



HAEGGQUIST
& ECK LLP

August 12, 2024

VIA: CERTIFIED MAIL

Harvard Business Services, Inc.
c/o Valnet, U.S., Inc.
16192 Coastal Hwy
Lewes, DE 19958

Valnet, U.S., Inc.
Attention: Legal Department
1111 Brickell Avenue, Suite 1675
Miami, FL 33131

**VIA: USPS PRIORITY
INTERNATIONAL**

Valnet, Inc.
Attn: Legal Department
7405 Transcanada, Suite 100
Saint-Laurent QC H4T 1Z2

Re: Notice of Lawsuit and Claims under California's Private Attorneys General Act
("PAGA"), Labor Code §§2698, *et seq.*

Dear Sir or Madam:

This office represents Nicholas Hazleton ("Plaintiff") who worked for Valnet, Inc. and Valnet, U.S., Inc. (collectively, "Defendants"). This letter is being sent on behalf of Plaintiff and other current and former workers of Defendants pursuant to the California's Private Attorneys General Act of 2004, Labor Code §§2698, *et seq.* ("PAGA").

Plaintiff alleges Defendants were his employer. Plaintiff was employed by Defendants from around January 2022 to about April 19, 2024. Plaintiff alleges Defendants engaged in violations of California's wage and hour laws. Plaintiff provides notice to Defendants that it has violated, among others, the following sections of the California Labor Code: §§201, 203, 204, 207, 218, 226, 226.6, 226.7, 226.8, 246, 247, 247.5, 432, 432.5, 510, 551, 552, 553, 558, 1102.5, 1174, 1182.12, 1194, 1197, 1197.1, 1198.5, 2775, 2778, 2800, 2802, 3550, 3551, 2808, 2810.5. The facts and theories supporting Plaintiff's claims are more specifically described in the Class Action Complaint enclosed as Exhibit A.

This notice is being given as required by Labor Code §2699.3(a) for the commencement of a civil action under Labor Code §2699 to recover civil penalties on behalf of Plaintiff and other current and former workers because of Defendants' alleged violations as set forth above and as detailed in the enclosed Complaint. Plaintiff and other current and former workers are "aggrieved employees" as contemplated by Labor Code §2699(c) and are entitled to collective civil penalties under Labor Code §§2699(a) and (f), and attorneys' fees and costs under Labor Code §2699(g).

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Please be advised that, upon expiration of the time periods set forth in California Labor Code §2699.3, Plaintiff will amend his Complaint as a matter of right to add causes of action for civil penalties as provided under PAGA and as otherwise available.

Sincerely,



AARON OLSEN

AO/rb

Enclosure: Exhibit A - Complaint

EXHIBIT A

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9 Attorneys for Plaintiff Nicholas Hazleton

10
 11 UNITED STATES DISTRICT COURT
 12 SOUTHERN DISTRICT OF CALIFORNIA
 13

14 NICHOLAS HAZLETON, an
 15 Individual,

16 Plaintiff,

17 v.

18 VALNET INC., a Canadian
 19 Corporation; VALNET, U.S., INC., a
 20 Delaware Corporation,

21 Defendants.
 22
 23

Case No.:

COMPLAINT FOR DAMAGES

DEMAND FOR JURY TRIAL

1 Plaintiff Nicholas Hazleton (“Mr. Hazleton” or “Plaintiff”), by his attorneys,
2 brings this action on behalf of himself against Defendants Valnet Inc. and Valnet,
3 U.S., Inc. (“Valnet” or “Defendants”). Mr. Hazleton makes the following allegations
4 upon information and belief (except those allegations as to Mr. Hazleton or his
5 attorneys which are based on personal knowledge), based upon an investigation that
6 is reasonable under the circumstances, which allegations are likely to have evidentiary
7 support after a reasonable opportunity for further investigation and/or discovery.

8 NATURE OF THE ACTION

9 *Independent Contractor Misclassification Imposes Huge Costs on Workers and*
10 *Federal and State Treasuries*

11 ~ *National Employment Law Project, Oct. 26, 2020*

12 1. That is the headline of a policy and data brief published by the National
13 Employment Law Project.¹ Classifying employees as “independent contractors”
14 deprives them of core rights and protections, such as minimum wage, overtime pay,
15 contributions to Social Security, the right to collective bargaining . . . , workers’
16 compensation, unemployment compensation, and protection from discrimination.”
17 *Id.* Employers such as Valnet, who intentionally misclassify its employees as
18 independent contractors, not only deny workers the protection of workplace laws, but
19 rob unemployment and workers’ compensation funds of billions of much-needed
20 dollars, and reduce federal, state and local tax withholding revenues, while saving as
21 much as 30 percent of payroll and related taxes otherwise paid for employees. *Id.*
22 Even the office of the United States Federal Trade Commission has recognized how
23
24
25

26
27 ¹ See [https://www.nelp.org/insights-research/independent-contractor-](https://www.nelp.org/insights-research/independent-contractor-misclassification-imposes-huge-costs-workers-federal-state-treasuries-update-october-2020/)
28 [misclassification-imposes-huge-costs-workers-federal-state-treasuries-update-](https://www.nelp.org/insights-research/independent-contractor-misclassification-imposes-huge-costs-workers-federal-state-treasuries-update-october-2020/)
[october-2020/](https://www.nelp.org/insights-research/independent-contractor-misclassification-imposes-huge-costs-workers-federal-state-treasuries-update-october-2020/) (last visited 8/8/2024)

misclassification “takes *billions* from working people and gives it to lawbreakers. It is a pervasive and national scandal.”²

2. Unfortunately, Valnet is a core contributor to this pervasive and national scandal. Valnet’s global business focuses on digitally publishing articles, videos, and other content related to consumer products, entertainment, automotive, and other interests. Its writers, editors, and content creators (“Content Creators”), such as Mr. Hazleton, are core and indispensable to Valnet’s business. Unfortunately, Valnet intentionally misclassifies its Content Creators as independent contractors to avoid its duties owed to employees under California law, to cheat the government out of substantial tax revenue, and to gain an unfair advantage over competitors who comply with the law. Valnet’s control over Content Creators goes so far that it even requires its Content Creators to enter unlawful non-compete agreements in violation of California law. Even worse, after Mr. Hazleton reported Valnet’s unlawful misclassification of workers and refused to participate in its unlawful conduct, Valnet unlawfully discharged Mr. Hazleton.

3. To redress the harms suffered, Mr. Hazleton brings claims for: (1) willful misclassification in violation of Labor Code §226.8, recoverable via the Private Attorney General Act of 2004 (“PAGA”); (2) failure to timely pay all wages due and owing in violation of Labor Code §218; (3) failure to pay minimum wages in violation of Labor Code §§1194, 1197 and Industrial Welfare Commission (“IWC”) Wage Order 4-2001 (“Wage Order 4”); (4) failure to pay overtime wages in violation of Labor Code §510, 1194 and Wage Order 4; (5) failure to reimburse business expenses in violation of Labor Code §2802; (6) failure to furnish and maintain accurate wage statement and employment records in violation of Labor Code §§226, 423, 1198.5,

² See Overawed: Worker Misclassification as a Potential Unfair Method of Competition, Feb. 2, 2024 (chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.ftc.gov/system/files/ftc_gov/pdf/Overawed-Speech-02-02-2024.pdf (last visited 8/8/2024).

1 and Wage Order 4; (7) failure to provide meal periods in violation of Labor Code
2 226.7 and Wage Order 4; (8) failure to provide rest periods in violation of Labor Code
3 §226.7 and Wage Order 4; (9) failure to pay all wages due and owing at time of
4 discharge in violation of Labor Code §§201-203; (10) retaliation and wrongful
5 termination in violation of California Labor Code §1102.5; (11) violation of
6 California Business and Professions Code §16600.5; (12) violation of the Unfair
7 Competition Law (“UCL”), Business and Professions Code §17200, *et seq.*; and (13)
8 additional PAGA penalties, Labor Code §§2698, *et seq.*

9 JURISDICTION AND VENUE

10 4. This Court has jurisdiction over this action under 28 U.S.C. §1332(a)(2)
11 because Plaintiff is a citizen of the state of California and Defendants are citizens and
12 subjects of a foreign state and the amount in controversy exceeds \$75,000.00,
13 excluding interest and costs.

14 5. The Southern District of California has personal jurisdiction over the
15 parties in this matter. Plaintiff is, and at all relevant times was, a citizen residing in
16 San Diego County, California. Defendants either have, or currently do, business
17 within California, and operate in California. Defendants are either licensed to do, or
18 do, business in California, have employees who reside in California, and promote,
19 sell, and market services to customers throughout California. Finally, the acts and
20 omissions which are outlined in this Complaint took place within the County of San
21 Diego, State of California.

22 6. Venue is proper in this District under 28 U.S.C. §1391 because Plaintiff
23 and Defendants are, and at all relevant times have been, subject to the personal
24 jurisdiction of this Court, and because a substantial part of the events or omissions
25 giving rise to Plaintiff’s claims occurred in this District.

THE PARTIES

Plaintiff

7. Plaintiff Nicholas Hazleton is a natural person, over 18 years old, residing in the County of San Diego, State of California. While Valnet intentionally misclassified him as an independent contractor, Mr. Hazleton was an employee of Valnet from on or about January 2022, until his termination on or about April 19, 2024. Mr. Hazleton is, and at all relevant times was, a member of a protected class of persons within the meaning of California Labor Code §1102.5.

Defendants

8. Defendant Valnet, Inc. is a Canadian corporation based in Montreal, Quebec. Valnet Inc., jointly with Valnet, U.S., Inc., operated at all relevant times in the State of California as a foreign corporation.

9. Defendant Valnet, U.S., Inc. is a Delaware corporation based in Miami, Florida. Valnet, U.S., Inc., jointly with Valnet, Inc., operated at all relevant times in the State of California as a foreign corporation.

10. Persons on behalf of Valnet, Inc., and persons on behalf of Valnet, U.S., Inc., acted on behalf of one another to engage in activity that violated, *inter alia*, Labor Code §1102.5. Valnet, Inc. and Valnet, U.S., Inc., were also joint employers of Mr. Hazleton. Together, the entities constitute a single employer under the integrated enterprise test given their interrelation of operations, common management, centralized control of labor relations, and common ownership and control. Collectively, the entities are referred to as “Valnet.”

11. In doing the acts alleged herein, Valnet’s employees, subcontractors, and agents acted within the course and scope of their employment and agency with Defendant. Defendant engaged in the acts alleged herein and/or condoned, permitted, authorized, and/or ratified the conduct of its employees, subcontractors, and agents, and is vicariously liable for the wrongful conduct of their employees, subcontractors, and agents alleged herein.

FACTS COMMON TO ALL COUNTS

About Valnet

12. Valnet touts that it is a “global digital publishing and media investment Company that owns and operates over 25 authoritative brands across diverse verticals, including entertainment, sports, technology, automotive, gaming, lifestyle and travel.”³ With respect to the automotive vertical, Valnet owns and operates the HotCars, TopSpeed, and CarBuzz brands. Valnet’s brands are largely operated digitally through websites and online video channels dedicated to publishing articles, videos, and other media related to their brands. The more traffic the websites and channels attract, the more advertising revenue Valnet generates. As such, Valnet’s Content Creators, are core and indispensable positions to its business.

13. Notwithstanding, Valnet required its Content Creators, such as Mr. Hazleton, to enter “Master Services Agreements” wherein Valnet purports to classify them as “independent contractors” and not as employees within the meaning of, *inter alia*, all federal, state, and local laws and regulations governing wages, work hours, benefits, employment insurance, workers’ compensation, industrial accident, labor, and taxes of the United States. *See, e.g., Exhibit 1* (Master Services Agreement, December 8, 2022) (“Agreement”). As discussed below, not only do the Agreements unlawfully purport to classify Valnet’s workers as independent contractors, but they also contain unlawful restrictive covenant provisions.

Plaintiff’s Employment

14. Mr. Hazleton was hired by Valnet in January 2022 to initially work as a writer in its automotive vertical, predominately working with Valnet’s HotCars brand. Mr. Hazleton was soon transitioned into an editorial position as a Weekday News Editor in exchange for an annual salary of \$24,000, plus biyearly bonus eligibility.

³ See Valnet’s website, homepage <https://www.valnetinc.com/en/> (last visited 6/25/2024).

With Mr. Hazleton already working more than 40 hours per week, around December 2022, Valnet promoted Mr. Hazleton to a full-time position of Senior News Editor, with a promised annual salary of \$40,000 plus biyearly bonus eligibility. While Valnet transitioned Mr. Hazleton to the position of a Junior Editor in July 2023 for a couple of weeks, in August 2023, Valnet promoted Mr. Hazleton to the position of Senior News Editor and Features Editor, with an annual salary of \$48,000, plus biyearly bonus eligibility. Mr. Hazleton remained in this position until Valnet unlawfully discharged him on or about April 19, 2024.

Valnet Unlawfully Classifies its Employees as Independent Contractors

15. Valnet intentionally misclassified Mr. Hazleton and its Content Creators as independent contractors to avoid paying eligible benefits, statutorily mandated wages, and taxes, which not only harmed its workers, but allowed Valnet to cheat the government out of substantial tax revenue and gain an unfair advantage over competitors who comply with the law.

16. Whether evaluated under (1) the employment status test set forth in Assembly Bill 5 (“AB 5”), Labor Code §2774, *et seq.*, which codified the “ABC Test” adopted by the California Supreme Court in *Dynamex Operations West Inc. v. Superior Ct.*, 4 Cal. 5th 903 (2018), (ii) the Borello Test adopted by the California Supreme Court in *S.G. Borello & Sons, Inc. v. Dept. of Ind. Relations*, 48 Cal. 3d 341 (1989), (iii) the economic reality test under the Fair Labor Standards Act (“FLSA”), 29 CFR §795.110, (iv) the IRS 20-factor test for tax purposes, Rev. Rul. 87-41 (1987), and/or (v) the California Unemployment Insurance Code (“CUIC”) §621, Mr. Hazleton and other similarly situated workers were undisputedly employees, not independent contractors.

