Clarkson

Glenn A. Danas, Esq.
Partner

Clarkson Law Firm P.C.
22525 Pacific Coast Highway
Malibu, CA 90265
Tel: (213) 788-4050
Direct: (213) 786-1071
Fax: (213) 788-4070
gdanas@clarksonlawfirm.com

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VIA ONLINE ELECTRONIC SUBMISSION

California Labor & Workforce
Development Agency
455 Golden Gate Avenue, 9th Floor
San Francisco, California 94102
SUBMITTED ONLINE

Re: Notice Pursuant to California Labor Code § 2699.3 re Mercor.io, corporation; Brendan Foody, an individual; Surya Midha, an individual; Adarsh Hiremath, an individual; and DOES 1-50, inclusive

Pursuant to the Private Attorneys General Act of 2004 ("**PAGA**"), Cal. Labor Code § 2698, *et seq*., Ms. Sara Adams provides this notice on behalf of herself and other aggrieved employees in the State of California to the Labor and Workforce Development Agency ("**LWDA**"), Mercor.io Corporation (and including any and all affiliates, subsidiaries, parents, directors, officers, and employees, including but not limited to, Brendan Foody, Surya Midha, and Adarsh Hiremath (collectively, "Mercor")) of Labor Code and Industrial Welfare Commission ("**IWC**") Wage Order violations committed by Mercor and personally experienced by Ms. Adams. Please allow this letter to serve as a notice and a request pursuant to § 2699.3 of the California Labor Code that your agency investigate the claims described below. If the agency does not intend to investigate the alleged violations, we ask that you please notify us of that fact. If your agency decides not to investigate the below-described claims, Ms. Adams intends to pursue civil penalties and injunctive relief through a court action and/or in arbitration, on behalf of herself and the other aggrieved employees against whom Labor Code and Wage Order violations were committed by Mercor.

Introduction

Mercor is headquartered in San Francisco, California. Mercor recruits "Taskers" through its service and then assigns "Taskers" to work on projects for companies. Despite designating them independent contractors, these "Taskers" are in fact employees under California law. Mercor has violated numerous provisions of the California Labor Code and applicable IWC Wage Order by denying its "Taskers" the compensation, other benefits and statutory entitlements that they are owed and failing to furnish a safe and healthful employment or place of employment.

One of the many individuals whom Mercor hired as a "Tasker" is Ms. Adams. Ms. Adams worked for Mercor as a "Tasker" from approximately April 2025 through July 2025, in California. During that entire time, Ms. Adams was under Mercor's control in accordance with strict guidelines.

Unless the agency decides to investigate and issue citations for Mercor's numerous Labor Code and Wage Order violations, Ms. Adams intends to bring a representative action in court and/or in arbitration seeking civil penalties for violations of the Labor Code that are recoverable under PAGA on behalf of the State of California and all other aggrieved employees. The aggrieved employees on whose behalf Ms. Adams will file a PAGA civil action include: All current and former individuals classified as independent contractors, who worked as Taskers or in similar positions, and resided in the State of California during the applicable statutes of limitations period.

As set forth below, Mercor has violated and/or continues to violate, among other provisions of the California Labor Code sections 201, 202, 203, 204, 226(a), 226.7, 226.8, 510, 512(a), 1194, 1197, 1197.1, 1198, 2802, and IWC Wage Orders, including inter alia, Wage Order No. 4, and Ms. Adams has personally experienced each of these violations.

Willful Misclassification of an Individual as an Independent Contractor

California law prohibits the willful misclassification of an individual as an independent contractor when he or she is in fact an employee under California law. Cal. Lab. Code § 226.8(a). "Willful misclassification" means avoiding employee status for an individual by voluntarily and knowingly misclassifying that individual as an independent contractor. Cal. Lab. Code § 226.8(i)(4). When an employer willfully misclassifies an individual as an independent contractor, the employer is subject to civil penalties. Cal. Lab. Code § 226.8(b)–(c). Mercor willfully misclassified Ms. Adams and other aggrieved employees as independent contractors, because it has been clear for several years now under California law that its "Taskers" are in fact employees under Cal. Lab. Code § 2775, insofar as such "Taskers" are under Mercor's control in performing their AI training duties, the AI training duties that "Taskers" do are within the usual course of Mercor's business, and they are not engaged in an independently established trade, occupation or business. Even under a looser definition of "employee," "Taskers" would also be considered employees because Mercor controls the manner and means through which Ms. Adams and other aggrieved employees carry out their duties, including but not limited to requiring them to use Mercor's platform to access tasks.

