealthy working  
22 conditions, threatening jobs and worker protections across entire industries. They protect the tax-  
23 paying public, who is often called upon to assume responsibility for the ill effects to workers and  
24 their families of exploitative working arrangements. They are a lifeline and bulwark for the People  
25 against the erosion of the middle class and the rise in income inequality.

26 8. The People bring this action to enjoin Defendants’ ongoing unlawful and unfair  
27 business practices, to obtain restitution of monies unlawfully acquired and civil penalties as  
28

1 authorized by law, to restore a level playing field for competing businesses, and to preserve jobs and  
2 hard-won worker protections for all Californians.

## 3 **II. PARTIES**

4 9. Plaintiff, THE PEOPLE OF THE STATE OF CALIFORNIA, bring this action by  
5 and through San Diego City Attorney Heather Ferbert, pursuant to the Unfair Competition Law,  
6 Business and Professions Code Sections 17204 and 17206(a), and Labor Code section 2786.

7 10. Defendant THE CAMPBELL'S COMPANY is a New Jersey corporation engaged in  
8 the distribution and sale of food products throughout California. Campbell's is licensed to conduct  
9 business and does business throughout California, with its principal place of business in Camden,  
10 New Jersey.

11 11. Defendant SNYDER'S-LANCE, INC., is a North Carolina corporation and a wholly  
12 owned subsidiary of Campbell's, engaged in the distribution and sale of food products throughout  
13 California. Snyder's-Lance is licensed to conduct business and does business throughout California,  
14 with its principal place of business in Charlotte, North Carolina.

15 12. Defendant PEPPERIDGE FARM, INC., is a Connecticut corporation with its  
16 principal place of business in Connecticut. It is also a wholly owned subsidiary of Campbell's and  
17 is engaged in the sale of food products throughout California.

18 13. The true names or capacities of Defendants sued as Doe Defendants 1 through 100  
19 are unknown to the People. The People are informed and believe, and on this basis allege, that each  
20 of the Doe Defendants are legally responsible for the conduct alleged herein. The People will amend  
21 this Complaint to set forth the true names and capacities of the Doe Defendants as soon as they are  
22 ascertained.

23 14. At all relevant times, each Defendant, including the Doe Defendants, was the agent,  
24 alter ego, successor, owner, principal, employer, master, servant, partner, franchiser, joint venturer,  
25 co-conspirator, aider, and abettor of each co-Defendant, and engaged in the unlawful acts and  
26 inactions alleged herein and acted within the scope of such authority with the permission and consent  
27 of each co-Defendant.

28

1 **III. JURISDICTION & VENUE**

2 15. The Superior Court has subject matter jurisdiction over this action pursuant to Article  
3 VI, section 10 of the California Constitution.

4 16. The People, by and through the San Diego City Attorney, may bring a civil action to  
5 enjoin any person who violates the Unfair Competition Law (“UCL”), and seek civil penalties and  
6 restitution for each violation. Bus. & Prof. Code, §§ 17203, 17204, 17206.

7 17. This Court may properly exercise jurisdiction over each Defendant. Defendants are  
8 authorized to, and do, conduct business in and across the State of California, and Defendants  
9 otherwise have sufficient minimum contacts with and purposefully avail themselves of the markets  
10 of this State, thus rendering the Superior Court’s jurisdiction consistent with traditional notions of  
11 fair play and substantial justice.

12 18. Venue is proper in this Court pursuant to Sections 393 and 395 of the Code of Civil  
13 Procedure because Defendant’s violations of law that occurred in the City and County of San Diego  
14 are part of the case and, independently, because Defendant’s business practices affect and target  
15 Defendants’ San Diego Distributors.

16 **IV. FACTUAL BACKGROUND**

17 **A. Under *Dynamex* and A.B.5, California uses the ABC Test to Determine**  
18 **Employee Status.**

19 19. Per California’s Supreme Court, “*the misclassification of workers as independent*  
20 *contractors rather than employees is a very serious problem, depriving federal and state*  
21 *governments of billions of dollars in tax revenue and millions of workers of the labor law protections*  
22 *to which they are entitled.*” *Dynamex*, 4 Cal. 5th at 913.