17. First, as an editor, Mr. Hazleton performed duties that were a regular and indispensably integral part of Valnet’s business. From the inception of his employment, Valnet provided Mr. Hazleton with a “HotCars” email address, “Nicholas.h@hotcars.com, which it required Mr. Hazleton to use for all work-related

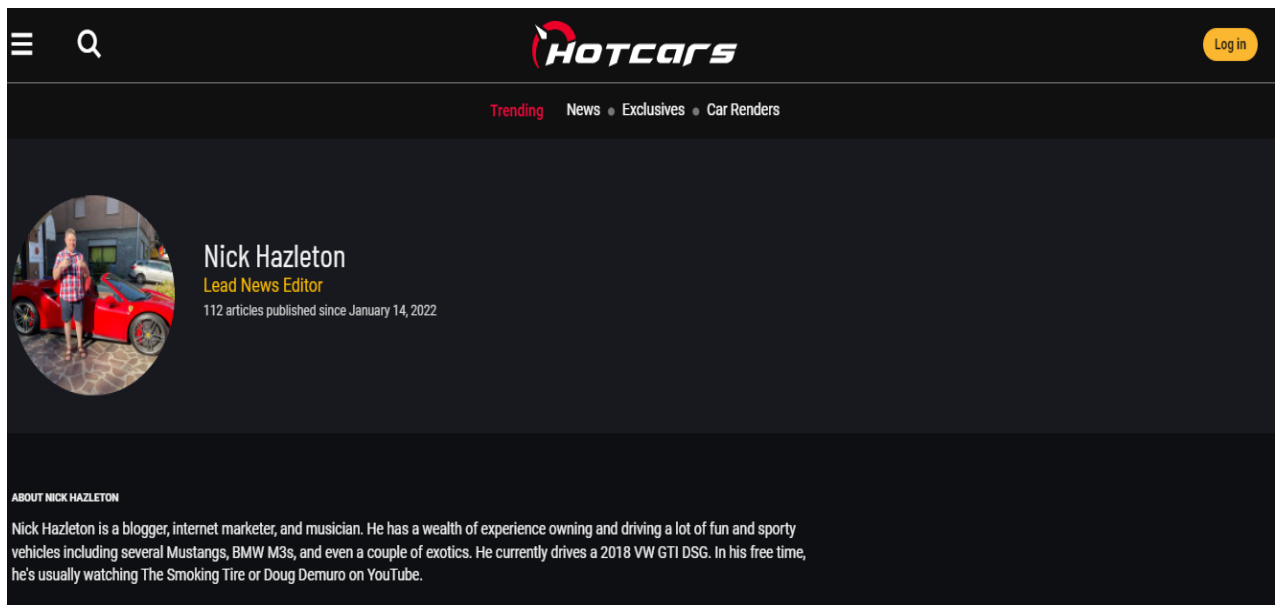
purposes. He was further given and required to use an email signature line identifying him as a Valnet HotCars employee:

Nick Hazleton | Lead Short-Term Content Editor



Website: www.hotcars.com
Email: nicholas.h@hotcars.com
Author Profile: [nicholas-hazleton](#)

18. Valnet even published Mr. Hazleton's profile on its website recognizing him as their HotCars Lead News Editor⁴.



19. Valnet further exercised substantial, if not total, control over the manner and means by which Mr. Hazleton and Content Creators performed their work, as evidenced under the Agreement and in fact:

⁴ See <https://web.archive.org/web/20230321050138/https://www.hotcars.com/author/nicholas-hazleton/> (website screen capture from January 15, 2022) (last visited 8/1/2024).

1 (a) Content Creators are prohibited from subcontracting their work to
2 other workers. Ex. 1, Agreement, ¶4.3. As such, Mr. Hazleton was required to perform
3 the work himself, not as an independent business.

4 (b) Content Creators' work is subject to Valnet's complete discretion
5 as to approval or revision of the work product. Ex. 1, Agreement, ¶4.7.

6 (c) Content Creators are prohibited during their work relationship
7 with Valnet and for six months after discharge from soliciting Valnet's customers,
8 employees, and contributors. Ex. 1, Agreement, ¶4.10. Not only is this undisputable
9 evidence that Valnet exercised control akin to an employer-employee relationship, but
10 this provision violates California's non-compete laws (see discussion below).

11 (d) Content Creators are required to assign all their content and
12 intellectual property rights to Valnet for work performed while working for Valnet.
13 Ex. 1, Agreement, ¶¶6.1-6.5.

14 (e) The nature of Mr. Hazleton's work was not contract or task based
15 but was a full-time employment position in which Valnet retained the right to
16 discharge Mr. Hazleton at will.

17 (f) Valnet paid Mr. Hazleton a "monthly salary" like an employee,
18 and he was expected to work full-time hours from Monday through Friday.

19 (g) Valnet provided Mr. Hazleton with a bi-annual performance
20 evaluation.

21 (h) Mr. Hazleton did not have independent discretion or right to hire
22 or fire workers to perform work for Valnet.

23 (i) Mr. Hazleton had no opportunity to realize profit or business loss
24 from Valnet's operations.

25 (j) Mr. Hazleton's work was done under the direction and supervision
26 of Valnet's management.

27 (k) Valnet retained the right to, and did, require Mr. Hazleton's
28 compliance with its instructions.

1 (l) Valnet exercised control over the hours of Mr. Hazleton's work,
2 including requiring Mr. Hazleton to be available during "office hours," post articles
3 at specific times of the day, and attend mandatory meetings;

4 (m) Valnet exercised control over the nature of Mr. Hazleton's work,
5 including mandating he follow Valnet's policies, procedures, and training regarding
6 how, when and where Mr. Hazleton did his work, including the topics and headlines,
7 and using Valnet's "Editor's Checklist", which controlled the word count, basic image
8 requirements, subheader requirements, article structure requirements, formatting
9 requirements, basic linking requirements, tag requirements, category and written
10 content requirements, search engine optimization requirements, and scheduling and
11 calendaring requirements, among others.

12 (n) Mr. Hazleton was required to present himself as a Valnet
13 representative for its brands such as HotCars in an official capacity on social media,
14 at events, and with industry contacts.

15 (o) Mr. Hazleton was required to train and supervise new Valnet
16 writers and editors, manage teams, and retrain workers.

17 (p) Mr. Hazleton was required to "offboard poorly performing
18 writers" at Valnet's direction.

19 (q) Mr. Hazleton was required to hold "virtual office hours" with other
20 Valnet workers.

21 20. This is an illustrative, not exhaustive, list of the ways Valnet retained
22 total control over the manner and means of Mr. Hazleton's and other Content Creators'
23 work, undisputedly demonstrating Valnet intentionally misclassified Mr. Hazleton as
24 an independent contractor.

25 **The Harm Caused by Valnet's Unlawful Business Model is Substantial**

26 21. Valnet's unlawful misclassification of its workers not only results in the
27 theft of wages and benefits from its workers, but the company is stealing from the
28 United States Treasury and gaining an unfair advantage over honest competitors.

22. First, because of Valnet’s intentional misclassification of Mr. Hazleton as an independent contractor, Valnet failed to provide Mr. Hazleton with the protections of being an employee, including, without limitation, workers’ compensation benefits, disability insurance, vacation or sick pay, minimum wages, social security contributions, overtime wages, reimbursement of business expenses, accurate wage statements, and other benefits available to Valnet’s employees.

23. As an editor, Mr. Hazleton’s occupation is classified under Wage Order 4, 8 Cal. Code Regs. (“CCR”) §11040. At no time during his employment with Valnet, was Mr. Hazleton exempt from California’s wage and hour laws (e.g., minimum wage and overtime) because, *inter alia*, Mr. Hazleton’s monthly salary was less than two times the state minimum wage for full-time employment, his work involved routine mental and manual work, and he did not have the authority to customarily and regularly exercise discretion and independent judgment in the performance of his duties.

24. **Minimum wage violations.** Valnet violated California’s minimum wage law because it must pay employees at least the state’s minimum wage “for all hours worked.” *Oman v. Delta Air Lines, Inc.*, 9 Cal. 5th 762, 782 (2020); *Armenta v. Osmose, Inc.*, 135 Cal. App. 4th 314, 324 (2005) (averaging hourly compensation is not permitted under California law). Valnet failed to pay Mr. Hazleton and other Content Creators for “all hours worked.” In evaluating Mr. Hazleton’s damages, his employment can be broken into four periods:

(a) Period One: From about January 2022 (hiring) to April 24, 2022 (“Period One”), Valnet solely compensated Mr. Hazleton on a piece-rate basis for each published article. During this period, the minimum wage in California was \$15.00 per hour. *See* Cal. Lab. Code §1182.12(b)(1)(F). Valnet failed to pay Mr. Hazleton at least minimum wage for all hours worked during Period One.

(b) Period Two: From about April 25, 2022 to about December 14, 2022 (“Period Two”), Valnet agreed to compensate Mr. Hazleton with an annual salary

1 of \$24,000 for 20 hours of work per week, plus a small piece-rate for some
2 publications. With a 20-hour workweek, equating to about 1,040 working hours in a
3 year, Mr. Hazleton's hourly rate during Period Two was about \$23.08. However, Mr.
4 Hazleton was required to work more than 20 hours in many weeks, resulting in Valnet
5 failing to pay Mr. Hazleton for all hours worked in Period Two.

6 (c) Period Three: From about December 15, 2022 to August 15, 2022
7 ("Period Three"), Valnet agreed to compensate Mr. Hazleton with an annual salary of
8 \$40,000 for 40 hours of work per week. With a 40-hour workweek, equating to about
9 2,080 working hours in a year, Mr. Hazleton's hourly rate during Period Three was
10 about \$19.23. However, Mr. Hazleton was required to work more than 40 hours in
11 many weeks, resulting in Valnet failing to pay Mr. Hazleton for all hours worked in
12 Period Three.

13 (d) Period Four: From about August 16, 2023 to the termination of
14 Mr. Hazleton's employment ("Period Four"), Valnet agreed to compensate Mr.
15 Hazleton with an annual salary of \$48,000 for 40 hours of work per week. With a 40-
16 hour workweek, equating to about 2,080 working hours in a year, Mr. Hazleton's
17 hourly rate during Period Four was about \$23.08. However, Mr. Hazleton was
18 required to work more than 40 hours in many weeks, resulting in Valnet failing to pay
19 Mr. Hazleton for all hours worked in Period Four.

20 25. Mr. Hazleton's respective annual salary amounts throughout Period Two
21 through Period Four were not reduced or increased depending on the hours he actually
22 worked. Because Valnet failed to pay Mr. Hazleton for all hours worked in Period One
23 through Period Four, Valnet violated California's minimum wage law. It makes no
24 difference that the aggregate compensation Valnet paid to Mr. Hazleton for each bi-
25 monthly pay period, when divided by the total number of hours during that period,
26 yields an hourly rate that exceeds the minimum wage. *Oman*, 9 Cal. 5th at 782;
27 *Armenta*, 135 Cal. App. 4th at 324.

1 26. **Overtime violations.** Mr. Hazleton was required to work at times over
2 eight hours per day, forty hours per week, and/or work on a seventh consecutive day
3 in a workweek. However, Valnet did not pay Mr. Hazleton overtime wages for those
4 hours worked. Based on information and belief, Valnet does not pay any of the
5 Content Creators it misclassified as independent contractors overtime wages for time
6 they work beyond eight hours per day, forty hours per week, and/or for work on a
7 seventh consecutive day in a workweek.

8 27. **Failure to Reimburse Business Expenses.** Valnet required Mr.
9 Hazleton and other Content Creators to use their own computers, smart phones,
10 internet, and other tools and materials necessary to perform their jobs. Despite
11 knowing these expenses were being incurred, Valnet failed to reimburse Mr. Hazleton
12 and the Content Creators for such expenses.

13 28. **Failure to Provide Meal and Rest Periods.** Mr. Hazleton regularly and
14 consistently worked more than five hours per day. Valnet, however, did not provide
15 Mr. Hazleton with a timely 30-minute off-duty meal period within the first five hours
16 of his workday or otherwise. Nor did Valnet provide Mr. Hazleton with an
17 uninterrupted ten-minute rest period for every four hours or major fraction thereof
18 worked. Based on information and belief, Valnet failed to provide such meal and rest
19 periods to the other Content Creators.

20 29. **Paid Sick Time Violations.** Up until January 1, 2024, pursuant to the
21 California Healthy Workplaces, Healthy Families Act of 2014, California employers
22 were required to provide employees with at least 24 hours or three days of paid sick
23 leave per year. Mr. Hazleton was eligible for paid sick leave because he worked in
24 California for at least 30 days within a year of being hired. As of January 1, 2024,
25 Mr. Hazleton was entitled to paid sick leave of up to five days or 40 hours. Valnet
26 failed to provide Mr. Hazleton and other Content Creators with any paid sick leave.

27 30. **Wage Statement Violations and Failure to Maintain Employment**
28 **Records.** Through Mr. Hazleton's employment, Valnet failed to provide him with

wage statements compliant with Labor Code §226 because it failed to provide him with statements that itemized, *inter alia*, total hours worked, number of piece-rate units earned and applicable piece rate, all deductions, gross versus net wages earned, last four digits of social security number or employee identification number, and all applicable hourly rates in effect and corresponding number of hours at each hourly rate. Based on information and belief, Valmet similarly failed to provide other Content Creator's with accurate wage statements. Valnet also failed to make available to Mr. Hazleton and other Content Creators access to wage statements, personnel files, and other employment records, to review and/or copy. Based on information and belief, Valnet failed to maintain such records.

