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Attorneys for Plaintiffs MICHAEL COX and SARA ADAMS, the Putative Class, and Aggrieved Employees

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Superior Court of California
County of Santa Barbara
Angela Braun, Executive Officer
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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SANTA BARBARA

MICHAEL COX and SARA ADAMS, individually, on behalf of all others similarly situated, and as representatives of aggrieved employees under the Private Attorneys General Act,

Plaintiff,

vs.

MERCOR.IO CORPORATION (dba MERCOR), a corporation; OpenAI OpCo, LLC (formerly known as OpenAI, LP) and OpenAI, LLC; a business entity; BRENDAN FOODY, an individual; SURYA MIDHA, an individual; ADARSH HIREMATH, an individual; and DOES 1 through 250, inclusive,

Defendants.

Case No.: 25CV06210

FIRST AMENDED CLASS AND REPRESENTATIVE ACTION COMPLAINT

(1) Failure to Pay Minimum Wages and Liquidated Damages (Cal. Labor Code §§ 1182.12, 1194, 1194.2, 1197, 1197.1, 1198; IWC Wage Order 4-2001);
(2) Failure to Pay Overtime Wages (Cal. Labor Code §§ 510, 1194, 1198; IWC Wage Order 4-2001);
(3) Failure to Provide Meal Periods or Pay Meal Period Premium Wages (Cal. Labor Code §§ 226.7, 512(a), 1198; IWC Wage Order 4-2001);
(4) Failure to Authorize and Permit Rest Periods or Pay Rest Period Premium Wages (Cal. Labor Code § 226.7; IWC Wage Order 4-2001);
(5) Failure to Timely Pay Wages During Employment (Cal. Labor Code §§ 204, 210);
(6) Failure to Pay All Wages Upon Separation / Waiting Time Penalties (Cal. Labor Code §§ 201-

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203);
(7) Failure to Provide Accurate Itemized Wage Statements (Cal. Labor Code §§ 226(a), 226(e));
(8) Failure to Reimburse Necessary Business Expenses (Cal. Labor Code §§ 450, 2802; IWC Wage Order 4-2001);
(9) Unlawful Restrictive Covenants / Non-Compete Agreements (Bus. & Prof. Code §§ 16600, 16600.1, 16600.5);
(10) Unfair Competition (Bus. & Prof. Code §§ 17200 et seq.);
(11) Civil Penalties Under the Private Attorneys General Act (Cal. Labor Code §§ 2698-2699.8).

JURY TRIAL DEMANDED

FIRST AMENDED CLASS AND REPRESENTATIVE ACTION COMPLAINT

Plaintiffs Michael Cox and Sara Adams allege as follows:

I. INTRODUCTION

1. This is a California class and representative action arising from Defendants' uniform practice of classifying California AI Trainers, Taskers, Experts, Writers, Annotators, Reviewers, Leads, Expert Project Managers, and similar workers as independent contractors while exercising substantial control over their work, compensation, productivity, project access, and continued assignments.

2. Defendant Mercor.io Corporation dba Mercor ("Mercor") recruits, screens, onboards, assigns, monitors, directs, and pays California workers who perform artificial-intelligence training, prompt generation, rubric writing, model-output review, project management, and related work for Mercor and its client companies, including Defendants Open AI OpCo, LLC (formerly known as OpenAI, LP) and OpenAI, LLC ("hereinafter referred to as "OpenAI").

3. Plaintiff Michael Cox worked for Mercor as a Finance Expert, Senior Domain Expert, AI Trainer, Reviewer, and Expert Project Manager on projects including OpenAI projects. Plaintiff Sara Adams worked for Mercor as a Tasker and Lead. Both Plaintiffs were classified as

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independent contractors, paid through non-payroll systems, denied protections owed to California employees, and subjected to common policies and practices alleged herein.

4. Mercor did not make individualized classification decisions. It made one classification decision repeatedly, using form worker agreements, 1099 payment practices, remote monitoring software, Slack-based project control, project assignment and removal rules, time caps, productivity classifications, and restrictive covenant terms to operate a managed labor model while disclaiming employment obligations.

5. This First Amended Complaint is filed in the pending Santa Barbara County action brought by Plaintiff Cox. It is intended to synthesize the overlapping Cox and Adams claims for purposes of the parties' settlement and any stipulation, amendment, joinder, consolidation, transfer, coordination, or order the Court determines appropriate. Plaintiffs do not use the title "Consolidated Complaint" unless and until a court order or stipulation requires that procedural label.

6. Plaintiff Cox also brings a representative PAGA claim. The PAGA claim is tied to the written LWDA notice submitted by Plaintiff Cox on or about September 29, 2025 against Mercor and OpenAI. More than 65 calendar days have elapsed since that notice, and the LWDA has not notified Plaintiff Cox that it intends to investigate. Plaintiff Cox therefore may pursue civil penalties under PAGA. To the extent Plaintiff Adams also submitted a PAGA notice for overlapping Mercor violations, Plaintiffs preserve that representative basis as well, subject to proof and any stipulation or Court order.

II. JURISDICTION AND VENUE

7. This Court has jurisdiction under Article VI, section 10 of the California Constitution because the amount in controversy exceeds the jurisdictional minimum and the statutes at issue do not specify another exclusive forum.