23 20. The California Supreme Court’s 2018 decision in *Dynamex*, along with the passage  
24 of A.B. 5 (currently Lab. Code, § 2775), which went into effect January 1, 2020, established that the  
25 ABC test governs the determination of whether a worker is properly classified as an employee or  
26 independent contractor for purposes of the Labor Code, the Unemployment Insurance Code, and the  
27 Wage Orders of the Industrial Welfare Commission (“I.W.C.”).

28

1           21. Under the ABC test, workers are presumed to be employees. To rebut that  
2 presumption, hiring parties, such as Defendants, have the burden of establishing that *all* of the  
3 following three conditions are satisfied: (A) the worker is free from the control and direction of the  
4 hiring entity in connection with the performance of the work, both under the contract for the  
5 performance of the work and in fact; (B) the worker performs work that is outside the usual course  
6 of the hiring entity’s business; and (C) the worker is customarily engaged in an independently  
7 established trade, occupation, or business of the same nature as the work performed. The hiring  
8 entity’s failure to satisfy any one part of the ABC test results in the worker in question being  
9 classified as an employee rather than an independent contractor. These three requirements are Parts  
10 A, B, and C of the ABC test, respectively.

11           **B. Defendants Misclassify their Distributors as Independent Contractors.**

12           22. Defendants operate one of the largest direct-store-delivery (“DSD”) snack food  
13 distribution networks in the United States. They enjoyed \$4 billion in sales in the U.S. through this  
14 business segment in 2025 alone. Defendants’ business model involves delivering snack food  
15 products manufactured by Campbell’s and its subsidiaries to retail customers (such as Walmart,  
16 Target, convenience stores, and other retailers) throughout California and the nation.

17           23. A critical component of Defendants’ DSD business model is the use of workers called  
18 “Distributors” who pick up Defendants’ snack food products from Defendants’ local warehouses  
19 and deliver them to Defendant-defined territories filled with Defendants’ retail customers. These  
20 Distributors perform the essential “last-mile” delivery work that enables Defendants to meet  
21 promised performance to customers.

22           24. Defendants sell Distributors on the idea that they will operate independent businesses  
23 and often require them to form corporations to enter hiring contracts that nonetheless bind the worker  
24 to the performance obligation through a personal guarantee. Defendants advertise “independent  
25 contractor” distributor opportunities and require Distributors to purchase distribution territories at  
26 substantial cost which they finance and charge substantial interest. Distributors are promised that  
27 they will control their own businesses and earn profits from the territory they purchase.

28

1           25. In reality, Defendants operate nothing like the independent business model they  
2 advertise. As they must to meet retailer obligations, Defendants exercise pervasive control over  
3 every material aspect of the Distributors’ work through comprehensive written agreements (the  
4 “Distributor Agreement”), written guidelines, teams of managers, rigorous oversight and  
5 monitoring, and ongoing direction.

6           26. Defendants cannot meet any part of the ABC Test.

7                 *1. Part A of the ABC Test (“control and direction”).*

8           27. Defendants cannot satisfy Prong A of the ABC test because Defendants exercise  
9 control over Distributors in connection with the performance of their work, both under the hiring  
10 agreements and in fact.

11           28. Specifically, Defendants exercise control over Distributors in several ways,  
12 including, but not limited to, the following mechanisms:

13                 a. **Territory and Route Control:** Defendants establish and control each  
14 Distributor's assigned sales territory. Defendants determine which retail  
15 customers are included within each territory and may unilaterally modify,  
16 expand, or contract the territory at any time. Defendants retain contracts with  
17 major retailers (such as Walmart and Target) and determine how these  
18 accounts are allocated among Distributors.

19                 b. **Product Selection and Pricing:** Defendants unilaterally determine which  
20 products and brands Distributors may deliver. Defendants also unilaterally set  
21 all pricing for Defendants’ customers, which directly impacts the commission  
22 revenue generated by Distributors.

23                 c. **Commission Rate Control:** Defendants unilaterally establish the  
24 commission rates (also known as “margin”) paid to Distributors and may  
25 change these rates in their sole discretion. Distributors are paid a single  
26 “blended” commission rate for all deliveries, regardless of product type,  
27 volume, or market conditions. The Distributor Agreement explicitly states:  
28

1 “Snyder's-Lance reserves the right to set the Percentage of Revenue” (*i.e.*, the  
2 commission rate).