31. **Tax Theft.** Employers such as Valnet have a legal responsibility to collect and pay over to the Internal Revenue Service ("IRS") taxes withheld from their employees' wages. 26 U.S.C. §§3102(a), 3102(b), 3402, 3403. One of the four types of tax imposed by the Internal Revenue Code with respect to wages paid to employees is income tax, which is based on the amount of wages they receive. 26 U.S.C. §§1, 61(a)(1). As stated by the U.S. Department of Justice ("DOJ"), when "employers willfully fail to collect, account for and deposit with the IRS employment tax due, *they are stealing from their employees and ultimately, the United States Treasury.*"⁵ "In addition, employers who willfully fail to comply with their obligations and unlawfully line their own pockets with amounts withheld are gaining an unfair advantage over the honest competitors." *Id.* In an April 2016 press release, the DOJ stressed that the failure to comply with federal employment tax obligations is "not simply a civil matter."⁶ Where employment taxes are not paid, the DOJ can, and does, pursue criminal prosecution.

⁵ <https://www.justice.gov/tax/employment-tax-enforcement-0> (last visited 7/22/2024).

⁶ DOJ Press Release "Justice Department Reminds Employers of Their Employment Tax Responsibilities" (April 27, 2016), available at www.justice.gov.

Any person required under this title to collect, account for, and pay over any tax imposed by this title who willfully fails to collect or truthfully account for and pay over such tax shall, in addition to other penalties provided by law, be guilty of a felony, and upon conviction thereof, shall be fined ... or imprisoned not more than 5 years, or both, together with the costs of prosecution.

26 U.S.C. §7202.

32. Employment tax crimes are regularly prosecuted under §7202, as well as 26 U.S.C. §7201 (tax evasion), 26 U.S.C. §7206(1) (false returns), 26 U.S.C. §7212(a) (obstruction), and 18 U.S.C. §371 (conspiracy to defraud); *see, e.g., United States v. Kahre*, 737 F.3d 554, 580-581 (9th Cir. 2012) (finding workers were employees and not independent contractors in sustaining §7202 convictions). Here, due to intentionally misclassifying Mr. Hazleton and other Content Creators, Valnet willfully failed to collect, account for and deposit with the IRS employment tax due, and thereby the company was stealing from its employees and ultimately, the United States Treasury.

Valnet Unlawfully Discharged Plaintiff for Reporting Conduct that Violated the Law and For Refusing to Participate in the Same

33. Valnet discharged Mr. Hazleton because he reported that Valnet was violating the law and because he refused to work under conditions that violated the law.

34. Specifically, in April 2024, Mr. Hazleton notified management that he was being paid on the low end for editors in the automotive publication industry. While Valnet initially offered to cover his insurance benefits, the company then went silent in communicating with Mr. Hazleton about his wages and benefits. In response, Mr. Hazleton researched federal and California labor laws and determined the company had been violating the law by misclassifying him and others as independent contractors.

35. Thus, on or about April 16, 2024, Mr. Hazleton reported the unlawful conduct to his supervisors, including by directing the company to publications by the

U.S. Department of Labor and the California Department of Industrial Relations regarding misclassification of workers. Mr. Hazleton also reported that he was not going to complete any more work until the unlawful conditions were rectified. In other words, Mr. Hazleton reported he did not want to participate in working under conditions that violated the law.

36. In response, Valnet refused to cease its unlawful misclassification of Mr. Hazleton (and other similarly situated workers) and instead terminated Mr. Hazleton's employment on April 19, 2024 because Mr. Hazleton reported unlawful conduct and because he refused to participate in activity that would result in a violation of state and federal laws. Indeed, Valnet knew its conduct was unlawful. Just two months prior, Valnet was hit with a wage and hour class action lawsuit because of Valnet's misclassification of its content creators as independent contractors. *See Quintiliano v. Valnet, Inc., et al.*, Case No. 23-cv-01284-MCS-MAR (filed 2/15/2024).

Valnet Unlawful Restricts its Workers with Invalid Noncompete Agreements

37. If intentionally misclassifying its employees as independent contractors was not bad enough, through its Agreement, Valnet unlawfully attempts to restricts its workers from competing in the industry in violation of, *inter alia*, California Business and Professions Code §§16600. This in turn triggers liability under California Labor Code §432.5, which prohibits employers from requiring employees to agree to any term or condition of employment that is known by the employer to be prohibited by law, and anyone who violates that section is guilty of a misdemeanor under Labor Code §433. Here, Valnet knowingly violated, *inter alia*, Business & Professions Code §16600, *et seq.*, by requiring Mr. Hazleton and other Content Creators to agree to terms and conditions of employment prohibited by law, namely, unlawful restrictive covenant provisions in the Agreement. *See Ex. 1, Agreement*, ¶¶4.10.1-4.11.

38. As a direct result of Valnet's conduct, Mr. Hazleton has suffered, and continues to suffer, lost wages, humiliation, embarrassment, emotional distress, and mental anguish. Mr. Hazleton is a victim of Defendant's unlawful practices and

1 therefore brings this action to recover damages, restitution, penalties, and injunctive
2 relief.

3 PRIVATE ATTORNEYS GENERAL ACT

4 39. California's PAGA (Labor Code §2698, et seq.) was in effect during all
5 relevant times during Mr. Hazleton's employment with Valnet. PAGA provides that
6 any civil penalty which may be assessed and collected by the Labor and Workforce
7 Development Agency ("LWDA") for violations of the Labor Code may, as an
8 alternative, be recovered through a civil action brought by an aggrieved employee on
9 behalf of himself and other current or former employees pursuant to procedures
10 outlined in Labor Code §2699.3

11 40. Under PAGA, an "aggrieved employee," is "any person employed by the
12 alleged violator and against whom one or more of the alleged violations was
13 committed." Mr. Hazleton was employed by Valnet and the alleged violations were
14 committed against him during his employment and he is, therefore, an aggrieved
15 employee as defined by Labor Code §2699(c). The alleged violations were also
16 committed against other Content Creators.

17 41. Under Labor Code §§2699.3 and 2699.5, an aggrieved employee,
18 including Mr. Hazleton, may pursue a civil action to recover PAGA civil penalties in
19 addition to any other available penalties after: (1) giving written notice by certified
20 mail ("Employee's Notice") to the LWDA and the employer of the specific provisions
21 of the California Labor Code alleged to have been violated, including the facts and
22 theories to support the alleged violations; and (2) the LWDA advises the employee
23 and employer it declines to investigate the alleged violations within 60 calendar days
24 of the postmark date of the Employee's Notice. Labor ("Lab.") Code §2699.3(a)(1)-
25 (2).

26 42. On August 12, 2024, Mr. Hazleton provided written notice by online
27 submission and by certified mail to the LWDA and by certified mail to Valnet of the
28

specific provisions of the Labor Code alleged to have been violated, including the facts and theories to support the alleged violations, under Labor Code §2699.3.

43. The employer may cure the alleged violation within 33 calendar days of the Employee's Notice. Lab. Code §2699.3(c)(2)(A). If the alleged violations are not cured within the 33-day period, Mr. Hazleton may commence a civil action to recover penalties pursuant to Labor Code §2699.

44. If the alleged violations are not cured in whole within the 33-day period by Valnet, Mr. Hazleton intends to amend his complaint to add a cause of action arising under Labor Code §2699. See Lab. Code §2699.3(a)(2)(C) ("Notwithstanding any other provision at law, a plaintiff may as a matter of right amend an existing complaint to add a cause of action arising under this part at any time within 60 days of the time periods specified in this part.").

COUNT I

Willful Misclassification In Violation of California Labor Code §226.8 Recoverable via PAGA (Against All Defendants)

45. Plaintiff realleges and incorporates here by reference every allegation in the preceding and subsequent paragraphs.

46. Labor Code §226.8(a)(1) makes it unlawful for any person or employer to engage in the willful "misclassification of an individual as an independent contractor."

47. For a violation of Labor Code §226.8(a), the employer shall be subject to a civil penalty of not less than \$5,000 and not more than \$15,000 for each violation, in addition to any other penalties or fines permitted by law. Labor Code §226.8(b). If the employer is found to have engaged in a pattern or practice of these violations, the employer shall be subject to a civil penalty of not less than \$10,000 and not more than \$25,000 for each violation, in addition to any other penalties for fines permitted by law. Labor Code §226.8(c)

4 49. Defendants willfully engaged in a pattern and practice of violating Labor
5 Code §226.8(a). Defendants' misclassification of Plaintiff and the other Content
6 Creators as independent contractors was willful because it was done knowingly and
7 voluntarily. Defendants had a pattern and practice of willfully misclassifying its
8 Content Creators as independent contractors.

9 50. To the extent any civil penalty under the Labor Code is to be assessed
10 and collected by the LWDA or any of its departments, divisions, commissions, boards,
11 agencies, or employees, for a violation of the Labor Code, pursuant to PAGA, Labor
12 Code §2699(a), Plaintiff seeks all such applicable civil penalties on behalf of himself
13 and other aggrieved employees pursuant to the procedures specified in Labor Code
14 §2699.3.

51. Plaintiff and Content Creators are entitled to civil penalties pursuant to Labor Code §226.8(b) and (c) because of Defendants pattern or practice of violating Labor Code §226.8(a). As a direct and proximate result of Defendants' unlawful misclassification, Plaintiff and Content Creators have been damaged in an amount to be proven at the time of trial.

52. Plaintiff is also entitled to costs and reasonable attorneys' fees pursuant to Labor Code §§218.5, 2699(g), Code of Civil Procedure §1021.5, and any other applicable provision for attorneys' fees and costs.

Failure to Pay all Wages Due and Owing In Violation of California Labor Code §218

(Against All Defendants)

53. Plaintiff realleges and incorporates here by reference every allegation in the preceding and subsequent paragraphs.

54. California Labor Code §218 provides for a private right of action for “any wage claimant to sue directly or through an assignee for any wages or penalty due him” under the provisions of Article 1 (§§200-244) of the Labor Code. Lab. Code §218.

55. As set forth above in this Complaint, due to Defendants’ misclassification of Plaintiff as an independent contractor, Defendants failed to pay Plaintiff all wages due and owing.

56. As a direct and proximate result of Defendants’ unlawful conduct, Plaintiff suffered damages in an amount to be proven at the time of trial.

57. Plaintiff may also recover costs, reasonable attorneys’ fees, and prejudgment interest under Labor Code §§218.5 and 218.6.

COUNT III

Failure to Pay Minimum Wage In Violation of California Labor Code §§1194 and 1197, and Wage Order 4

(Against all Defendants)

58. Plaintiff realleges and incorporates here by reference every allegation in the preceding and subsequent paragraphs.

59. Labor Code §1197 provides, “[t]he minimum wage for employees fixed by the commission . . . is the minimum wage to be paid to employees, and the payment of a lower wage than the minimum so fixed is unlawful.” Lab. Code §1197. The statutory minimum wages are set forth in Labor Code §1182.12.

60. “All wages . . . earned by any person in any employment are due and payable twice during each calendar month, on days designated in advance by the employer as the regular paydays.” Lab. Code §204(a). “Every employer shall pay to each employee, on the established payday for the period involved, not less than the applicable minimum wage for all hours worked in the payroll period, whether the

1 remuneration is measured by time, piece, commission, or otherwise.” 8 Cal. Code
2 Regs. §11040(4)(B).

3 61. The broad definition of “hours worked” includes “the time during which
4 an employee is subject to the control of an employer, and includes all the time the
5 employee is suffered or permitted to work, whether or not required to do so.” *See* 8
6 Cal. Code Regs. §11040(2)(K). California workers must receive the minimum wage
7 for *each hour worked* during the payroll period, even if the agreed-upon
8 compensation exceeds the minimum wage for the total hours worked. *See Gonzalez*
9 *v. Downtown LA Motors, LP*, 215 Cal. App. 4th 36, 51-52 (2013) (emphasis added);
10 *Armenta*, 135 Cal. App. 4th at 323; *Oman*, 9 Cal. 5th at 782.

11 62. Defendants subjected Plaintiff to their control during hours for which
12 Plaintiff was not compensated. It achieved this by, *inter alia*, failing to maintain time
13 records so that Plaintiff was not paid any wages for certain hours. Rather, for Period
14 One, Valnet simply paid Plaintiff a small piece rate for published articles without
15 compensating Plaintiff for any hours worked. In Period Two through Period Four,
16 Defendants paid Plaintiff a fixed salary that did not compensate Plaintiff for all hours
17 worked. As a direct result, Defendants failed to pay Plaintiff the minimum wage for
18 each hour worked during the payroll periods throughout his employment.

19 63. “[A]ny employee receiving less than the legal minimum wage . . .
20 applicable to the employee is entitled to recover in a civil action the unpaid balance
21 of the full amount of this minimum wage . . . , including interest thereon, reasonable
22 attorney’s fees, and costs of suit.” Lab. Code §1194(a).

23 64. Because Plaintiff suffered damage as a direct result of Defendants’
24 failure to pay him for all hours worked, Plaintiff may recover the full amount of the
25 difference between what he was paid and what he was required to be paid, including
26 interest thereon, reasonable attorneys’ fees, and costs of suit. Lab. Code §§1194(a),
27 1194.3, 218, 218.5, 218.6. Plaintiff may also “recover liquidated damages in an
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amount equal to the wages unlawfully unpaid and interest thereon.” Lab. Code §1194.2(a).

COUNT IV

Failure to Pay Overtime Compensation In Violation of California Labor Code §510, 1194 and Wage Order 4

(Against all Defendants)

65. Plaintiff realleges and incorporates here by reference every allegation in the preceding and subsequent paragraphs.

66. Employees must be paid one and one-half of their regular wages for every hour worked above forty hours in each work week, or above eight hours in each workday. *See* 8 Cal. Code Regs. §11040(3). “[A]ny employee receiving less than . . . the legal overtime compensation applicable to the employee is entitled to recover in a civil action the unpaid balance of the full amount of this . . . overtime compensation, including interest thereon, reasonable attorney’s fees, and costs of suit.” Lab. Code § 1194(a); *see also* Lab. Code §§218, 218.5, 218.6.