8. Venue is proper in Santa Barbara County because Plaintiff Cox resided and worked in Santa Barbara County while performing work for Defendants, the original Cox action was filed

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in this Court as Case No. 25CV06210, and Defendants' unlawful policies and practices caused injury in this County.

9. This Court has personal jurisdiction over Defendants because each Defendant is incorporated in California, headquartered in California, does business in California, contracts with California workers, directs work performed in California, has sufficient minimum contacts with California, or intentionally avails itself of the California market.

III. PARTIES

10. Plaintiff Michael Cox is an individual residing in Santa Barbara County, California. Cox performed work for Mercor and OpenAI from California and is a member of the proposed class, the OpenAI Subclass, and the group of aggrieved employees.

11. Plaintiff Sara Adams is an individual residing in California. Adams performed work for Mercor from California and is a member of the proposed class and the group of aggrieved employees.

12. Defendant Mercor.io Corporation dba Mercor is, on information and belief, a corporation doing business in California, with substantial operations and a principal place of business in San Francisco, California. Mercor recruits, contracts with, assigns, monitors, directs, and pays California AI workers.

13. Defendant OpenAI, Inc. is, on information and belief, a corporation doing business in California. OpenAI exercised control over workers assigned to OpenAI projects, including Plaintiff Cox, by requiring project-specific rules, systems, deadlines, deliverables, review processes, office hours, exclusivity rules, and related controls.

14. Defendants Brendan Foody, Surya Midha, and Adarsh Hiremath are, on information and belief, officers, directors, owners, managing agents, or persons acting on behalf of Mercor who participated in, authorized, ratified, or caused the policies and practices challenged in this action, including the classification, compensation, arbitration, restrictive covenant, and worker-management practices alleged herein.

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15. The true names and capacities of DOES 1 through 250 are unknown to Plaintiffs, who sue those Defendants by fictitious names. Plaintiffs will amend this Complaint to allege the true names and capacities of those Defendants when ascertained.

16. At all relevant times, each Defendant was the agent, servant, employee, employer, joint employer, alter ego, partner, joint venturer, principal, successor, predecessor, affiliate, integrated enterprise, co-conspirator, or representative of each other Defendant and acted within the course and scope of that relationship, with the knowledge, authorization, consent, or ratification of the other Defendants.

IV. RELATED PROCEEDINGS AND PAGA EXHAUSTION

17. Plaintiff Cox filed Michael Cox v. Mercor.io Corporation et al., Santa Barbara County Superior Court Case No. 25CV06210, asserting class claims arising from Defendants' misclassification of California AI Trainers and related Labor Code violations.

18. Plaintiff Adams filed Sara Adams v. Mercor.io Corporation et al., San Francisco County Superior Court Case No. CGC-25-630506, asserting class and representative claims arising from the same core Mercor policies and practices.

19. On or about September 29, 2025, Plaintiff Cox submitted written notice to the LWDA and served Respondents Mercor and OpenAI, identifying the specific Labor Code provisions violated and the facts and theories supporting the alleged violations.

20. The Cox LWDA notice identified, among other provisions and theories, Labor Code sections 201, 202, 203, 204, 210, 226(a), 226.3, 226.7, 246, 432.5, 510, 512, 1174, 1174.5, 1194, 1197, 1197.1, 1198, 226.8, 2698-2699.8, 2775, 2802, and 3700, as well as related wage-order obligations and the factual theory that Mercor and OpenAI jointly operated a misclassified AI-training workforce.

21. More than 65 calendar days have elapsed since Plaintiff Cox submitted the LWDA notice. The LWDA has not notified Plaintiff Cox that it intends to investigate the alleged violations. Plaintiff Cox has therefore satisfied Labor Code section 2699.3's exhaustion requirements for the PAGA claim alleged herein.

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22. Plaintiffs plead the PAGA claim as a single representative cause of action. Statutory theories that do not provide a private damages cause of action, including the paid sick leave predicates and Labor Code section 226.8 willful-misclassification penalties, are alleged as predicates for civil penalties and relief under PAGA, not as standalone private causes of action.

V. FACTS COMMON TO PLAINTIFFS, THE CLASS, AND AGGRIEVED EMPLOYEES

A. Mercor's Managed AI-Training Labor Model

23. Mercor supplies human labor to AI companies and other clients by recruiting individuals to perform AI training, model evaluation, prompt writing, rubric writing, response review, and related tasks. Mercor markets this labor as access to human expertise for AI development and evaluation.

24. The workers performing this labor are variously called AI Trainers, Taskers, Experts, Writers, Annotators, Reviewers, Leads, Expert Project Managers, or similar titles. Regardless of title, they perform the human labor that Mercor sells, coordinates, or supplies to clients.

25. Mercor recruits workers through job-style postings, screening processes, resumes, interviews, onboarding requirements, and project-specific qualifications. Workers are assigned to projects and project channels. They are moved on and off projects by Mercor or its client companies, and they risk losing income or access if they fail to satisfy Mercor's or a client's expectations.

26. Mercor requires workers to use systems and platforms designated by Mercor and/or its clients, including Slack, project-specific platforms, client systems, and the Insightful tracking application or similar software.

27. Mercor and/or its clients provide detailed guidelines, project documents, workflows, office hours, training, quality expectations, review processes, deadlines, and communications directing how the work must be performed.