3 d. **Delivery Schedule and Timing:** Defendants establish mandatory delivery  
4 schedules and windows. Distributors must comply with Defendants’ required  
5 delivery patterns and timing requirements for each retail customer.  
6 Defendants further control the times during which Distributors may access  
7 Defendants’ warehouses to pick up Defendants’ product.

8 e. **Shelf Management and Display Control:** Defendants determine the amount  
9 of shelf space devoted to each product, set pricing at retail, control product  
10 displays and promotions, and monitor in-store merchandising through  
11 “market checks” performed by Defendants’ management personnel who ride  
12 along with Distributors.

13 f. **Inventory Control and Tracking:** Distributors must report their inventory  
14 to Defendants at least once per week. Defendants maintain detailed records  
15 of products carried by each Distributor and may place products “in dispute”  
16 if Distributors’ records differ from Defendants’ records. Distributors must  
17 pay for discrepancies they cannot prove.

18 g. **Product Sourcing:** Distributors may procure product only from Defendants  
19 unless they produce receipts proving procurement elsewhere. Failure to  
20 produce such receipts results in Defendants placing the product “in Inventory  
21 Reconciliation,” preventing Distributors from distributing the product.

22 h. **Stale Product Management:** Defendants unilaterally determine when unsold  
23 (“stale”) snack food products must be reclaimed from retail locations.  
24 Distributors must comply with Defendants’ stale product schedules and  
25 procedures, which are dictated by Defendants’ retail customer requirements.

26 i. **Direct Shipping and SKU Manipulation:** Defendants determine which  
27 products will be delivered by Distributors and which products Defendants  
28 will directly ship to retail outlets from their warehouses, bypassing

1 Distributors entirely. Defendants arbitrarily create new product SKUs (stock  
2 keeping units) and change product packaging to enable direct shipping while  
3 minimizing or eliminating Distributors' commission earnings. For example,  
4 Defendants may authorize Distributors to carry crackers in containers of 20  
5 individually wrapped packages but then create an identical product in a  
6 container of 6 packages and direct-ship this new SKU to retailers, leaving  
7 Distributors with no commission opportunity.

8 j. **Operating Guidelines and Standards:** Defendants issue "Suggested  
9 Operating Guidelines & Schedule of Charges" to Distributors, which  
10 Distributors must acknowledge in writing. These guidelines regulate  
11 Distributors' conduct, including how Distributors must interact with  
12 customers and with Defendants, and specify various charges Defendants may  
13 impose on Distributors.

14 k. **Service Requirements and Performance Standards:** Distributors must  
15 comply with all policies, procedures, requests, and requirements imposed by  
16 Defendants' retail customers. Defendants determine the amount of product  
17 retail stores must maintain in stock and discipline Distributors for failure to  
18 meet these standards.

19 l. **Ride-Alongs and Monitoring:** Defendants' management representatives  
20 conduct unannounced "market checks," riding along with Distributors to  
21 monitor performance and check on retail outlets.

22 m. **Electronic Reporting Requirements:** Distributors must electronically  
23 transmit delivery records and transaction data to Defendants in the specific  
24 format required by Defendants. If Distributors use Defendants' hand-held  
25 computer system, they must do so pursuant to Defendants' terms and  
26 conditions.

- 1           n.     **Record Keeping and Inspection:** Distributors must maintain accurate  
2 records of products received and sales and deliveries made. Defendants may  
3 inspect such records twice per year, or more in exceptional circumstances.
- 4           o.     **Remedial Action and Termination Rights:** Distributors have only five days  
5 to remedy any failure to meet service requirements. Failure to remedy within  
6 five days results in the territory being deemed “abandoned,” with all  
7 Distributor rights reverting to Defendants. Defendants may terminate the  
8 Distributor Agreement upon 24 hours’ written notice for numerous  
9 enumerated reasons, including “just cause” undefined in the agreement, with  
10 no right to cure in many circumstances.

11           29.    The level of control Defendants exercise over Distributors is not consistent with  
12 independence. Rather, Distributors are subject to the complete control and direction of Defendants  
13 in connection with the performance of their work.

14                   2.     *Part B of the ABC Test (“usual course of business”).*

15           30.    Defendants cannot satisfy Prong B of the ABC test because Distributors perform  
16 work within the usual course of Defendants' business, not outside it.

17           31.    Defendants’ business is to distribute snack food products to retail customers through  
18 a direct-store-delivery model. They publicly advertise this model and enter contracts with retailers  
19 describing themselves in this way.