67. Labor Code §510(a) provides:

Eight hours of labor constitutes a day’s work. Any work in excess of eight hours in one workday and any work in excess of 40 hours in any one workweek and the first eight hours worked on the seventh day of work in any one workweek shall be compensated at the rate of no less than one and one-half times the regular rate of pay for an employee. Any work in excess of 12 hours in one day shall be compensated at the rate of no less than twice the regular rate of pay for an employee. In addition, any work in excess of eight hours on any seventh day of a workweek shall be compensated at the rate of no less than twice the regular rate of pay of an employee.

Lab. Code §510(a); *see also* 8 Cal. Code Regs. §11050(3)(A)(1).

68. Plaintiff did not work alternative workweek schedules pursuant to Labor Code §§511, 514, or 554.

69. Plaintiff worked more than eight hours in a workday and/or more than 40 hours in a workweek without being compensated at the applicable overtime rate.

1 Plaintiff also worked on a seventh day of a workweek without being compensated at
2 the applicable overtime rate. Defendants failed to pay Plaintiff overtime wages.

3 70. As such, Defendants must pay Plaintiff all unpaid overtime wages,
4 interest, costs of suit, and reasonable attorneys' fees. Lab. Code §§218, 218.5, 218.6,
5 1194(a).

6 COUNT V

7 **Failure to Reimburse Reasonable Business Expenses** 8 **In Violation of California Labor Code §2802**

9 **(Against all Defendants)**

10 71. Plaintiff realleges and incorporates here by reference every allegation in
11 the preceding and subsequent paragraphs.

12 72. "An employer shall indemnify his or her employee for all necessary
13 expenditures or losses incurred by the employee in direct consequence of the
14 discharge of his or her duties, or of his or her obedience to the directions of the
15 employer, even though unlawful, unless the employee, at the time of obeying the
16 directions, believed them to be unlawful." Lab. Code §2802(a). The purpose of the
17 statute is "to prevent employers from passing their operating expenses on to their
18 employees." *Cochran v. Schwan's Home Serv., Inc.*, 228 Cal. App. 4th 1137, 1144
19 (2014) (citations omitted); *id.* at 1145 (holding to "show liability under section 2802,
20 an employee need only show that he or she was required" to incur a business-related
21 expense and "not reimbursed").

22 73. "Any contract or agreement, express or implied, made by any employee
23 to waive the benefits of this article or any part thereof, is null and void, and this article
24 shall not deprive any employee . . . of any right or remedy to which he is entitled
25 under the laws of this State." Lab. Code §2804; *see also Edwards v. Arthur Andersen*
26 *LLP*, 44 Cal. 4th 937, 951 (2008) (holding Labor Code §2804 applies to Labor Code
27 §2802, "making all contracts that waive an employee's right to indemnification null
28 and void"); *Takacs v. A.G. Edwards & Sons, Inc.*, 444 F. Supp. 2d 1100, 1123 (S.D.

1 Cal. 2006) (holding Labor Code §2804 precluded employer from arguing the
2 deductions it made in violation of Labor Code §2802 were “contractually agreed upon
3 with the Plaintiff”).

4 74. As set forth above, Plaintiff was an employee of Valnet from
5 approximately January 2022 through his unlawful discharge on or about April 19,
6 2024. Defendants, however, willfully misclassified Plaintiff as an independent
7 contractor.

8 75. Plaintiff incurred necessary expenditures in direct consequence of the
9 discharge of his employment duties and his obedience to Defendants’ directions
10 including, but not limited to, the purchase, service, and usage of Plaintiff’s personal
11 cell phone, service and usage of Plaintiff’s internet, and purchase and usage of home
12 office equipment such as laptop, desktop, monitors, and desk.

13 76. As a result of the Defendants’ unlawful acts, Plaintiff is entitled to
14 recover his unreimbursed expenditures, interest, and attorneys’ fees and costs, in
15 amounts to be proven at the time of trial. Lab. Code §2802(b), (c).

16 **COUNT VI**

17 **Failure to Furnish and Maintain Accurate Wage** 18 **Statements and Employment Records** 19 **In Violation of California Labor Code §§226, 423, and** 20 **1198.5**

21 **(Against all Defendants)**

22 77. Plaintiff realleges and incorporates here by reference every allegation in
23 the preceding and subsequent paragraphs.

24 78. “Employers are required to provide itemized wage statements to
25 employees, containing specified information, all set forth in section 226(a).” *Heritage*
26 *Residential Care, Inc. v. Div. of Labor Standards Enf’t*, 192 Cal. App. 4th 75, 80
27 (2011). “The requirement is mandatory.” *Id.* Each “detachable part of the check” must
28 accurately itemize nine categories of information. Lab. Code §226(a). The categories
applicable here include: “(1) gross wages earned, (2) total hours worked . . . , (4) all

1 deductions . . . , (5) net wages earned, (6) the inclusive dates of the period for which
2 the employee is paid, (7) the name of the employee and only the last four digits of his
3 or her social security number . . . , (8) the name and address of the legal entity that is
4 the employer . . . , and (9) all applicable hourly rates . . . and the corresponding
5 number of hours worked at each hourly rate.” *Id.*

6 79. Defendants intentionally and willfully failed to provide Plaintiff with
7 complete and accurate wage statements as required under Labor Code §226(a). The
8 deficiencies included, among other things, the failure to accurately list the gross
9 wages earned, accurate rates of pay, net wages earned, hours worked, and the
10 corresponding number of hours worked at each hourly rate by the employee. The wage
11 statements also did not have the last four digits of Plaintiff’s social security number
12 or an employee identification number other than the social security number.
13 Defendants’ failure was not an isolated and unintentional payroll error due to a clerical
14 or inadvertent mistake, but a knowing and intentional pattern and practice that
15 occurred throughout Plaintiff’s employment with Defendants.

16 80. As a result of Defendants’ failures, Plaintiff is deemed to have suffered
17 injury. Lab. Code §226(e)(2)(A), (B). Specifically, Plaintiff has been injured because
18 he was denied both his legal right to receive, and his protected interest in receiving,
19 accurate itemized wage statements under Labor Code §226(a). In addition, because
20 Defendants failed to provide the accurate hours worked and rates of pay on wage
21 statements, Defendants have prevented Plaintiff from determining if all hours worked
22 were paid at the appropriate rate and the extent of the underpayment.

23 81. In addition to accurate wage statements, pursuant to Wage Order 4, an
24 employer “shall keep accurate information with respect to each employee” including
25 “[t]ime records showing when the employee begins and ends each work period.” 8
26 Cal. Code Regs. §11040(7)(A)(3). “Meal periods, split shift intervals and total daily
27 hours worked shall also be recorded.” *Id.* In addition, “[t]otal wages paid each payroll
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1 period” and “[t]otal hours worked in the payroll period and applicable rates of pay”
2 must be accurately maintained. 8 Cal. Code Regs. §11040(7)(A)(4)-(5).

3 82. Pursuant to Labor Code §226(b) an employer is required to maintain
4 employees’ wage statements and “shall afford current and former employees the right
5 to inspect or receive a copy of records pertaining to their employment, upon
6 reasonable request to the employer.” Lab. Code §226(b); *see also* 8 Cal. Code Regs.
7 §11040(7)(A)-(C) (identify accurate information employers are required to maintain).
8 An employer who receives a written or oral request to receive a copy of these records
9 “shall comply with the request as soon as practicable, but no later than 21 calendar
10 days from the date of the request.” Lab. Code §226(c). In addition, pursuant to Labor
11 Code §432, upon request an employer must give an employee a copy of any
12 instrument signed by the employee relating to the obtaining or holding of
13 employment. Any person violating this article is guilty of a misdemeanor. Lab. Code
14 §433.

15 83. Finally, pursuant to Labor Code §1198.5(a), every “current and former
16 employee, or his or her representative, has the right to inspect and receive a copy of
17 the personnel records that the employer maintains relating to the employee’s
18 performance or to any grievance concerning the employee.” Lab. Code §1198.5(a).
19 The employer shall make the contents of those personnel records available for
20 inspection at a reasonable time, “but not later than 30 calendar days from the date the
21 employer receives a written request.” Lab. Code §1198.5(b)(1).

22 84. Here, on June 11, 2024, and again on June 28, 2024, Plaintiff requested
23 in writing to inspect and copy his employment files and records pursuant to the above
24 statutory provisions. More than 30 days have elapsed, and Defendants failed to
25 comply with the request in a timely manner or otherwise make the records available
26 for inspection and copying. In addition, based on information and belief, Defendants
27 failed to maintain accurate records relating to Plaintiff’s time records, wage records,
28

1 and meal and rest periods. As such, Defendants violated Labor Code §§226, 432,
2 1174, 1198.5, and Wage Order 4.

3 85. As a proximate result of the Defendants' unlawful acts, Plaintiff has
4 suffered and continues to suffer harm and "is entitled to recover the greater of all
5 actual damages or fifty dollars (\$50) for the initial pay period in which a violation
6 occurs and one hundred dollars (\$100) per employee for each violation in a
7 subsequent pay period, not to exceed an aggregate penalty of four thousand dollars
8 (\$4,000), and is entitled to an award of costs and reasonable attorney's fees." Lab.
9 Code §226(e)(1).

10 86. In addition, a failure by an employer to permit a current or former
11 employee to inspect or receive a copy of records within the time set forth in Labor
12 Code §226(c) entitles the employee to recover a \$750 penalty from the employer. Lab.
13 Code §226(f). An employee may also bring an action for injunctive relief to ensure
14 compliance and is entitled to an award of costs and reasonable attorneys' fees. Lab.
15 Code §226(h). An employer who fails to permit an employee to inspect or copy
16 personnel records within the times specified by Labor Code §1198.5(b)(1) may also
17 recover a "penalty" of \$750 from the employer. Lab. Code §1198.5(k). An employee
18 may also bring an action for injunctive relief to ensure compliance and is entitled to
19 an award of costs and reasonable attorney's fees. Lab. Code §1198.5(l).

20 87. Defendants' violations of Labor Code §226(a) prevented Plaintiff from
21 knowing, understanding, and disputing the wages paid to him, and resulted in an
22 unjustified economic enrichment to Defendants. As a result of Defendants' knowing
23 and intentional failure to comply with the Labor Code provisions above, Plaintiff has
24 suffered an injury, the exact amount of damages and/or penalties is all in an amount
25 to be shown according to proof at trial.

26 88. Plaintiff has had to file this lawsuit to analyze the extent of the
27 underpayment, thereby causing Plaintiff to incur expenses and lost time. Plaintiff
28 would not have had to engage in these efforts and incur these costs had Defendants

properly classified Plaintiff and provided the accurate rate of pay. This has also delayed Plaintiff's ability to demand and recover the underpayment of wages from Defendants.

89. Accordingly, pursuant to the above noted laws, including Labor Code §§218, 218.5, 218.6, 226(e)(1), and 1198.5(l). Plaintiff seeks injunctive relief, penalties, costs of suit, including reasonable attorneys' fees, and interest.

COUNT VII

Failure to Provide Meal Periods In Violation of California Labor Code §§226.7, 512 and Wage Order 4

(Against all Defendants)

90. Plaintiff realleges and incorporates here by reference every allegation in the preceding and subsequent paragraphs.

91. Plaintiff did not meet the criteria established for exemption as an executive, professional, or administrative employee, and therefore, Plaintiff was a non-exempt employee entitled to the protections of Labor Code §§226.7 and 512 throughout his employment with Defendants.

92. Labor Code §512(a) provides that "[a]n employer shall not employ an employee for a work period of more than five hours per day without providing the employee with a meal period of not less than 30 minutes." Lab. Code §512(a). California's accompanying Regulations further provide:

No employer shall employ any person for a work period of more than five (5) hours without a meal period of not less than 30 minutes, except that when a work period of not more than six (6) hours will complete the day's work the meal period may be waived by mutual consent of the employer and the employee. Unless the employee is relieved of all duty during a 30 minute meal period, the meal period shall be considered an "on duty" meal period and counted as time worked. An "on duty" meal period shall be permitted only when the nature of the work prevents an employee from being relieved of all duty and when by written agreement between the parties an on-the-job paid meal period is agreed to. The written agreement shall state that the employee may, in writing, revoke the agreement at any time.

8 Cal. Code Regs. §11040(11)(A); Wage Order 4 (11)(A).

93. Further, an “employer shall not require an employee to work during a meal . . . period mandated pursuant to an applicable statute, or applicable regulation, standard, or order of the Industrial Welfare Commission.” Lab. Code §226.7(b). “If an employer fails to provide an employee a meal . . . period . . . , the employer shall pay the employee one additional hour of pay at the employee’s regular rate of compensation for each workday that the meal . . . period is not provided.” Lab. Code §226.7(c); 8 Cal. Code Regs. §11040(11)(B); Wage Order 4 (11)(B).

94. During the relevant period, Plaintiff did not receive compliant meal breaks for working more than five and/or ten hours per day because Defendants knowingly failed to ever make such breaks available.

95. Further, during the relevant period, Defendants failed to pay Plaintiff one additional hour of pay at his regular rate of compensation for each workday that a meal break was missed, late, and/or interrupted pursuant to Labor Code §226.7(c) and Wage Order 4 (11).

96. As a result of Defendants’ failure to provide Plaintiff with duty-free meal breaks and its failure to pay Plaintiff one additional hour of pay at his regular rate of compensation for each workday that a meal break was missed, late, and/or interrupted, Plaintiff suffered and continues to suffer a loss of wages and compensation.

97. Plaintiff seeks recovery of attorneys’ fees, costs, and interest pursuant to, *inter alia*, Labor Code §§218.5 and 218.6.

COUNT VIII

Failure to Provide Rest Periods In Violation of California Labor Code §226.7 and Wage Order 4

(Against all Defendants)

98. Plaintiff realleges and incorporates here by reference every allegation in the preceding and subsequent paragraphs.

1 99. Plaintiff did not meet the criteria established for exemption as an
2 executive, professional, or administrative employee, and therefore, Plaintiff was a
3 non-exempt employee entitled to the protections of Labor Code §226.7 throughout
4 his employment with Defendants.