28. Mercor requires or expects workers to communicate with management, project leads, other workers, and client representatives through Slack and other communication tools. Time

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spent communicating, attending meetings, reviewing guidelines, completing onboarding, reviewing feedback, correcting work, and performing other project-related duties is necessary to complete the work.

29. Mercor pays workers only for time or units it treats as compensable. Mercor uses tracking, productivity classifications, task caps, approvals, and post-hoc review to decide whether time is productive, unproductive, neutral, or payable. Workers may perform necessary work for which Mercor refuses payment.

30. Mercor maintains and enforces an individual-contractor architecture through worker agreements, tax documents, 1099 reporting, non-circumvention or restrictive covenant terms, indemnity provisions, expense-shifting provisions, and arbitration or waiver provisions.

B. Defendants' Control Over Work

31. Defendants controlled the work both under the agreements and in fact. They controlled which projects were available; which workers were assigned, removed, promoted, demoted, or reassigned; how workers communicated; what guidelines governed the work; what tools were used; whether work would be accepted; and whether recorded time would be paid.

32. Defendants required the use of Insightful or similar monitoring software. Insightful monitored screen activity, applications, websites, keyboard and mouse activity, idle time, productive and unproductive time, and task-related activity, and allowed Mercor to challenge whether time would be paid.

33. Defendants required workers to justify time that Mercor or Insightful classified as unproductive or neutral, even when the time related to necessary work, research, meetings, emails, calendars, livestreams, documentation, or project communications.

34. Defendants imposed time caps and productivity expectations. If a task required more time than Mercor considered acceptable, the worker risked unpaid work, nonpayment for excess time, loss of project access, or removal from the project.

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35. Defendants used Slack and other channels to communicate urgent assignments, updates, deadlines, feedback, project rules, changes, and project removals. Defendants expected workers to be available and responsive in order to remain on projects and keep earning income.

36. Workers did not negotiate business-to-business terms with Mercor's clients, did not hold themselves out to clients as independent AI-training companies, did not invoice clients directly, and did not control the client relationship.

C. Misclassification Under the ABC Test

37. Labor Code section 2775 and the ABC test presume that a person providing labor or services for remuneration is an employee unless the hiring entity proves all three statutory conditions: (A) freedom from control and direction in contract and fact; (B) work outside the usual course of the hiring entity's business; and (C) customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed.

38. Defendants cannot satisfy Part A because they controlled the work through onboarding, project assignment, monitoring, detailed guidelines, Slack direction, project-specific workflows, productivity review, project removal, quality review, deadlines, and payment decisions.

39. Defendants cannot satisfy Part B because the AI training, prompt generation, rubric writing, model evaluation, response review, and related human labor performed by Plaintiffs and other workers were within Mercor's usual course of business. Mercor sold or coordinated human AI-training labor. The workers were not plumbers, electricians, or other outside vendors performing collateral services; they were the labor Mercor monetized.

40. Defendants cannot satisfy Part B as to OpenAI projects because the work performed for OpenAI, including model testing, rubric writing, prompt engineering, response review, and model evaluation, was part of OpenAI's usual course of business: developing, evaluating, improving, and deploying artificial-intelligence systems.

41. Defendants cannot satisfy Part C because Plaintiffs and most class members were not customarily engaged in independently established AI-training businesses of the same nature as the work performed for Mercor or OpenAI. Their subject-matter expertise, such as finance,

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writing, coding, or other professional knowledge, was a credential used in the tasks; it was not an independently established AI-training business.

42. Mercor's own business practices demonstrate willfulness. Mercor understood misclassification risk, marketed its ability to handle or manage misclassification risk, and nevertheless used a uniform independent-contractor model for workers performing the core labor that Mercor supplied to clients.

D. Plaintiff Cox's Experience

43. Plaintiff Cox began working through Mercor in or about November 2024. He was recruited as a Finance Expert and Senior Domain Expert, and later performed AI training, reviewing, writing, and Expert Project Manager work for Mercor projects, including OpenAI projects.

44. Cox was required to sign or accept Mercor worker terms describing him as an independent contractor, even though Defendants directed and controlled the work and treated him as part of their managed labor operation.

45. Cox performed work involving AI-output evaluation, prompt development, rubric writing, reviewing model responses, documenting failures, and project-management or expert-review functions. Mercor and OpenAI provided project instructions, office hours, client tools, review processes, deadlines, and direction.

46. Cox was required to install and use Insightful or similar monitoring software on his personal computer. Mercor reviewed the applications and websites he used and challenged time it believed was not tied to a specific task. Cox was forced to explain ordinary work-related activity such as email, calendar use, research websites, or YouTube materials related to work.

47. Cox and other workers assigned to OpenAI projects were subject to OpenAI project requirements, OpenAI platforms, OpenAI work rules, OpenAI deadlines, OpenAI deliverables, and OpenAI-driven project access or exclusivity limitations. OpenAI exercised sufficient control to qualify as a joint employer as to Cox and the OpenAI Subclass.

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48. Cox was not paid all wages owed for all hours worked, including all compensable pre-task, post-task, meeting, communication, guideline review, research, training, correction, and project-related time. He was paid at straight time for overtime hours and was not provided lawful meal periods, rest periods, wage statements, sick leave, reimbursement, or final pay.