20           32.    The work performed by Distributors—picking up snack food products from  
21 Defendants’ warehouses, delivering them to retail stores, and stocking retail shelves—is precisely  
22 the work that Defendants themselves describe as their core business. Distributors do not perform a  
23 distinct or auxiliary function; they perform the essential delivery and merchandising services that  
24 are the heart of Defendants’ DSD operations. They also do so continuously and over lengthy  
25 contractual terms that are years-long and often auto-renew.

26                   3.     *Part C of the ABC Test (“independently established trade, occupation, or  
27 business”).*

28           33.    Defendants also cannot satisfy Prong C of the ABC test because Distributors are not

1 customarily engaged in an independently established trade, occupation, or business of the same  
2 nature as the work they perform for Defendants.

3 34. Gathering and delivering snack food products is not a distinct or established trade  
4 requiring specialized skills, licensing, education, or certification. The work requires no professional  
5 license or industry credential. Instead, most Distributors have limited education, training, or  
6 experience, and Defendants will hire and finance their routes despite the worker having no relevant  
7 experience, no history of owning any “business.”

8 35. Moreover, Distributors do not take meaningful steps to establish and promote  
9 themselves as independent businesses, such as advertisements or providing their services to the  
10 public. Rather, Distributors work exclusively for Defendants under terms and conditions entirely  
11 dictated by Defendants. Distributors have no ability to negotiate, no discretion in service delivery,  
12 and no independence in business operations.

13 36. Defendants directly shape Distributors’ earnings, effectively preventing Distributors  
14 from attaining the profits and losses that are the hallmarks of running an independent business.

15 37. Defendants mandate the key factors which determine Distributors’ earnings.  
16 Defendants set the prices charged to retail outlets, and control Distributors rate of pay (their  
17 commission or margin), their Distributors’ territories, the supply of Distributors available to  
18 Defendants’ customers, and the marketing, advertising, and promotion of Defendants’ brand and  
19 products.

20 38. Any economic levers left to Distributors are insufficient and inconsistent with the  
21 level of decision-making traditionally exercised by entrepreneurs or those operating their own  
22 independent businesses.

23 **C. Defendants’ Unlawful Misclassification of Distributors Results in Unlawful and**  
24 **Unfair Business Practices.**

25 39. Defendants’ classification decisions have far-reaching consequences.

26 *1. Defendants’ Unlawful Misclassification Deprives Distributors of their*  
27 *Rights as Employees.*  
28

1           40.    As “independent contractors,” Distributors do not enjoy California’s robust and non-  
2 negotiable wage protections.

3                           a.    Minimum Wage (Labor Code, §§ 1182.12, 1194, 1197).

4           41.    The law requires Distributors to be paid the applicable state or local minimum wage  
5 for each hour worked, regardless of the compensation formula or method.

6           42.    Defendants do not guarantee their Distributors a minimum wage under state and local  
7 laws. Instead, Defendants pay their Distributors non-negotiable commission for delivered products,  
8 based on the product prices set by Defendants.

9           43.    Defendants do not pay their Distributors for all their hours worked. Examples where  
10 each Defendant fails to pay its Distributors include, but are not limited to, time spent refueling, time  
11 spent cleaning and maintaining their vehicles, time spent on off-duty rest periods, time spent driving  
12 to and returning from stores. Defendants cannot distribute their food products to grocery retailers  
13 without the performance of these tasks.

14           44.    There are also weeks where Distributors earn little pay or even negative pay despite  
15 working long hours. Because Defendants operate through a consignment model where the products  
16 are “charged” to the Distributor, there are times when more products are ordered than have sold  
17 through the register in which case Distributors are left without pay often resulting in difficult  
18 financial circumstances for them and their families.

19           45.    As employees, Distributors must be paid at least the minimum wage for all their hours  
20 worked each week.

21           46.    Defendants have failed—and continue to fail—to meet their minimum wage  
22 obligations with respect to their Distributors, including hours that are entirely unpaid and hours that  
23 are paid at less than the applicable minimum wage.

24                           b.    Overtime Wages (Labor Code, § 510).

25           47.    The law requires Distributors to be paid the applicable overtime rate of pay—one-  
26 and-one-half times or two times the Distributors’ regular rate of pay—for all hours worked in excess  
27 of forty per week, for all hours worked in excess of eight per day, and for all hours worked on the  
28 seventh consecutive day of work in a workweek.