5 100. Plaintiff was entitled “to take rest periods, which insofar as practicable
6 shall be in the middle of each work period. The authorized rest period time shall be
7 based on the total hours worked daily at the rate of ten (10) minutes net rest time per
8 four (4) hours or major fraction thereof.” 8 Cal. Code Regs. §11040(12)(A); IWC
9 Wage Order 4(12)(A).

10 101. “An employer shall not require an employee to work during a . . . rest
11 . . . period mandated pursuant to an applicable statute, or applicable regulation,
12 standard, or order of the Industrial Welfare Commission . . .” Lab. Code §226.7(b).
13 “If an employer fails to provide an employee a . . . rest . . . period . . . the employer
14 shall pay the employee one additional hour of pay at the employee’s regular rate of
15 compensation for each workday that the . . . rest . . . period is not provided.” Lab.
16 Code §226.7(c); 8 Cal. Code Regs. §11040(12)(B); Wage Order No. 4 (12)(B).

17 102. During the relevant period, Defendants. did not provide Plaintiff with the
18 opportunity to take a duty-free, ten-minute rest period for every four hours or major
19 fraction thereof that he worked. Defendants failed to pay Plaintiff one additional hour
20 of pay at his regular rate of compensation for each workday that a rest period was
21 missed, late, and/or interrupted pursuant to Labor Code §226.7(b) and Wage Order 4
22 (12).

23 103. As a result of Defendants’ failure to provide Plaintiff with duty-free rest
24 periods and its failure to pay Plaintiff one additional hour of pay at his regular rate of
25 compensation for each workday that a rest period was missed, late, and/or interrupted,
26 Plaintiff suffered and continues to suffer a loss of wages and compensation.

27 104. Plaintiff seeks recovery of attorneys’ fees, costs, and interest pursuant to,
28 *inter alia*, Labor Code §§218.5 and 218.6.

COUNT IX**Failure to Timely Pay Wages Due at Termination
In Violation of California Labor Code §§201 and 203****(Against all Defendants)**

105. Plaintiff realleges and incorporates here by reference every allegation in the preceding and subsequent paragraphs.

106. Labor Code §201 provides in pertinent part: “If an employer discharges an employee, the wages earned and unpaid at the time of discharge are due and payable immediately.” Lab. Code §201(a)

107. Labor Code §203 provides in pertinent part: “If an employer willfully fails to pay . . . in accordance with Sections 201 [and] 202 . . . , any wages of an employee who is discharged or who quits, the wages of the employee shall continue as a penalty from the due date thereof at the same rate until paid . . . ; but the wages shall not continue for more than 30 days.” Lab. Code §203(a).

108. Defendants violated Labor Code §201 by failing to pay Plaintiff all wages due and owing at the time of discharge and/or within 72 hours thereafter. Defendants’ failure to pay Plaintiff all wages due and owing was intentional and was not accidental or inadvertent.

109. Plaintiff is entitled to compensation for all forms of wages earned, but to date has not received such compensation therefore entitling him to penalties under Labor Code §203.

110. More than 30 days have passed since Plaintiff left Defendants’ employ, and he has not received payment pursuant to Labor Code §§201, 202, and 203. Because of Defendants’ willful conduct in not paying all earned wages, Plaintiff is entitled to 30 days’ wages as a premium wage or penalty under Labor Code §203.

COUNT X**Retaliation and Wrongful Termination
In Violation of California Labor Code §1102.5****(Against all Defendants)**

111. Plaintiff realleges and incorporates here by reference every allegation in the preceding and subsequent paragraphs.

112. Pursuant to Labor Code §1102.5(b):

An employer, or any person acting on behalf of the employer, shall not retaliate against an employee for disclosing information, or because the employer believes that the employee disclosed or may disclose information, to a government or law enforcement agency, to a person with authority over the employee or another employee who has the authority to investigate, discover, or correct the violation or noncompliance . . . , if the employee has reasonable cause to believe that the information discloses a violation of state or federal statute, or a violation of or noncompliance with a local, state, or federal rule or regulation, regardless of whether disclosing the information is part of the employee's job duties.

Lab. Code §1102.5(b).

113. Further, "[a]n employer, or any person acting on behalf of the employer, shall not retaliate against an employee for refusing to participate in an activity that would result in a violation of state or federal statute, or a violation of or noncompliance with a local, state, or federal rule or regulation." Lab. Code §1102.5(c).

114. Plaintiff engaged in protected activity by reporting to Defendants' management that Defendants were unlawfully misclassifying him and other employees as independent contractors, which violated several laws as set forth above in this Complaint. Further, Plaintiff refused to participate in Defendants' unlawful practice.

115. In response, Defendant retaliated against Plaintiff for engaging in protected conduct and refusing to participate in Defendants' unlawful conduct by, among other things, wrongfully discharging Plaintiff.

116. As such, Plaintiff is entitled to recover compensatory and punitive damages from Defendants for his injuries suffered as a result of Defendants' violations of Labor Code §1102.5. Lab. Code §1105; *see also Mathews v. Happy Valley Conf. Ctr., Inc.*, 43 Cal. App. 5th 236, 267, 269.

117. As a proximate result of Defendants' wrongful conduct, Plaintiff has suffered, and continues to suffer, substantial losses in earnings, earning capacity, and other benefits of employment, all in an amount to be determined according to proof at the time of trial. Plaintiff will also suffer tax consequences due to Defendants' failure to pay Plaintiff money owed, which will come due in a lump sum in the future. Accordingly, Plaintiff is entitled to an additional amount of damages to offset the tax consequences of a lump sum award for lost earnings, plus interest.

118. As a further proximate result of Defendants' wrongful conduct, Plaintiff has suffered, and continues to suffer, humiliation, embarrassment, emotional distress, and mental anguish, all in an amount to be determined according to proof at the time of trial.

119. In performing the acts alleged herein, Defendants acted with oppression, fraud, malice, and with conscious disregard for Plaintiff's, and Plaintiff is therefore entitled to punitive damages against Defendants in an amount sufficient to punish and make an example of Defendants to deter further despicable conduct. The retaliatory actions and decisions to wrongfully discharge Plaintiff was authorized, adopted, approved, and/or made by one or more officers, directors, and/or managing agents of Defendants, including, without limitation, Yury Smagorinsky, Defendants' Vice President Legal Affairs.

120. Finally, Plaintiff is entitled to recover his reasonable attorneys' fees and costs pursuant to Labor Code §1102.5(j), and any other applicable provision for attorneys' fees and costs.

COUNT XI

Violation of Business and Professions Code §16600.5

(Against all Defendants)

121. Plaintiff realleges and incorporates here by reference every allegation in the preceding and subsequent paragraphs.

122. California has a long-standing public policy favoring open competition and employee mobility, codified in Section 16600 of the Business and Professions Code, which generally voids “every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind.” Cal. Bus. & Prof. Code §16600(a). California courts have “consistently affirmed” that Section 16600 “evinces a settled legislative policy in favor of open competition and employee mobility.” *Edwards v. Arthur Anderson LLP*, 44 Cal. 4th 937, 946 (2008). “The law protects Californians and ensures ‘that every citizen shall retain the right to pursue any lawful employment and enterprise of their choice.’” *Id.* Pursuant to this well-settled law, the following types of restrictive covenants are void and unenforceable as unlawful non-compete clauses:

- (a) Express covenants not to compete. *Edwards*, 44 Cal. 4th at 945.
- (b) Covenants not to solicit a former employer’s customers. *Edwards*, 44 Cal. 4th at 948.
- (c) Covenants not to solicit a former employer’s employees. *AMN Healthcare, Inc. v. Aya Healthcare Servs., Inc.*, 28 Cal. App. 5th 923, 936 (2018).
- (d) Overly broad confidentiality provisions that operate as “de facto” noncompete provisions. *Brown v. TGS Mgmt. Co., LLC*, 57 Cal. App. 5th 303, 318–19 (2020).

123. California Assembly Bill No. 1076 amended Section 16600 and added Section 16600.1 to the California Business and Professions Code, which became effective on January 1, 2024. Section 16600 now expressly provides that it “shall be read broadly” in accordance with the Supreme Court’s opinion in *Edwards v. Arthur Anderson*, “which is not a change in, but declaratory, of existing law.” Cal. Bus. & Prof. Code §16600(b)(1); *see, e.g., Edwards*, 44 Cal. 4th at 948 (broadly holding that, that in addition to express non-compete agreements, a customer non-solicitation covenant is an invalid non-compete agreement under §16600).

124. Here, Defendants included unlawful restrictive covenant clauses in its Master Service Agreements that have long been held as unlawful noncompete clauses. Specifically, Paragraph 4.10 of the agreements include the following unlawful provisions, which provide that during the period of work and for at least six months following the termination of employment, the worker shall not:

4.10.1 Solicit or attempt to solicit or to induce, directly or indirectly, any business from any customers/clients of Valnet with whom the [worker] had contacts during the term of [the working relationship];

4.10.2 Recruit, hire, or attempt to recruit or hire, directly or indirectly, any employee, contributor or resource of Valnet;

4.10.3 Solicit or attempt to solicit or to induce, directly or indirectly, any leads (companies that Valnet is contemplating acquiring even partially) or potential acquisition targets, including prospective targets without exception, with whom [the worker] had contacts during the term of [the working relationship].

125. These broad restrictive covenant provisions are not necessary to protect Defendants' legitimate interests and only work to restrict employee mobility and healthy and open competition. Such provisions are unlawful. *Edwards*, 44 Cal. 4th at 948; *AMN Healthcare, Inc.*, 28 Cal. App. 5th at 936; Cal. Bus. & Prof. Code §16600. Not only do these provisions evidence that Defendants exercised control akin to an employer-employee relationship, but they impact workers' ability to have mobility and compete in this industry. "It shall be unlawful to include a noncompete clause in an employment contract, or to require an employee to enter a noncompete agreement" Cal. Bus. & Prof. Code §16600.1(a); see also §16600.5(c) (an employer "shall not enter into a contract with an employee ... that includes a provision that is void under this chapter.") "Any contract that is void under this chapter is unenforceable regardless of where the contract was signed." Cal. Bus. & Prof. Code §16600.5(a).

126. Moreover, Section 16600.1 of the Business and Professions Code required Defendants, by February 14, 2024, to notify all current and former California employees (employed any time after January 1, 2022) who had entered the restrictive

1 covenant agreements that its violative clauses are void. Cal. Bus. & Prof. Code
2 §16600.1(b)(1). The notice “shall be in the form of a written individualized
3 communication to the employee or former employee, and shall be delivered to the last
4 known address and the email address of the employee or former employee.” Cal. Bus.
5 & Prof. Code §16600.1(b)(2). A violation of this section constitutes an act of unfair
6 competition within the meaning of the UCL, Business and Professions Code §17200.
7 Cal. Bus. & Prof. Code §16600.1(c).

8 127. “An employer that enters into a contract that is void under this chapter
9 or attempts to enforce a contract that is void under this chapter commits a civil
10 violation.” Cal. Bus. & Prof. Code §16600.5(d). “An employee, former employee,
11 or prospective employee may bring a private right of action to enforce this chapter for
12 injunctive relief or the recovery of actual damages, or both.” Cal. Bus. & Prof. Code
13 §16600.5(e)(1). In addition, “a prevailing employee, former employee, or prospective
14 employee in an action based on a violation of this chapter shall be entitled to recover
15 reasonable attorney’s fees and costs.” Cal. Bus. & Prof. Code §16600.5(e)(2).

16 128. As discussed in this Complaint, Defendants required Plaintiff and all its
17 Content Creators to enter agreements with unlawful clauses in violation of Business
18 and Professions Code §§16000, *et seq.* Defendants failed to provide notice by
19 February 14, 2024 to Plaintiff or any of its other employees that the agreements were
20 void.

21 129. As a result, Plaintiff has been harmed by Defendants’ unlawful conduct
22 and seeks injunctive relief and recovery of actual damages because of Defendants’
23 misconduct of requiring him to enter a contract that is void, failing to give Plaintiff
24 lawful notice the contract is void, and attempting to enforce a contract that is void.
25 Without injunctive relief, Defendants will continue to try to enforce its void contract
26 on Plaintiff, resulting in continued damage and disruption to Plaintiff’s lawful right
27 to pursue a career outside of Defendants’ employ.
28

130. As a proximate result of Defendants' wrongful conduct, Plaintiff has suffered, and continues to suffer, substantial losses in earnings, earning capacity, and other benefits of employment, all in an amount to be determined according to proof at the time of trial. Plaintiff will also suffer tax consequences due to Defendants' failure to pay Plaintiff damages owed, which will come due in a lump sum in the future. Accordingly, Plaintiff is entitled to an additional amount of damages to offset the tax consequences of a lump sum award for lost earnings, plus interest.

131. As a further proximate result of Defendants' wrongful conduct, Plaintiff has suffered, and continues to suffer, humiliation, embarrassment, loss of enjoyment of life, emotional distress, and mental anguish, all in an amount to be determined according to proof at the time of trial.

132. In performing the acts alleged, which were committed, authorized, and/or adopted and approved by Defendants' officers, directors, or managing agents, Defendants acted with oppression, fraud, malice, and with conscious disregard for the rights of Plaintiff and Plaintiff is therefore entitled to punitive damages against Defendants in an amount appropriate to punish and make an example of Defendants.

133. Plaintiff is also entitled to and seeks attorneys' fees and costs pursuant to Business and Professions Code §16600.5(e)(2), because of Defendants' wrongful conduct.

COUNT XII

Violation of the Unfair Competition Law Business and Professions Code §§17200, *et seq* (Against all Defendants)

134. Plaintiff realleges and incorporates here by reference every allegation in the preceding and

135. Defendants are "persons" as defined under Business and Professions Code §17021. Each of the directors, officers, and/or agents of Defendants are equally responsible for the acts of the others as set forth in Business and Professions Code §17095.