E. Plaintiff Adams' Experience

49. Plaintiff Adams worked for Mercor from approximately April 2025 to July 2025 as a Tasker and later as a Lead. She worked remotely from California and was classified as an independent contractor.

50. Adams applied through Mercor's platform, submitted documentation, completed screening, and was assigned to specific projects. Before completing tasks, she was required to complete unpaid onboarding and training.

51. Adams' work included creating prompts, reviewing AI outputs, reviewing Tasker-generated prompts, communicating through Slack, and complying with project instructions and deadlines. Although she was called a Lead, she did not control the terms of the project, the pay, the project requirements, or the continued assignment of workers.

52. Adams was messaged on Slack and expected to respond to work demands. She feared losing access to projects or pay if she was not available and responsive. She did not receive compliant meal periods, rest periods, overtime pay, minimum wages for all time worked, expense reimbursement, accurate wage statements, paid sick leave, or final pay.

F. Common Labor Code Violations

53. Because Defendants classified Plaintiffs and other workers as independent contractors, Defendants did not maintain a compliant payroll system for them, did not withhold employment taxes, did not provide workers' compensation coverage as employees, did not issue compliant wage statements, did not maintain accurate payroll and time records, did not provide paid sick leave, and did not ensure meal and rest period compliance.

54. Defendants failed to pay for all hours worked, including onboarding, training, project communication, Slack communications, mandatory or expected meetings, guideline review,

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feedback review, research, corrections, administrative time, and time disallowed through Insightful or other productivity review.

55. Defendants failed to pay overtime and double-time wages when workers worked more than eight hours in a day, more than forty hours in a week, more than twelve hours in a day, or more than eight hours on a seventh consecutive day in a workweek.

56. Defendants failed to provide or authorize lawful meal periods and rest periods and failed to pay legally required meal and rest period premiums. Defendants' task caps, productivity demands, Slack expectations, bonus systems, and instructions to pause or stop tracking time during breaks impeded, discouraged, or failed to authorize compliant breaks.

57. Defendants failed to provide compliant wage statements stating gross wages, total hours worked, applicable hourly rates, hours worked at each rate, net wages, inclusive pay-period dates, deductions, employer identity, and other required information.

58. Defendants failed to maintain accurate payroll records showing hours worked daily, wages paid, meal periods, rest periods, applicable rates, piece-rate units or task units, and other information required by Labor Code section 1174 and the applicable Wage Order.

59. Defendants failed to reimburse necessary business expenses, including personal computers, cell phones, data, home internet, electricity, home-office costs, required software or subscriptions, and other expenses incurred in performing the work.

60. Defendants failed to provide paid sick leave, failed to accrue or frontload paid sick leave, failed to provide legally required sick leave information on wage statements or separate writings, and failed to comply with California paid sick leave requirements. Plaintiffs seek civil penalties for these sick leave violations through PAGA to the extent permitted by law.

61. Defendants failed to secure workers' compensation coverage for Plaintiffs and aggrieved employees as employees, in violation of Labor Code section 3700 and related provisions, by treating the workforce as independent contractors.

62. Defendants required workers to enter into non-circumvention, non-solicitation, protective covenant, non-compete, or similar restrictive covenant agreements that unlawfully

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restrained competition or required written agreement to terms known to be prohibited by law. Defendants failed to provide all required notices that such restrictions were void.

VI. CLASS ACTION ALLEGATIONS

63. Plaintiffs bring this action individually and on behalf of all persons similarly situated pursuant to Code of Civil Procedure section 382.

64. The proposed California AI Trainer Class is defined as: All current and former individuals in California whom Mercor classified as independent contractors and who performed AI training, tasking, writing, annotating, expert, reviewing, lead, project-management, or similar work for Mercor, Mercor clients, or both, during the period from four years before the filing of the earliest related complaint through the date of class certification.

65. The proposed OpenAI Subclass is defined as: All members of the California AI Trainer Class who were assigned to perform work on OpenAI projects or for OpenAI during the class period.

66. Plaintiffs also allege subclasses for: (a) minimum wage and municipal minimum wage violations; (b) overtime violations; (c) meal and rest period violations; (d) wage statement violations; (e) waiting time violations; (f) expense reimbursement violations; and (g) non-compete or restrictive covenant violations. Plaintiffs reserve the right to amend or refine class and subclass definitions based on discovery, stipulation, settlement terms, and Court approval.

67. The class and subclasses are ascertainable from Defendants' records, including worker agreements, project assignments, time records, Insightful records, payment records, Stripe or other payment records, Slack and project-platform records, wage or payment statements, onboarding records, and restrictive covenant agreements.

68. The class and subclasses are numerous. Upon information and belief, thousands of workers in California were classified as independent contractors under Mercor's common policies and practices during the relevant period.

69. Common questions predominate, including whether Defendants misclassified workers under Labor Code section 2775; whether Defendants controlled workers; whether workers

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performed work within Defendants' usual course of business; whether workers were customarily engaged in independently established AI-training businesses; whether Defendants failed to pay for all hours worked; whether Defendants failed to pay overtime; whether Defendants failed to provide meal and rest periods or premiums; whether Defendants failed to provide wage statements; whether Defendants failed to reimburse expenses; whether Defendants used illegal restrictive covenants; and whether Defendants' practices constitute unfair competition.