1           48.     Distributors regularly work between up to 70 hours per week and 6 to 7 days per  
2 week to complete work required by Defendants. Yet, Defendants pay no overtime compensation.

3           49.     Defendants do not pay their Distributors overtime as required by law, despite the fact  
4 that Distributors working overtime help Defendants to ensure the steady and constant delivery of  
5 fresh food products, on which Defendants’ businesses depend.

6           50.     Defendants have failed—and continue to fail—to meet these overtime pay  
7 obligations with respect to their Distributors.

8                   c.     Business Expenses and Deductions (Labor Code, §§ 2802, 221-223).

9           51.     The law requires Distributors to be paid or reimbursed for the necessary expenses in  
10 performing their work. However, Distributors are saddled with a host of expenses for the right to  
11 work for Defendants.

12           52.     Distributors pay for business expenses they incur in the course and scope of  
13 performing their work for Defendants, including, but not limited to, a non-refundable “initial fee” to  
14 purchase a territory, a weekly administrative service charge, daily charges for temporary route  
15 service by Defendants, manual invoice entries by Defendants, sales ticket errors, a central-billed  
16 account fee for missing invoices, and returned check fees.

17           53.     Distributors also shoulder many other unreimbursed business expenses for  
18 Defendants, including but not limited to, vehicle expenses and mileage (wear-and-tear, registration,  
19 insurance, gas, maintenance, repairs, etc.), clothing and uniforms, the computer system required to  
20 make mandatory electronic transmissions to Defendants, and food products that are not sold  
21 (“stales”) or that go missing in the retail stores (“shrink”). Many of these are deducted on their  
22 weekly settlement statements.

23           54.     These expenses are substantial. For example, the Internal Revenue Service publishes  
24 a “standard mileage rate,” which currently estimates the cost of operating a vehicle for business  
25 purposes at 72.5 cents per mile. Distributors drive long hours to provide food distribution services  
26 for Defendants using their commercial vehicles (*e.g.*, box trucks), without any reimbursement for  
27 this significant, work-related expense.

28

1           55. Defendants impose near all the costs of operating their DSD network on Distributors,  
2 though Defendants could not operate their food distribution businesses without them.

3           56. Defendants have failed—and continue to fail—to meet these expense reimbursement  
4 obligations with respect to their Distributors.

5                           d. Meal and Rest Periods (Labor Code, §§ 226.7, 512).

6           57. The law requires Distributors to be provided with one 30-minute duty-free meal  
7 period for a work period of more than five hours, and a second 30-minute duty-free meal period for  
8 a work period more than ten hours. The law further requires Distributors to be provided a ten-minute,  
9 paid, off-duty rest period for every four hours worked, or major fraction thereof. Authorized or  
10 required rest period time shall be counted as paid time worked.

11           58. Defendants do not provide for off-duty meal periods and do not authorize or permit  
12 paid, off-duty rest periods. Defendants do not provide a premium of one hour of pay at the  
13 employee's regular rate of compensation for each failure, as required by law.

14           59. Defendants have failed—and continue to fail—to meet these meal and rest period  
15 obligations with respect to their Distributors.

16                           e. Wage Statements (Labor Code, § 226).

17           60. The law requires Distributors to receive regular and complete itemized wage  
18 statements from Defendants, which include, as applicable, gross and net wages earned, hours  
19 worked, hourly wages, piece rate wages, rest period pay, and nonproductive time pay.

20           61. Defendants do not provide Distributors with itemized wage statements in  
21 conformance with California law. Despite getting settlement statements each week, these do not  
22 contain the items required by Labor Code section 226 and 226.2 such as hours worked, rate of pay,  
23 itemized deductions, and other core requirements necessary to understand the compensation they  
24 receive.

25           62. Defendants have failed—and continue to fail—to meet these wage statement  
26 obligations with respect to their Distributors.

27                           f. Paid Sick Leave and Health Benefits (Labor Code, § 246).

28           63. The law requires Distributors to be provided paid sick leave benefits as specified

1 under California law and various local laws, including, but not limited to, the San Diego sick leave  
2 ordinances.

3 64. The law currently requires Distributors in San Diego to receive no less than one hour  
4 of earned sick leave for every thirty hours worked within the geographic boundaries of the City.