136. The actions of Defendants constitute unlawful, unfair and fraudulent business practices within the meaning of Business and Professions Code §17200, *et seq.*

137. As described above, Defendants have conducted the following unlawful activities:

(a) violation of Business and Professions Code §16600 – 16600.5;

(b) violation of the Labor Code §§201, 203, 204, 207, 218, 226, 226.6, 226.7, 226.8, 246, 247, 247.5, 432, 432.5, 510, 551, 552, 553, 558, 1102.5, 1174, 1182.12, 1194, 1197, 1197.1, 1198.5, 2775, 2778, 2800, 2802, 3550, 3551, 2808, 2810.5;

(c) wrongful termination in violation of public policy; and

(d) violation of 26 U.S.C. §§3102(a), 3102(b), 3402, 3403, 7201, 7202, 7206(1), 7212(A), and 18 U.S.C. §371.

138. Defendants' activities also constitute unfair practices in violation of Business and Professions Code §17200, *et seq.*, because its practices violate the above noted laws, and/or violate an established public policy, and/or the practice was immoral, unethical, oppressive, unscrupulous, and substantially injurious to Plaintiff, other employees, the public, the government, and competition.

139. The identified violations constitute business practices because they were done repeatedly over a period, and in a systematic manner to the detriment of Plaintiff other employees, the public, the government, and competition.

140. As a result of Defendants' violations as noted above, Plaintiff has suffered injury-in-fact and has lost money as a result. This injury-in-fact and loss of money consists of the lost wages and other restitutionary remedies provided by the identified laws and other resulting harms. Plaintiff is entitled to restitution, an injunction, declaratory relief, and other equitable relief against such unlawful practices to prevent future damage for which there is no adequate remedy at law.

141. As a direct and proximate result of the unfair business practices of Defendants, Plaintiff is entitled to equitable and injunctive relief, including full restitution of all wages which have been unlawfully lost as a result of the business acts and practices described herein, and enjoining Defendants to cease and desist from engaging in the practices described herein for the maximum time permitted pursuant to Business and Professions Code §17208, including any tolling.

142. Plaintiff is also entitled to attorneys' fees, pursuant to Code of Civil Procedure §1021.5, and any other applicable provision for attorneys' fees and costs, based upon the violation of the underlying public policies.

COUNT XIII

Additional PAGA Penalties Labor Code §§2698, *et seq* (Against all Defendants)

143. Plaintiff realleges and incorporates here by reference every allegation in the preceding and subsequent paragraphs.

144. Defendants are "persons" within the meaning of Labor Code §2699(b).

145. Plaintiff and Content Creators are "aggrieved employees" within the meaning of Labor Code §2699(c).

146. Defendants failed to "cure" the alleged violations of the Labor Code within 33 calendar days of Plaintiff's written notice to Defendants and the LWDA regarding specific provisions of the California Labor Code alleged to have been violated.

147. Any provision of the Labor Code that provides for a civil penalty to be assessed and collected by the LWDA or any of its departments, divisions, commissions, boards, agencies, or employees for violation of the code may, as an alternative, be recovered through a civil action brought by an aggrieved employee on behalf of herself and other current or former employees pursuant to the procedures specified in Labor Code §2699.3.

148. For all provisions of the Labor Code where a civil penalty is not “specifically provided,” Labor Code §2699(f) establishes a civil penalty for violations of the Labor Code. If, “at the time of the alleged violation, the person employs one or more employees, the civil penalty is one hundred dollars (\$100) for each aggrieved employee per pay period for the initial violation and two hundred dollars (\$200) for each aggrieved employee per pay period for each subsequent violation.” Labor Code §2699(f)(2).

149. As set forth above in this Complaint, Defendants violated, *inter alia*, the following Labor Code provisions:

(a) Labor Code §§201-203, by failing to timely pay all wages due at time of discharge.

(b) Labor Code §204, by failing to pay all wages due and owing, including minimum wage and overtime wages, at least twice during each calendar month.

(c) Labor Code §207, by failing to keep posted conspicuously at the place of work, or otherwise where it can be seen as employees work, a notice specifying the regular pay days and the time and place of payment.

(d) Labor Code §226, by failing to furnish or maintain accurate wage statements and for failing to make the records available for copying and/or inspection. Labor Code §226.3, which provides for a civil penalty against Defendants for its failure to provide Plaintiff and Content Creators accurate wage statements and for its failure to maintain accurate records in violation of Labor Code §226, in the amount of two hundred fifty dollars (\$250) per employee per in an initial citation and one thousand dollars (\$1,000) per employee for each violation in a subsequent citation. In addition, Defendants may be fined an additional \$1,000 for such violations under Labor Code §226.6.

(e) Labor Code §226.7, by failing to provide Plaintiff and Content Creators with meal or rest recovery periods in accordance with state law.

1 (f) Labor Code §226.8, by willfully misclassifying Plaintiff and
2 Content Creators as independent contractors (which is set forth fully in Count I
3 above).

4 (g) Labor Code §246, by failing to provide Plaintiff and Content
5 Creators with ability to accrue paid sick days.

6 (h) Labor Code §247, by failing to post in a conspicuous place a poster
7 containing all requisite information regarding paid sick days.

8 (i) Labor Code §247.5, by failing to maintain for at least three years
9 records documenting the hours worked and paid sick days accrued by Plaintiff and
10 Content Creators.

11 (j) Labor Code §432, by failing to provide Plaintiff and Content
12 Creators a copy of signed instruments upon their request.

13 (k) Labor Code §432.5, by requiring Plaintiff and Content Creators to
14 agree, in writing, to terms and conditions known by Defendants to be prohibited by
15 law.

16 (l) Labor Code §510, by failing to pay Plaintiff and Content providers
17 at the applicable overtime rates for work in excess of eight hours in one workday,
18 work in excess of 40 hours in any one workweek, and/or hours worked on the seventh
19 consecutive day of work in any one workweek.

20 (m) Labor Code §§551-553, by causing Plaintiff and Content Creators
21 to work more than six days in seven.

22 (n) Labor Code §558, which provides for civil penalties against
23 Defendants for violating provisions of the Labor Code regulating hours and days of
24 work, in the amount of fifty dollars (\$50) for any initial violation for each underpaid
25 employee for each pay period for which the employee was underpaid, and one
26 hundred (\$100) for each subsequent violation. Labor Code §558(a)(1)-(3).

27 (o) Labor Code §1102.5, by retaliating against Plaintiff for engaging
28 in protected conduct and refusing to participate in unlawful conduct.

(p) Labor Code §1174(d), by failing to keep at a central location all payroll records showing the hours worked daily by and the wages paid to, and the number of piece-rate units earned by and any applicable piece rate paid to, employees.

(q) Labor Code §1182.12, which sets forth the minimum wage for all industries, which Defendants violated in failing to pay Plaintiff and Content Creators the minimum wage for all hours worked.

(r) Labor Code 1194, by failing to pay Plaintiff and Content Creators the legal minimum wage and applicable overtime compensation.

(s) Labor Code §1197, by failing to pay Plaintiff and Content Creators the legal minimum wage.

(t) Labor Code §1197.1, which provides for civil penalties, restitution of wages, and liquidated damages against Defendants for failing to pay Plaintiff and Content Creators a wage less than the applicable minimum wage, in the amount of one hundred dollars (\$100) for any initial violation that is intentionally committed for each underpaid employee for each pay period for which the employee is underpaid, and two hundred fifty dollars (\$250) for each subsequent violation. Labor Code §1197.1(a)(1)-(2). Plaintiff and Content Creators are also entitled to all wages, liquidated damages, and any applicable penalties imposed pursuant to Section 203. Labor Code §1197.1(a)(3).

(u) Labor Code §1198.5, by failing to maintain personnel files and for failing to allow Plaintiff the right to inspect and receive a copy of his personnel files.

(v) Labor Code §§2775 and 2778, by unlawfully misclassifying Plaintiff and Content Creators as independent contractors.

(w) Labor Code §2800, by unlawfully contractually refusing to indemnify its employees for losses caused by the employer's want of ordinary care.

(x) Labor Code §2802, by unlawfully contractually refusing to indemnify Plaintiff and Content Creators for all necessary expenditures or losses

incurred in direct consequence of the discharge of his or her duties, or of his or her obedience to the directions of Defendants.

(y) Labor Code §§3550 and 3551, by failing to post and provide required workers' compensation notices.

(z) Labor Code §2808, which required Defendants to provide Plaintiff and Content Creators an outline of coverage or similar explanation of all benefits provided under Defendants' sponsored health coverage, which Defendants failed to do at any time, including at the time of termination and/or resignation.

(aa) Labor Code §2810.5, which required Defendants to provide written notices to Plaintiff and Content Creators containing certain information such as the rates of pay, allowances, regular pay day, addresses, etcetera, which, based on information and belief, Defendants failed to do.

150. To the extent any civil penalty under the Labor Code is to be assessed and collected by the LWDA or any of its departments, divisions, commissions, boards, agencies, or employees, for a violation of the Labor Code, pursuant to PAGA, Labor Code §2699(a), Plaintiff seeks all such applicable civil penalties on behalf of himself and Content Creators pursuant to the procedures specified in Labor Code §2699.3.

151. To the extent a civil penalty is not specifically provided, Plaintiff seeks to recover all civil penalties under PAGA, Labor Code §2699(f)(2), on behalf of himself and the Content Creators, for Labor Code violations set forth above.

152. Plaintiff also seeks the recovery of attorneys' fees and costs pursuant to Labor Code §2699(g).

PRAYER

WHEREFORE, Plaintiff seeks judgment as follows:

A. For compensatory damages, including unpaid wages (past and future), loss of wages and benefits (past and future), and emotional distress damages (past and future) according to proof at trial;

B. For civil and statutory penalties under the Labor Code;

C. For attorneys' fees and costs of suit pursuant to Labor Code §§218.5, 226(e)(1), 226(h), 1102.5(j), 1194(a), 1194.3, 1198.5(l), 2699(g), and 2802(b) Code of Civil Procedure §1021.5, paragraph 4.11 of the Master Services Agreement, and any other applicable provision for attorneys' fees and costs;

D. Liquidated damages pursuant to, *inter alia*, Labor Code §1194.2;

E. For pre-judgment and post-judgment interest to the extent allowable by law, including without limitation, pursuant to Labor Code §218.6;

F. For restitution and injunctive and declaratory relief;

G. For punitive and exemplary damages, according to proof; and

H. For such other and further relief as the Court deems just and proper.

DEMAND FOR JURY TRIAL

Plaintiff demands a trial by jury on all claims.

Dated: DRAFT

HAEGGQUIST & ECK, LLP
ALREEN HAEGGQUIST
AARON OLSEN (259923)
ALLISON GILL SANFORD (331502)

By: DRAFT

AARON OLSEN

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Attorneys for Plaintiff Nicholas Hazleton

EXHIBIT 1

MASTER SERVICES AGREEMENT ("AGREEMENT")
EXECUTED ON December 8 2022 (THE "EFFECTIVE DATE")

BETWEEN: **VALNET INC.**, a corporation duly incorporated under the laws of Canada, having its head office at 7405 TransCanada Highway, Suite 100, Montreal, Quebec, H4T 1Z2;

(hereinafter referred to as "**Valnet**");

AND: Nicholas James Hazleton, a person domiciled and residing at 3779 San Ramon Drive Apt. 255 Oceanside, CA 92057;

(hereinafter referred to as "**Service Provider**");

(Valnet and Service Provider jointly referred to as the "**Parties**" and individually as a "**Party**")

WHEREAS Valnet is the owner and operator of various Assets (as defined herein) and seeks to purchase various Services (as defined herein) for exclusive use on its Assets.

WHEREAS Valnet wishes to retain the Service Provider for the provision of the Services as set out in a Statement of Work (as defined hereafter);

NOW, THEREFORE in consideration of the premises herein and for other good and valuable consideration, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions. Unless the context otherwise requires, the following terms have the following meanings:

- 1.1.1. "**Animated Production**" shall refer to an animated audio video montage and if so requested containing captions/voice over including any post production work;
- 1.1.2. "**Article**" shall refer to a literary work edited by the Editor and approved by Valnet in accordance with this Agreement;
- 1.1.3. "**Assets**" includes Channels, Websites, related social media accounts and any other assets or properties owned and/or operated by Valnet;
- 1.1.4. "**Backlink**" shall refer to incoming, 'do-follow' links that were negotiated on prospecting websites, back to Valnet Websites;
- 1.1.5. "**Business Day**" means any day except Saturday, Sunday and any other day on which financial institutions are generally not open for business in the city of Montréal, Province of Québec (Canada);
- 1.1.6. "**Channel**" shall refer to the YouTube Channels owned by Valnet;
- 1.1.7. "**Competitor**" shall refer to an organization that operates any websites, YouTube channels or other any other types of properties that compete with or are similar to the Assets including the production of all children-oriented entertainment content as well as any list channels found on YouTube;
- 1.1.8. "**Data**" shall refer to information entered by a Prospecting Specialist and approved by Valnet in accordance with this Agreement and/or SOW;
- 1.1.9. "**Editor**" shall refer to the definition in a SOW;
- 1.1.10. "**Effective Date**" shall refer to the date this agreement is signed;

- 1.1.11. **"Production"** includes a Video Production, Animated Production or Voice Over Production;
- 1.1.12. **"Prospect"** shall refer to websites that have had the necessary data retrieved, as predetermined by Valnet;
- 1.1.13. **"Prospecting Specialist"** shall refer to the definition in a SOW;
- 1.1.14. **"Publisher"** shall refer to the definition in a SOW;
- 1.1.15. **"Script"** shall refer to a completed written text for Video Productions;
- 1.1.16. **"Video Production"** shall refer to an audio video montage (as per this agreement) and if so requested containing captions/voice over including any post production work;
- 1.1.17. **"Voice Over Production"** shall refer to the narration or dialogue completed by a narrator as per the present agreement;
- 1.1.18. **"Websites"** shall refer to all present and future websites owned and operated (directly and indirectly) by Valnet or any subdomain thereof including all present and future websites and all associated social media platforms;
- 1.1.19. **"Work Product"** shall include all intellectual property rights including written articles, any Production and any narration, animation, artwork, music, sound design or other composition, on screen hosting or other work/services which there is a creation of copyrightable content. Included in the definition are any work or materials contributed related to the Services, being specially ordered and commissioned by Valnet through a SOW for use in connection with its Assets as well as all and any other entities/subsidiaries;
- 1.1.20. **"Writer"** shall refer to the definition in a SOW.