70. Plaintiffs' claims are typical because Plaintiffs were classified as independent contractors under the same or substantially similar policies, performed AI training or related work, used Mercor and client systems, were paid through non-payroll systems, were subject to time and productivity controls, and suffered the same types of Labor Code injuries as class members.

71. Plaintiffs will fairly and adequately represent the class and subclasses. Plaintiffs have retained counsel experienced in employment, class, wage-and-hour, PAGA, arbitration, and complex litigation.

72. A class action is superior to individual litigation because the claims arise from uniform policies and practices, the class is numerous and geographically dispersed, individual damages may be insufficient to justify separate litigation, and class adjudication will avoid inconsistent rulings and promote judicial economy.

VII. PAGA REPRESENTATIVE ALLEGATIONS

73. Plaintiffs bring representative claims under the Private Attorneys General Act, Labor Code sections 2698 through 2699.8, on behalf of themselves, other aggrieved employees, and the State of California.

74. The PAGA Period is defined as the period beginning one year before the earliest applicable LWDA notice and continuing through judgment or other final resolution, subject to the statute of limitations, tolling, relation-back, settlement, and any Court-approved definition.

75. The Aggrieved Employees are all current and former California workers whom Defendants classified as independent contractors and who performed AI training, tasking,

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writing, annotating, reviewing, lead, expert, project-management, or similar work for Defendants during the PAGA Period.

76. Plaintiff Cox is an aggrieved employee because he was employed by Defendants within the meaning of the Labor Code and Defendants committed one or more alleged Labor Code violations against him. Plaintiff Adams is likewise an aggrieved employee to the extent Defendants committed one or more alleged Labor Code violations against her.

77. The PAGA claim is based on the specific facts, theories, and Labor Code provisions identified in the LWDA notice(s), including Defendants' uniform misclassification, payment, timekeeping, monitoring, break, reimbursement, sick leave, workers' compensation, final pay, wage statement, payroll record, and restrictive covenant practices.

78. For clarity, Plaintiffs do not plead Labor Code section 226.8 willful misclassification or the paid sick leave statutes as separate private causes of action. Plaintiffs plead those theories within the PAGA cause of action as bases for civil penalties and other PAGA-authorized relief, together with other Labor Code predicates.

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FIRST CAUSE OF ACTION

Failure to Pay Minimum Wages (including off clock work) and Liquidated Damages Cal. Labor Code §§ 1182.12, 1194, 1194.2, 1197, 1197.1, 1198; IWC Wage Order 4-2001 (Against All Defendants)

79. Plaintiffs incorporate by reference all preceding paragraphs.

80. Labor Code sections 1182.12, 1194, 1197, 1197.1, and 1198, and IWC Wage Order 4-2001, require employers to pay at least the applicable minimum wage for all hours worked, including all time during which an employee is subject to the employer's control or suffered or permitted to work.

81. Defendants failed to pay Plaintiffs and Class Members at least the applicable state and local minimum wage for all hours worked. Defendants failed to pay for onboarding, training, project communications, meetings, guideline review, research, corrections, feedback review, administrative time, work disallowed as unproductive, and other work necessary to complete assignments. Defendants had a pattern and practice of requiring off the clock work, which

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resulted necessarily in violation of the minimum wage laws. Even the on-the-clock work was subject to time rounding, which systematically deprived employees of being paid for all hours worked, resulting in minimum wage violations.

82. Defendants also violated applicable municipal minimum wage laws, including where workers resided or performed work in jurisdictions with minimum wage rates higher than the California statewide minimum wage.

83. Plaintiffs and Class Members are entitled to recover unpaid minimum wages, interest, attorneys' fees, costs, and liquidated damages under Labor Code section 1194.2 in an amount equal to the unpaid minimum wages and interest thereon, according to proof.

SECOND CAUSE OF ACTION
Failure to Pay Overtime Wages
Cal. Labor Code §§ 510, 1194, 1198; IWC Wage Order 4-2001
(Against All Defendants)

84. Plaintiffs incorporate by reference all preceding paragraphs.

85. Labor Code sections 510, 1194, and 1198, and IWC Wage Order 4-2001, require overtime compensation at one and one-half times the regular rate for work over eight hours in a day, over forty hours in a week, and for the first eight hours on the seventh consecutive day of work in a workweek, and double-time compensation for work over twelve hours in a day and over eight hours on the seventh consecutive day in a workweek.

86. Plaintiffs and Class Members worked overtime hours. Defendants paid straight time or failed to pay for overtime hours because Defendants classified workers as independent contractors and failed to record and compensate all hours worked.

87. Defendants' failure to record all hours worked, including off-the-clock time and time disallowed through productivity review, caused Defendants to underpay overtime and double-time compensation. Moreover, bonuses, incentive compensation and other renumeration was not included in the regular rate of pay, leading to increased overtime exposure beyond the base rate premium. Even the on-the-clock work was subject to time rounding, which systematically deprived employees of being paid for all hours worked, resulting in overtime violations.

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88. Plaintiffs and Class Members are entitled to recover unpaid overtime and double-time wages, interest, attorneys' fees, and costs under Labor Code section 1194 and other applicable law.