5 65. Distributors do not accrue the paid sick leave benefits or receive the health care  
6 expenditures from Defendants that employers are required to provide under state and local law.

7 66. Defendants have failed—and continue to fail—to meet these sick leave and health  
8 care expenditure obligations with respect to their Distributors.

9 2. *Defendants’ Unlawful Misclassification Harms Law-Abiding Competitors*  
10 *and Would-Be Competitors.*

11 67. Defendants’ unfair and unlawful treatment of their Distributors also confers an unfair  
12 advantage on Defendants over their law-abiding competitors and would-be competitors. Defendants  
13 utilize the illegitimate savings they gain from depriving their Distributors of the full compensation  
14 and benefits they earn as employees to offer their food distribution services at an artificially low  
15 cost, decimating competitors and generating billions of dollars in private investor wealth off the  
16 backs of vulnerable Distributors. Defendants even publicly tout this model as a “competitive  
17 advantage.”

18 68. Other companies that use the DSD model, and compete for the same retail space, use  
19 W2 employees to do the last-mile distribution portions of the business. These include Frito-Lay and,  
20 more recently, Flowers Foods, both of whom use employee distributors to carry their products from  
21 local warehouses to retail stores.

22 69. In addition to avoiding paying Distributors for the full compensation and  
23 reimbursements they earn as employees under state and local wage and hour laws, Defendants also  
24 avoid paying their share of state and local payroll taxes and workers’ compensation insurance  
25 premiums.

26 ///

27 ///

28 ///



1 h. Failing to provide paid sick leave to Distributors as required by Labor Code  
2 section 246; and

3 i. Failing to provide other rights and benefits to Distributors under the Labor  
4 Code, I.W.C. Wage Order 9-2001, and other local employee protection laws.

5 82. Defendants' misclassification of their Distributors as independent contractors and  
6 accompanying failure to comply with numerous provisions of the California Labor Code, including  
7 the employee classification provision of Labor Code section 2775 *et seq.*, and applicable local  
8 ordinances, constitutes an unlawful and unfair business practice and, therefore, violates California's  
9 Unfair Competition Law. (Bus. & Prof. Code, §17200 *et seq.*)

10 83. "Any person who engages, has engaged, or proposes to engage in unfair competition  
11 shall be liable for a civil penalty not to exceed two thousand five hundred dollars (\$2,500) for each  
12 violation, which shall be assessed and recovered in a civil action brought in the name of the people  
13 of the State of California ... by any city attorney of a city having a population in excess of 750,000  
14 ... in any court of competent jurisdiction." (Bus. & Prof. Code § 17206(a).) The People, therefore,  
15 seek an appropriate civil penalty under the Business and Professions Code section 17206(a), up to  
16 \$2,500 for each violation of the UCL, consistent with the purpose of the UCL and Business and  
17 Professions Code.

18 84. "In addition to any liability for a civil penalty pursuant to Section 17206, a person  
19 who violates this chapter, and the act or acts of unfair competition are perpetrated against one or  
20 more senior citizens or disabled persons, may be liable for a civil penalty not to exceed two thousand  
21 five hundred dollars (\$2,500) for each violation." The People, therefore, seek an appropriate civil  
22 penalty under Business and Professional Code section 17206.1 for all above enumerated violations  
23 committed against Distributors who are 65 years of age or older at the time of the violation.

24 85. The People may also pursue restitution which includes unpaid wages – a broadly  
25 defined term capturing unpaid minimum wages, overtime, reimbursements, deductions, and meal  
26 and rest premiums, and unpaid benefits – under the UCL. In addition to penalties for the above  
27 enumerated provisions, the People also seek restitution of unpaid wages to Distributors in California.

28



- 1 4. Pursuant to Business and Professions Code section 17206.1, that each Defendant be  
2 assessed an additional civil penalty in an amount up to \$2,500 for each violation of  
3 the UCL perpetrated against a senior citizen or disabled person, as proven at trial;  
4 5. Pursuant to Labor Code section 2786, an order to prevent each Defendant from  
5 continuing to misclassify their Distributors as independent contractors;  
6 6. That the People recover their costs of suit; and  
7 7. Such other and further relief that the Court deems appropriate and just.

8 Respectfully submitted,

9 Dated: February 23, 2026

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10  
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