1.1. Currency. Unless otherwise specified, an amount in currency is in US dollars.

1.2. Entire Agreement. This Agreement, including any Statement of Work and all documents attached hereto or specifically referred to, constitutes the entire agreement between the Parties relating to its subject matter and supersedes all prior agreements, quotes, discussions, negotiations, and representations, whether oral or written, related to its subject matter.

1.3. Headings and Reference. The division of this Agreement into articles, sections, paragraphs and other subdivisions and the insertion of headings are for convenience of reference only and will not affect the interpretation of this Agreement. "Article", "Section" or "Exhibit" refers to the specified article, paragraph, subparagraph, other subdivision, or schedule of or to this Agreement.

2. PURPOSE

This Agreement consists of the terms and conditions under which Valnet may issue to the Service Provider Statements of Work (as defined herein) to perform professional services during the Term (as defined herein). Each such Statement of Work shall be governed by the terms and conditions herein unless the Statement of Work in question expressly provides otherwise.

3. PURPOSE

3.1. It is expressly agreed between the parties that Service Provider, in rendering the Services in virtue of the Agreement or any SOWs, acts as an independent contractor and not as an employee or agent of Valnet. If applicable as per Canadian status, Service Provider recognizes that, in virtue of its status as an independent contractor, it is entirely responsible for the allocation of applicable sums to be remitted to various governmental ministries and/or agencies, notably but not limited to the provincial and federal revenue agencies, the

Commission de l'assurance-emploi, and the *Commission de la santé et de la sécurité du travail du Québec*. The Parties hereby acknowledge and agree that each is an independent contractor, that neither Party shall be considered to be the agent, representative, master or servant of the other for any purpose whatsoever, and that neither Party has any authority to enter into any contract, to assume any obligations or to give any warranties or representations on behalf of the other Party hereto. Consequently, Service Provider does not benefit from any social benefit, nor does he/she participate in any pension or employee plan of any kind.

- 3.2. In relation to the United States, Service Provider shall be an independent contractor, and not an employee of Valnet, within the meaning of all federal, state and local laws and regulations governing employment insurance, workers' compensation, industrial accident, labor and taxes of the United States. Valnet shall not be liable for employment or withholding taxes respecting Service Provider. Service Provider shall not, by reason of this Agreement or any SOW, acquire any benefits, privileges or rights under any benefit plan operated by Valnet or its subsidiaries or affiliates for the benefit of their employees, including, without limitation, (i) any pension or profit-sharing plans or (ii) any plans, coverage or benefits providing worker's compensation, medical, dental, disability or life insurance protection.

4. SERVICES

- 4.1. Scope of Services. The Parties agree that the Service Provider shall, at Valnet's request, perform professional services for Valnet. Such Services (as defined in the individual Statement of Work) will be requested based on Valnet's needs. Each mandate will be attributed by Valnet to the Service Provider and separately described and agreed to in a separate document referencing this Agreement (a "Statement of Work").
- 4.2. Statement of Work. If and when required, Valnet will request from the Service Provider, in writing, to perform Services through a Statement of Work exhibit ("SOW"). The Parties shall complete and execute a SOW to acknowledge their agreement on the SOW terms. Each executed SOW shall form part and be governed by the terms and conditions of this Agreement. Notwithstanding the signature of this Agreement, Valnet shall have no obligation to request any SOW or otherwise request services from Service Provider.
- 4.3. Subcontractors. The Service Provider may not use subcontractors for the provision of any portion of the Services hereunder without the prior written consent of Valnet.
- 4.4. Re-performance of Services. If Valnet believes the Services provided hereunder or any portion thereof do not comply with the terms of the SOW or this Agreement, Valnet shall promptly notify the Service Provider to permit the Service Provider an opportunity to investigate. If the Services do not meet the applicable standard of care, the Service Provider will promptly re-perform the Services at no additional cost to Valnet, including assisting Valnet in selecting remedial actions.
- 4.5. Suspension of work. Valnet may suspend the work on a SOW or any part thereof at any time. During the period of suspension, Valnet shall pay all unavoidable costs and expenses reasonably incurred by the Service Provider with respect to said suspension, upon the Service Provider providing satisfactory evidence of same. Upon receipt of written notice from Valnet, the Service Provider shall promptly resume the work on such SOW.
- 4.6. It is expected that Service Provider shall be available to provide the Services detailed in a

SOW to Valnet at such times as may be reasonably requested by Valnet and mutually agreed to by Service Provider. Service Provider shall use its best efforts to perform faithfully and efficiently the Services detailed in a SOW. Service Provider agrees and understands that the Services and Materials must be submitted in a timely fashion as stipulated and demanded by Valnet without delay. Time is of the essence.

4.7. Service Provider acknowledges that quality work submitted to Valnet shall be deemed acceptable at the sole and unfettered discretion of Valnet. Any work not deemed acceptable shall not be considered submitted and compensated as per the following agreement.

4.8. If so applicable, any captions or voice over shall be in the English language (or as otherwise instructed), in accordance with Valnet's instructions and directives.

4.9. Valnet shall be under no obligation to credit Service Provider.

4.10. Service Provider acknowledges that the Productions submitted shall be exclusive to Valnet and may not be sold, reproduced, distributed, or appear in any manner on any other website, production company, etc. whatsoever. The Service Provider may showcase the Work Product and/or Productions as part of its portfolio with proper credit to the Websites/Valnet. Such portfolio may not be sold or used for commercial purposes.

4.10.1. During the term of a SOW and for a period of six (6) months following the termination of said SOW, Service Provider shall not:

4.10.2. Solicit or attempt to solicit or to induce, directly or indirectly, any business from any customers/clients of Valnet with whom the Service Provider had contacts during the term of a SOW;

4.10.3. Recruit, hire, or attempt to recruit or hire, directly or indirectly, any employee, contributor or resource of Valnet;

4.11. Solicit or attempt to solicit or to induce, directly or indirectly, any leads (companies that Valnet is contemplating acquiring even partially) or potential acquisition targets, including prospective targets without exception, with whom Service Provider had contacts during the term of a SOW. For the purpose of this Section 4.11.3, "targets, leads and/or potential targets/leads" shall mean any individual and or organization in which Valnet has expressed an interest in exploring a future acquisition.

In the event of a breach of the provisions of this Section 4.11, Valnet shall be entitled to an injunction restraining Service Provider from violating the provisions of this Section 4.11. Nothing herein shall be construed as prohibiting Valnet from pursuing any other remedies available to Valnet, including the recovery of damages and attorneys' fees, for a breach or threatened breach of this Section 4.11.

4.12. Service Provider shall be responsible for his/her own office and administrative related equipment including but not limited to computers, telephones, etc.

4.13. Valnet shall review the Work submitted, should Valnet require any modifications, Service Provider will comply before finalizing the Work.

4.14. Service Provider is expected to design its own production pipeline; this may include

third parties or external professionals (in accordance with Section 4.3 herein) in order to achieve the objectives, set out.

5. PRICE AND PAYMENT

- 5.1. Price (fees and expenses) for the Services shall be contained in each SOW and may be fixed or estimated (if the work is performed on a "time and material" basis).
- 5.2. In the case of a SOW performed on a "time and material" basis, the estimated price shall be based on the anticipated hours of services to be provided multiplied by Service Provider's Billing Rates and shall include all expenses (the "Estimated Price"), but shall exclude applicable sales taxes. Should the Service Provider expect the actual price for a SOW to exceed the Estimated Price contained therein, the Service Provider shall immediately notify Valnet in writing. Should Valnet agree to a revised price estimate, the Parties shall amend and execute a revised SOW to acknowledge such price increase. No price increase shall be valid, and Valnet shall not pay for any costs in excess of the Estimated Price unless approved in a SOW signed by the Parties.
- 5.3. Service Provider shall be paid out on the 1st and 16th every month by Valnet unless provided otherwise in a SOW. If the 1st or the 16th of the month fall on a weekend or a statutory holiday, you will receive payment on the following business day. The following is subject to change with notification.
- 5.4. Service Provider shall only be paid out once the work is eligible to be paid out. The work is eligible to be paid out 15 days after it is published. Once deemed eligible by Valnet, Service Provider will be paid out on the following pay out date.

6. INTELLECTUAL PROPERTY & CONFIDENTIALITY

- 6.1. Work Product contributed by Service Provider hereunder shall be considered a "work made for hire" as defined by the copyright laws of Canada and the United States. Valnet shall be the sole and exclusive owner and copyright proprietor of all Work Product, rights, and title in and to the results and proceeds of Service Provider's Services hereunder in whatever stage of completion. If for any reason the results and proceeds of Service Provider's Services hereunder are determined at any time not to be a "work made for hire", Service Provider hereby irrevocably transfers and assigns to Valnet all right as of the date of creation, all title and interest therein, including all copyrights, as well as all renewals and extensions thereto.
- 6.2. Service Provider hereby irrevocably assigns to Valnet all right, title and interest in the Work Product submitted, including but not limited to all copyrightable materials/work submitted by Service Provider for Valnet during the term of this Agreement and any SOW. Valnet shall be deemed copyright owner of Work Product and shall have the right to use, adapt or change the Work Product in any way Valnet deems appropriate. Nothing in this Agreement or any SOW shall require Valnet to exhibit or publicize the Work Product. Service Provider shall execute, acknowledge, and deliver to Valnet any required assignment or instrument as Valnet deems necessary or desirable to evidence, protect, enforce or defend its rights or title in or to the Work Product or any part thereof.
- 6.3. Valnet shall own and have the right to use the Work Product in all markets and media, now or hereafter known throughout the world in perpetuity, without further compensation to Service Provider. Furthermore, Valnet shall, at its sole discretion, have the right to modify, change or otherwise edit the Work Product in any manner whatsoever.

- 6.4. Service Provider hereby irrevocably assigns and grants to Valnet the entire and exclusive property of all copyrights, proprietary rights and any other rights, title, and interest it shall or may have in and to the Work Product, including without limiting the generality of the foregoing, the rights below described, which are intended to be and agreed to be exclusive, unlimited, perpetual and worldwide.
- 6.5. Acknowledgment of Rights. Once transferred, Service Provider hereby acknowledges and agrees that it shall have no copyright, proprietary right or any other right, title, and interest in or to (a) the Work Product (b) the images and (c) the website.
- 6.6. Moral Right. Valnet shall have the unlimited and absolute right to change, alter, revise, add to or delete from the Work Product, in its sole discretion, as well as the rights to combine the Work Product furnished or created by others and to authorize the execution of any of the aforesaid acts. Service Provider hereby waives any and all moral rights he may have in the Work Product, both on its own behalf and on behalf of its heirs, executors and administrators, subject only to those rights specifically reserved in this Agreement or any SOW.
- 6.7. Any and all trademarks, copyright and all trademarks, copyrights and other intellectual property belonging to Valnet associated or not with any Assets (wordmark, logo, etc.) shall remain the exclusive property of Valnet and may not be used without authorization or permission.
- 6.8. Valnet Property. The Service Provider acknowledges that any document, equipment, Confidential Information (as defined hereafter) and any other property of Valnet or its affiliates including without limitation, any file, work, document, sample, model, plan, mark-up, film, records, sketches, drawings, letters, reports, materials, images, songs, equipment, discs, tapes, CDs or estimate, directly or indirectly related to the business of Valnet, which may be removed from the premises or taken or shared from computers of Valnet or any of its affiliates, shall remain the exclusive property of Valnet or its affiliates and shall be returned immediately upon request and at any time at the termination of this Agreement or any applicable SOW.
- 6.9. In the event that Service Provider is granted access to Valnet's Google Analytics, Service Provider acknowledges that the Google Analytics is considered Confidential Information as defined herein and should only be used in relation to the Services rendered for Valnet in a SOW and should not be shared with any third party.
- 6.10. Service Provider acknowledges and agrees that the nature of Services that it is to provide on behalf of Valnet involves the utilization of information, which is proprietary to the Valnet and shall be kept secret at all times. Service Provider acknowledges and agrees that the unauthorized disclosure, use and/or dissemination of such secret and confidential information would cause irreparable damage to the Valnet. Service Provider agrees not to divulge, disclose, or communicate to any person, firm, or corporation at any time, during or after the present Agreement in any fashion, form or manner, either directly or indirectly, any information of any kind, nature, or description concerning any matters affecting or relating to the business of Valnet or Service Provider's Services with Valnet which specifically includes any matter whatsoever concerning the Valnet, its subsidiaries, divisions or affiliated companies (collectively referred to hereafter as "Confidential Information"). The Parties agree that Confidential Information includes, without limiting the generality of the foregoing, the analytical statistics of Valnet's assets, the strategies behind its productions,

video montage, copyright policies and procedures, licensing & licensing agreement, internal policies, research, development, inventing, accounting, computer hardware configuration, computer software, source code, manufacturing, engineering, merchandising, equipment, or any other information of, about, or concerning the business of Valnet or the business of customers of Valnet, its manner of operation, its plans, processes, or other data of any kind, nature, or description, without regard to whether any or all of the foregoing matters would be deemed confidential, material, or important. The Parties agree that the above matters are important, material, and confidential and gravely affect the effective and successful conduct of the business of Valnet, and its goodwill, and that any breach of the terms of this paragraph is a material breach hereof.