THIRD CAUSE OF ACTION
Failure to Provide Meal Periods or Pay Meal Period Premium Wages
Cal. Labor Code §§ 226.7, 512(a), 1198; IWC Wage Order 4-2001
(Against All Defendants)

89. Plaintiffs incorporate by reference all preceding paragraphs.

90. Labor Code sections 226.7 and 512(a), and IWC Wage Order 4-2001, require employers to provide timely, duty-free, uninterrupted meal periods and to pay one hour of premium wages at the employee's regular rate of compensation for each workday on which a required compliant meal period is not provided.

91. Plaintiffs and Class Members regularly worked more than five hours, and at times more than ten hours, without being provided timely, duty-free, uninterrupted meal periods.

92. Defendants failed to provide meal periods because Defendants treated Plaintiffs and Class Members as independent contractors, failed to maintain compliant break policies for them, failed to record meal periods, and imposed task caps, Slack expectations, productivity pressures, and project deadlines that impeded, discouraged, or failed to authorize compliant meal periods.

93. Defendants failed to pay meal period premium wages for missed, late, short, interrupted, or non-compliant meal periods. Plaintiffs and Class Members are entitled to meal period premiums according to proof.

FOURTH CAUSE OF ACTION
Failure to Authorize and Permit Rest Periods or Pay Rest Period Premium Wages
Cal. Labor Code § 226.7; IWC Wage Order 4-2001
(Against All Defendants)

94. Plaintiffs incorporate by reference all preceding paragraphs.

95. Labor Code section 226.7 and IWC Wage Order 4-2001 require employers to authorize and permit paid, duty-free rest periods of at least ten net minutes for every four hours worked or

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major fraction thereof, and to pay one hour of premium wages at the employee's regular rate of compensation for each workday on which a required compliant rest period is not authorized and permitted.

96. Defendants failed to authorize and permit compliant rest periods because Defendants treated Plaintiffs and Class Members as independent contractors, failed to implement compliant rest period policies, and required or instructed workers to pause or stop the timer during breaks, thereby rendering rest periods unpaid and non-compliant.

97. Defendants' time caps, productivity demands, task completion pressures, bonus incentives, and Slack expectations impeded, discouraged, or failed to authorize compliant rest periods.

98. Defendants failed to pay rest period premium wages for missed, short, interrupted, unpaid, or non-compliant rest periods. Plaintiffs and Class Members are entitled to rest period premiums according to proof.

FIFTH CAUSE OF ACTION
Failure to Timely Pay Wages During Employment
Cal. Labor Code §§ 204, 210
(Against All Defendants)

99. Plaintiffs incorporate by reference all preceding paragraphs.

100. Labor Code section 204 requires timely payment of wages during employment. Labor Code section 210 authorizes statutory penalties for failure to pay wages within the time required by law.

101. Defendants failed to timely pay all wages due during employment, including minimum wages, overtime wages, wages for all hours worked, and meal and rest period premium wages, because Defendants did not treat Plaintiffs and Class Members as employees and did not pay all wages in the pay periods in which they were earned.

102. Plaintiffs and Class Members are entitled to all available wages, restitution, statutory penalties, interest, fees, and costs according to proof and as permitted by law.

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SIXTH CAUSE OF ACTION
Failure to Pay All Wages Upon Separation / Waiting Time Penalties
Cal. Labor Code §§ 201-203
(Against All Defendants)

103. Plaintiffs incorporate by reference all preceding paragraphs.

104. Labor Code sections 201 and 202 require immediate or timely payment of all earned and unpaid wages upon discharge or resignation. Labor Code section 203 imposes waiting time penalties where an employer willfully fails to pay all wages due at separation.

105. Plaintiffs and Class Members separated from Defendants or were removed from projects, assignments, or employment without payment of all wages due, including unpaid minimum wages, unpaid overtime, unpaid premium wages, and other wages owed.

106. Defendants' failure to pay all wages due at separation was willful because Defendants knowingly maintained the independent-contractor model and intentionally failed to treat Plaintiffs and Class Members as employees entitled to final pay.

107. Plaintiffs and Class Members are entitled to waiting time penalties under Labor Code section 203 in amounts according to proof.

SEVENTH CAUSE OF ACTION
Failure to Provide Accurate Itemized Wage Statements
Cal. Labor Code §§ 226(a), 226(e)
(Against All Defendants)

108. Plaintiffs incorporate by reference all preceding paragraphs.

109. Labor Code section 226(a) requires employers to furnish accurate itemized wage statements showing, among other things, gross wages earned, total hours worked, net wages earned, the inclusive dates of the pay period, the employee's identifying information, the employer's name and address, applicable hourly rates, and corresponding hours worked at each rate.

110. Defendants knowingly and intentionally failed to provide Plaintiffs and Class Members with accurate, itemized wage statements because Defendants treated them as independent contractors and failed to issue wage statements reflecting all required information.

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111. Any wage or payment records Defendants provided failed to accurately state total hours worked, all applicable hourly rates, hours worked at each rate, overtime rates, gross wages, net wages, deductions, meal and rest premiums, paid sick leave information, and the identity of the legal employer or joint employers.

112. Plaintiffs and Class Members suffered injury because the inaccurate or missing wage statements concealed the nature and extent of unpaid wages and prevented prompt and easy determination of whether they were paid correctly. Plaintiffs and Class Members seek penalties, fees, costs, and other relief under Labor Code section 226(e) and applicable law.

EIGHTH CAUSE OF ACTION
Failure to Reimburse Necessary Business Expenses
Cal. Labor Code §§ 450, 2802; IWC Wage Order 4-2001
(Against All Defendants)

113. Plaintiffs incorporate by reference all preceding paragraphs.

114. Labor Code section 2802 requires employers to indemnify employees for all necessary expenditures or losses incurred in direct consequence of the discharge of their duties or obedience to the employer's directions. Labor Code section 450 and IWC Wage Order 4-2001 further prohibit shifting business costs and required tools or equipment to employees in violation of law.

115. Defendants required Plaintiffs and Class Members to use personal computers, cell phones, data plans, home internet connections, electricity, home office space, software, subscriptions, and other resources to perform work for Defendants.

116. These expenses were necessary to perform the work because Defendants required remote work, communication through Slack and other tools, project-platform access, AI systems, and monitoring software on personal devices.

117. Defendants failed to reimburse Plaintiffs and Class Members for necessary business expenses, thereby passing Defendants' operating costs to workers. Plaintiffs and Class Members seek reimbursement, interest, attorneys' fees, costs, and other relief under Labor Code section 2802 and applicable law.

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NINTH CAUSE OF ACTION
Unlawful Restrictive Covenants / Non-Compete Agreements
Bus. & Prof. Code §§ 16600, 16600.1, 16600.5
(Against All Defendants)

118. Plaintiffs incorporate by reference all preceding paragraphs.

119. Business and Professions Code sections 16600, 16600.1, and 16600.5 prohibit contracts that restrain lawful profession, trade, or business, require notice to certain current and former employees that unlawful non-compete clauses are void, and provide a private right of action for injunctive relief, actual damages, attorneys' fees, and costs.

120. Defendants required Plaintiffs and Class Members to enter into non-circumvention, non-solicitation, protective covenant, non-compete, or similar agreements that restrained or threatened to restrain their ability to work for Mercor clients, AI labs, competitors, or other entities.

121. Defendants also failed to provide required notices that void restrictive covenants were unenforceable, including to current and former California workers covered by the statute.

122. Plaintiffs and Class Members seek injunctive relief, declaratory relief, damages, attorneys' fees, costs, and all other relief available under Business and Professions Code sections 16600, 16600.1, 16600.5, and related law. Plaintiffs separately allege Labor Code section 432.5 as a PAGA predicate, not as a standalone private damages claim.

TENTH CAUSE OF ACTION
Unfair Competition
Bus. & Prof. Code §§ 17200 et seq.
(Against All Defendants)

123. Plaintiffs incorporate by reference all preceding paragraphs.

124. Defendants' conduct constitutes unlawful, unfair, and/or fraudulent business practices under Business and Professions Code sections 17200 et seq. The unlawful prong is predicated on the Labor Code, Wage Order, Business and Professions Code, and other statutory violations alleged herein.

125. Defendants' practices were unfair because Defendants built a business model that misclassified workers, avoided payroll and employment obligations, shifted expenses and tax

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burdens to workers, denied workers wage-and-hour protections, monitored workers through intrusive software, and gained an unlawful competitive advantage over businesses that comply with California law.

126. Plaintiffs and Class Members lost money or property, including unpaid wages, unreimbursed expenses, restitutionary sums, and other amounts wrongfully retained by Defendants.

127. Plaintiffs seek restitution, disgorgement of wrongfully retained amounts to the extent permitted by law, declaratory relief, public injunctive relief, attorneys' fees under Code of Civil Procedure section 1021.5, and all other equitable relief necessary to prevent continuing unlawful and unfair practices.

ELEVENTH CAUSE OF ACTION
Civil Penalties Under the Private Attorneys General Act
Cal. Labor Code §§ 2698-2699.8
(Against All Defendants)

128. Plaintiffs incorporate by reference all preceding paragraphs.

129. PAGA permits an aggrieved employee to recover civil penalties that otherwise would be assessed and collected by the LWDA for Labor Code violations, on behalf of the State of California and other aggrieved employees, after satisfying the notice requirements of Labor Code section 2699.3.

130. Plaintiff Cox satisfied the PAGA notice requirements by submitting written notice to the LWDA and serving Respondents Mercor and OpenAI on or about September 29, 2025. The notice identified the Labor Code provisions violated and the facts and theories supporting those violations. More than 65 days have elapsed, and the LWDA has not notified Plaintiff Cox that it will investigate.

131. Plaintiffs are aggrieved employees because they were employed by Defendants within the meaning of the Labor Code and one or more of the alleged Labor Code violations was committed against each of them. Other aggrieved employees were likewise employed by Defendants and subjected to one or more of the same Labor Code violations.

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132. Defendants violated Labor Code section 2775 by misclassifying Plaintiffs and aggrieved employees as independent contractors despite failing to satisfy the ABC test.

133. Defendants violated Labor Code section 226.8 by willfully misclassifying Plaintiffs and aggrieved employees as independent contractors. The misclassification was voluntary and knowing because Defendants used a uniform contractor model, understood misclassification risk, controlled the workers, assigned them core work within Defendants' usual course of business, and failed to determine whether workers were customarily engaged in independently established AI-training businesses. Defendants' conduct constitutes a pattern or practice of willful misclassification. Plaintiffs seek civil penalties under section 226.8, including the enhanced pattern-or-practice penalties and any posting or notice relief authorized by section 226.8, through this PAGA cause of action.