7. INDEMNIFICATION

- 7.1. Indemnity. To the extent permitted by law, the Service Provider agrees to indemnify, defend, and hold harmless Valnet and its directors, officers, shareholders and employees from and against any liability (including without limitation, reasonable costs and attorneys' fees) incurred by Valnet to the extent caused by the Service Provider's negligent acts, errors or omissions, including judgments in favor of any person.
- 7.2. Setoff. In the event the Service Provider owes Valnet any amounts under this Agreement and/or any SOW, Valnet reserves the right to set-off and compensate against any amounts due or payable to the Service Provider.

8. SERVICE PROVIDER REPRESENTATIONS

The Service Provider hereby represents and warrants that:

- 8.1. The Service Provider, if an entity, is duly constituted and validly subsisting under the laws of its jurisdiction of incorporation or a person;
- 8.2. The Service Provider has all requisite power, legal capacity and authority to enter into this Agreement and/or any SOW and to perform its obligations in accordance with the terms of this Agreement and/or any SOW;
- 8.3. There are no known claims pending, threatened or anticipated and there is no litigation or proceeding that would have a material adverse effect on the ability of the Service Provider to perform its obligations hereunder;
- 8.4. The Service Provider is qualified to carry on business in all the jurisdictions where each SOW is to be performed or delivered;
- 8.5. The Service Provider will be legally authorized to perform each SOW and will hold all required permits, certificates and licenses to perform the services thereunder;
- 8.6. The Service Provider is familiar with the codes, standards and guidelines referenced in the specifications detailed in a SOW, as applicable;
- 8.7. The Work Product will be a wholly original expression of Service Provider and shall not be copied in whole or in part from any copyrighted work, except for the material submitted to Service Provider by Valnet;

- 8.8. To the best of Service Provider's knowledge, information and belief, any Work Product will not violate or infringe upon the rights to privacy of any person, and shall not constitute libel or slander of any person or entity;
- 8.9. To the best of Service Provider's knowledge, information and belief, it will not violate or infringe upon the copyright, property rights or moral rights or any person or entity;
- 8.10. Service Provider has not made or will not make any grant or deed which might or will conflict with or impair the complete enjoyment of the rights and privileges granted to Valnet hereunder;
- 8.11. The stated warranties and representations stated in this Section 8 are effective and shall be deemed effective as the completion of a SOW;
- 8.12. Any and all resources made available to Service Provider including but not limited to stock footage, video, footage, audio music libraries, databases, etc... shall be used exclusively for the purposes of this Agreement and any applicable SOW without exception;
- 8.13. Should the Service Provider utilize exclusive footage (created and wholly owned by the Service Provider) it shall obtain all necessary releases, disclaimers and notify Valnet that exclusive footage is utilized in the Work Product;
- 8.14. Service Provider shall not publicly state it is the creator and/or owner of the Work Product in any manner if Service Provider is not the creator and/or owner of the Work Product;
- 8.15. Service Provider shall not use any of the Work Product used for any other third party or itself without exception.

9. TERMINATION & SURVIVAL

- 9.1. Survival. The provisions of Sections 3, 5, 7, 8, 9 and 10 shall survive the termination or expiration of this Agreement;
- 9.2. Term and Termination:
- 9.2.1. This Agreement shall be effective for a period of 36 Months from the Effective Date. No SOW shall be executed thereafter;
- 9.2.2. Valnet may, at its sole discretion, terminate this Agreement or a SOW at any time upon written notice to the Service Provider. Valnet shall pay Service Provider for all fees for the services rendered up to the date of termination, upon the Service Provider providing satisfactory evidence of same;
- 9.2.3. Service Provider may terminate this Agreement or a SOW upon 7-day prior notice to Valnet;
- 9.2.4. The termination of this Agreement shall be without prejudice to the rights and remedies of the Parties accrued prior to termination;
- 9.2.5. Upon termination of this Agreement, the Service Provider shall, and shall cause all of its

subcontractors, to:

- a) deliver to Valnet any documents or deliverables in accordance with this Agreement;
- b) promptly return to Valnet all materials, equipment and any Confidential Information provided by Valnet or Valnet's representative.

9.2.6. In no event shall Valnet be liable for any form of compensation, termination pay and/or severance in situations of termination, even if the Service Provider completed twelve (12) consecutive months of continuous Service before their termination, as the Service Provider is not an employee or agent of Valnet as alleged in Section 3;

9.2.7. Cessation/Death/Incapacity. This Agreement shall terminate automatically upon the cessation of business of Service Provider or upon the death or incapacity of Service Provider;

9.2.8. Breach. This Agreement may be terminated by either Party upon a breach of a material term or condition of this Agreement which breach is not cured within five (5) days from written notice from the non-breaching Party;

9.2.9. Obligations upon Termination. Upon termination of this Agreement (i) neither Service Provider nor Valnet shall have any further obligations under this Agreement, except for the obligation to pay Service Provider for any unpaid Services rendered and any approved and unpaid expenses incurred prior to the termination, as well as any obligations under Sections 5 through 10 of this Agreement; (ii) Service Provider shall return all Valnet equipment, Work Product and Confidential Information within five (5) days at Valnet's expense;

10. MISCELLANEOUS

10.1. Independent Contractor. It is expressly agreed by the Service Provider and Valnet that the Service Provider shall have the status of an independent contractor and that the Service Provider shall not be considered an employee of Valnet for any reason or purpose whatsoever. Under no circumstances shall Service Provider consider Valnet as its/his employer, partner, commercial agent, associate or principal. The Service Provider shall not acquire, benefit from or enjoy any of the rights, privileges, powers, or advantages of the employees of Valnet including, without limitation, worker's compensation benefits, disability insurance, vacation, or sick pay, or any other benefits available to Valnet's employees.

10.2. The Service Provider acknowledges that it is not authorized to act on behalf of or otherwise bind Valnet to negotiate or execute contracts on behalf of Valnet, or to represent to any Person that Service Provider has the power to create any obligation on behalf of Valnet. Furthermore, the Service Provider acknowledges that it cannot contract any expenditure on behalf of Valnet without the prior consent of Valnet.

10.3. Fees and Expenses. Each Party shall pay its own legal and other expenses incurred in connection with the negotiation, preparation, entering into and performance of this Agreement and/or any SOW and the transactions it contemplates.

10.4. Further Assurances. A Party shall promptly do, sign, deliver or cause to be done, signed and delivered all further acts, documents and things that the other Party may

reasonably require for the purposes of giving effect to this Agreement.

- 10.5. Notices. Any notice, consent or other communication under this Agreement shall be given in writing and delivered by hand, by registered mail, by bailiff or sent by fax or by email (with confirmation of transmission), and addressed as follows:

if to Valnet:
Valnet Inc.

Attention: Yury Smagorinsky
Email: legal@valnetinc.com

if to Service Provider:
Nicholas James Hazleton

Attention: Nicholas James Hazleton
Email: hazletonenterprises@gmail.com

Such notice, consent or other communication will be deemed to have been given and received on the day it is actually delivered or sent (or if that day is not a Business Day, on the following Business Day), unless it is delivered or sent after 4:30 p.m., in which case it will be deemed to have been given and received on the next Business Day. A Party may, from time to time, designate another address in accordance with this Section.

- 10.6. Severability. Each provision of this Agreement and/or SOW is separate and distinct and, if a provision of this Agreement and/or SOW is determined to be invalid, illegal, or unenforceable, all other provisions will remain in full force and effect.
- 10.7. If applicable, all Canadian companies, individuals, etc. shall duly notify Valnet if GST, QST or HST (as applicable by law) is to be included in compensation and shall duly include all said sales taxes in an invoice. Said invoice shall clearly indicate all sales tax numbers for which the writer is duly registered.
- 10.8. Guild and Unions. This Agreement and/or SOW shall not be governed by the terms of the Writers' Guild of Canada or the United States and/or any collective agreement thereof, nor any other guild agreement.
- 10.9. Waivers. A failure to act or delay in acting by a Party with respect to a non-performance, or the non-exercise of a right, under this Agreement and/or SOW will not operate as a waiver of that performance or of that right. The waiver of a right under this Agreement and/or SOW by a Party will not be effective unless it is given in a signed writing, in which case it will be effective in the specific instance and for the specific purpose given.
- 10.10. Default. The debtor of an obligation under this Agreement and/or SOW will be in default of that obligation by the mere lapse of time for performing it.
- 10.11. Successors and Assigns. This Agreement and/or SOW will bind and be for the benefit of a Party's successor or permitted assign.
- 10.12. Assignment. The Service Provider may not assign or delegate any right or obligation under this Agreement and/or SOW without the prior written consent of Valnet. Valnet may

assign all its rights and obligations under this Agreement and/or SOW without the prior written consent of the Service Provider.

10.13. Amendment. This Agreement and/or SOW may only be amended in a writing signed by each Party.

10.14. Conflict. In the event of any inconsistency, the following documents shall have the following order of precedence: (i) this Agreement; (ii) a SOW.

10.15. Governing Laws and Jurisdiction. This Agreement is governed by the laws of the province of Québec and the laws of Canada applicable therein. The Parties irrevocably submit all disputes arising out of this Agreement to Québec courts, judicial district of Montréal. Pending final resolution of a dispute hereunder, the Service Provider will proceed diligently with the performance of its obligations under this Agreement.

10.16. Language. The parties have expressly required that this Agreement, any SOWs and notices relating thereto be drafted in the English language. *Les parties ont expressément exigé que la présente entente et les mandats spécifiques en découlant et tous les avis y afférant soient rédigés dans la langue anglaise.*

10.17. Record Documents. Upon completion of a SOW, the Service Provider shall compile and deliver to Valnet a reproducible set of record documents (in electronic native or physical form(s), as required by Valnet) based upon the work completed, including any marked-up record drawings, addenda, deliverables or other work data.

10.18. Counterparts. This Agreement and/or SOW may be signed in any number of counterparts, each of which is deemed to be an original and all of which taken together is deemed to constitute one and the same instrument. Each counterpart may be delivered by fax or email and a faxed or emailed copy is as effective as an original.

[Signatures to follow]

IN WITNESS WHEREOF, by their signatures below, the Parties hereto acknowledge that they have reviewed carefully what has been expressed in this Agreement, which they understand is a legally binding document, and that the understandings and agreements expressed in this document are binding upon them as of the Effective Date.

Alessandro Romano

Signed: 1/10/2023

Name: _____

Title: _____

Date: _____

Nicholas Hazleton

Signed: 12/12/2022

Name: Nicholas James Hazleton

Title: Senior News Editor

Date: 12/12/2022

Statement of Work ("SOW")

This SOW is entered into based on the Master Services Agreement signed between Valnet Inc.,

("Valnet"), with its principal place of business at 7405 TransCanada Highway, Suite 100, Montreal, Quebec, H4T 1Z2 Canada, and Nicholas James Hazleton ("Service Provider"), whose address is 3779 San Ramon Drive Apt. 255 Oceanside, CA 92057.

Master Service Agreement	Effective and executed on December 8 2022
Statement of Work Effective Date	December 16 2022
Scope:	Service Provider shall perform the following services which shall be on an as-needed basis at the sole discretion of Valnet. At a minimum, the services to be provided will include: • edit and publish content as per daily/monthly quota requirements set forth by Valnet management • encouraged to write if daily quota is not met (included in the yearly pay) • edit and publish content as per HotCars' brand guidelines set forth by Valnet management • writer development and management • help onboard and train writers • use analytics for overall content creation direction (performance reports, etc) • Implement strong on-page optimizations as per HotCars' brand guidelines • assist with developing/implementing editorial strategies (for news) under the managing editor's guidance.
Additional Specifications	Please add additional specifications that are relevant or specify if something in the SOW defers from the MSA
Term:	36 Months Under no circumstance shall the Service Provider be entitled to any compensation, termination pay, or severance pay upon termination of the Master Service Agreement or SOW.
Price (please check and specify) or other as detailed:	☒ Fixed Price Yearly: \$40,000 USD / year + Biyearly bonus eligibility ☐ Amount determined by the Parties through written correspondence
Invoices:	Each invoice shall include Service Provider's name and address, Valnet's company name and address, date of services rendered, PayPal email address, a description of services. In addition to the foregoing, Valnet shall reimburse Service Provider for Service Provider's reasonable expenses actually incurred in performing the Services so long as such expenses were pre-approved in writing by Valnet. Expenses (with respect to those necessary to carrying out the services listed in the Agreement or SOW and pre-approved by Valnet) shall be reimbursed during the regular payment period. If applicable, it shall be the responsibility of Service Provider to add any expenses to the invoice as well as

	provide relevant receipts upon submission. Payments will be made on the 1st and the 16th of each month via PayPal or other means as discussed. Service Provider will only be paid out once eligible, as detailed in the Master Service Agreement. Service Provider shall incur all transaction fees associated with their third party payment method, such as but not limited to Payoneer, Paypal, bank wire transfer etc.
Valnet Representative:	Alessandro Romano
Service Provider Representative:	Nicholas James Hazleton

[Signatures to follow]

Record of Signing

For Valnet Inc.
Name Alessandro Romano
Title Lead Recruiter, HC /TPS

Alessandro Romano

Signed on 2023-01-10 18:16:11 GMT

Secured by Concord™
DocumentID: ZDgyNTg0OTEtZD
SigningID: MGM0M2FiODMtND
Signing date: 1/10/2023
IP Address: 68.67.52.186
Email: alessandro.r@valnetinc.com

For hazletonenterprises@gmail.com
Name Nicholas Hazleton
Title

Nicholas Hazleton

Signed on 2022-12-12 16:05:16 GMT

Secured by Concord™
DocumentID: ZDgyNTg0OTEtZD
SigningID: NDdkNDQ5NDUtYj
Signing date: 12/12/2022
IP Address: 72.199.72.70
Email: hazletonenterprises@gmail.com