134. Defendants violated Labor Code sections 1182.12, 1194, 1194.2, 1197, 1197.1, and 1198, and IWC Wage Order 4-2001, by failing to pay minimum wages and failing to pay for all hours worked.

135. Defendants violated Labor Code sections 510, 1194, and 1198, and IWC Wage Order 4-2001, by failing to pay overtime and double-time wages.

136. Defendants violated Labor Code sections 226.7, 512, and 1198, and IWC Wage Order 4-2001, by failing to provide lawful meal periods and rest periods and failing to pay meal and rest period premiums.

137. Defendants violated Labor Code sections 201, 202, 203, 204, and 210 by failing to timely pay all wages during employment and upon separation and by failing to pay statutory penalties associated with late payment and final pay violations.

138. Defendants violated Labor Code sections 226(a), 226.3, 1174(d), and 1174.5 by failing to provide accurate itemized wage statements and failing to maintain accurate payroll, time, wage, and meal period records.

139. Defendants violated Labor Code sections 245 through 249, including section 246, and related sick leave provisions by failing to provide, accrue, frontload, track, report, and make

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available California paid sick leave to aggrieved employees. Plaintiffs seek civil penalties for those sick leave violations through PAGA to the extent permitted by law.

140. Defendants violated Labor Code section 2802 and related provisions by failing to reimburse necessary business expenses, including personal devices, computers, internet, cell phone, data, electricity, software, subscriptions, and other costs necessary to perform the work.

141. Defendants violated Labor Code section 3700 and related workers' compensation provisions by failing to secure workers' compensation coverage for Plaintiffs and aggrieved employees as employees.

142. Defendants violated Labor Code section 432.5 by requiring employees or applicants to agree in writing to terms known by Defendants to be prohibited by law, including unlawful non-compete, non-circumvention, non-solicitation, or other restrictive covenant provisions that violated California public policy and Business and Professions Code sections 16600 et seq.

143. Defendants violated Labor Code section 558.1 because officers, directors, owners, managing agents, or other persons acting on behalf of the employer caused or contributed to Labor Code violations, including unpaid wages, meal and rest violations, wage-statement violations, and final-pay violations.

144. Defendants' violations also trigger default civil penalties under Labor Code section 2699(f) and all other applicable PAGA penalties. Plaintiffs seek civil penalties for each aggrieved employee and each pay period or violation in the amounts allowed by law, together with attorneys' fees and costs under Labor Code section 2699(g).

145. Civil penalties recovered under PAGA shall be allocated according to the applicable version of Labor Code section 2699, including distribution to the LWDA and aggrieved employees in the percentages required by law, or as otherwise ordered by the Court.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, individually, on behalf of the Class, and as representatives of aggrieved employees, pray for judgment against Defendants, and each of them, as follows:

1. For certification of this action as a class action under Code of Civil Procedure section

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2. For appointment of Plaintiffs Cox and Adams as Class Representatives and their counsel as Class Counsel;

3. For unpaid minimum wages, overtime wages, double-time wages, and all other unpaid wages according to proof;

4. For liquidated damages under Labor Code section 1194.2;

5. For meal period premiums and rest period premiums according to proof;

6. For waiting time penalties under Labor Code section 203;

7. For statutory penalties under Labor Code sections 210, 226(e), and all other provisions supporting private statutory penalties;

8. For reimbursement of necessary business expenses under Labor Code section 2802;

9. For relief arising from unlawful non-compete, non-circumvention, non-solicitation, and restrictive covenant provisions, including damages, injunctive relief, declaratory relief, attorneys' fees, and costs as permitted by law;

10. For restitution, public injunctive relief, and all other equitable relief available under Business and Professions Code sections 17200 et seq.;

11. For civil penalties under PAGA, including penalties under Labor Code sections 226.3, 226.8, 1174.5, 210, 2699(f), and all other applicable provisions;

12. For posting and notice relief authorized by Labor Code section 226.8 as part of the PAGA relief;

13. For attorneys' fees and costs under Labor Code sections 1194, 226, 218.5, 2802, 2699(g), Business and Professions Code section 16600.5, Code of Civil Procedure section 1021.5, and all other applicable law;

14. For pre-judgment and post-judgment interest as permitted by law;

15. For declaratory and injunctive relief as permitted by law;

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

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Dated: _6/15/26_____ LAW OFFICES OF BUCHSBAUM & HAAG, LLP

By: _____
Brent S. Buchsbaum
Attorneys for Plaintiffs, the Putative Class, and Aggrieved Employees

Dated: 6/15/2026 **CLARKSON LAW FIRM, P.C.**

By: Signed by: 0B7C1381D8A44F7... _____
Glenn A. Danas
Attorneys for Plaintiffs, the Putative Class, and Aggrieved Employees

DEMAND FOR JURY TRIAL

Plaintiffs demand trial by jury on all issues so triable.

Dated: __6/15/26_____ LAW OFFICES OF BUCHSBAUM & HAAG, LLP

By: _____
Brent S. Buchsbaum
Attorneys for Plaintiffs, the Putative Class, and Aggrieved Employees

Dated: 6/15/2026 **CLARKSON LAW FIRM, P.C.**

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