Failure to Provide Meal Periods and Rest Periods

California law requires employers to provide their employees with an opportunity to take an uninterrupted meal period of no less than thirty (30) minutes before the end of the fifth hour of work when an employee works more than five (5) hours in a day. Cal. Lab. Code §§ 226.7, 512(a); Wage Order No. 4. A second meal period of no less than thirty (30) minutes must be provided before the end of the tenth hour of work when an employee works more than ten (10) hours in a day. Cal. Lab. Code §§ 226.7, 512(a); Wage Order No. 4. Further, an employer must provide an uninterrupted rest period of no less than ten (10) minutes for every four (4) hours, or major fraction thereof, worked. Cal. Lab. Code § 226.7; Wage Order No. 4. When an employer fails to provide a meal or rest period, an hour of pay at the employee's regular rate of compensation is owed to the employee. Cal. Lab. Code § 226.7(c).

Mercor failed to provide Ms. Adams or the other aggrieved employees with an opportunity to take timely, uninterrupted meal and rest periods of the requisite length, free from employer control. Mercor also failed to compensate Ms. Adams and the other aggrieved employees properly for the non-compliant meal and rest periods including, inter alia, missed, short, late, and/or interrupted meal and rest periods. Mercor also failed to pay premium wages for the many meals and rest breaks that Ms. Adams and the aggrieved employees were deprived of. Indeed, Mercor did not provide any meal or rest breaks or premium compensation for missed breaks to Ms. Adams or other aggrieved employees, since Mercor improperly classified its "Taskers" as independent contractors who were not entitled to meal or rest breaks.

Failure to Pay Minimum Wages and Failure to Pay Overtime Wages

Mercor violated California Labor Code sections 1194, 1197, and 1197.1 and Wage Order No. 4 by failing to pay Ms. Adams and other aggrieved employees at least minimum wages for all hours worked. Primarily, this was due to Mercor having misclassified "Taskers" as independent contractors rather than as employees. Ms. Adams and other aggrieved employees were required or knowingly permitted to perform work duties off-the-clock, including but not limited to completing onboardings or training, conducting research, and reviewing feedback. By failing to pay Ms. Adams and other aggrieved employees any wages for their time spent performing work duties for Mercor, Mercor violated Labor Code sections 1194, 1197, and 1197.1 and Wage Order No. 4, which require employers to pay at least the legal minimum wage to their employees.

California Labor Code section 510 and Wage Order No. 4 require employers to pay no less than one and one-half times the regular rate of pay of the employee for hours worked in excess of eight (8) hours in one workday, for hours worked in excess of forty (40) hours in one workweek, and for the first eight (8) hours worked on the seventh day of work in any one workweek, and to pay no less than twice the regular rate of pay of the employee for hours worked in excess of twelve (12) hours in one workday and for any work in excess of eight (8) hours on any seventh day of a workweek. During the relevant time period, Ms. Adams and other aggrieved employees worked over 8 hours in a day and/or 40 hours in a week without overtime compensation because Mercor failed to pay them for their work duties, as described above. This was, in turn, due to Mercor's unlawful misclassification of "Taskers" as independent contractors rather than as employees. On occasions when Ms. Adams and other aggrieved employees had already worked eight hours in one day or 40 hours in one week (performing some or all of their work off-the-clock), Mercor failed to pay them any overtime compensation due. Therefore, Ms. Adams and the other aggrieved employees were entitled to receive overtime compensation from Mercor that Mercor failed to pay, violating Labor Code § 510 and Wage Order No. 4.

Failure to Timely Pay Wages During Employment

California Labor Code section 204 requires that all wages earned by any person in any employment between the 1st and the 15th days, inclusive, of any calendar month, other than those wages due upon termination of an employee, are due and payable between the 16th and the 26th day of the month during which the labor was performed, and that all wages earned by any person in any employment between the 16th and the last day, inclusive, of any calendar month, other than those wages due upon termination of an employee, are due and payable between the 1st and the 10th day of the following month. California Labor Code section 204 also requires that all wages earned for labor more than the normal work period shall be paid no later than the payday for the next regular payroll period. During the relevant period, Mercor failed to pay Ms. Adams and other aggrieved employees all wages due to them, including minimum wages, overtime wages, and meal and rest period premium wages, within any time period specified by California Labor Code section 204.

Failure to Timely Pay Wages Upon Termination

California Labor Code sections 201 and 202 provide that if an employer discharges an employee, the wages earned and unpaid at the time of discharge are due and payable immediately, and if an employee quits his or her employment, his or her wages shall become due and payable not later than seventy-two (72) hours thereafter, unless the employee has given seventy-two (72) hours' notice of his or her intention to quit, in which case the employee is entitled to his or her wages at the time of quitting. During the relevant period, Mercor willfully misclassified Ms. Adams and other aggrieved employees as independent contractors rather than employees, and willfully failed to pay them overtime, or meal or rest break premiums for missed breaks, during their work with Mercor. When "Taskers" such as Ms. Adams and other aggrieved employees were terminated or quit, Mercor willfully failed to pay them all wages to which they were entitled.

Failure to Keep Accurate Payroll Records

California Labor Code section 1174(d) requires an employer to keep at a central location in the state or at the establishments at which employees are employed, 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 employed at the respective plants or establishments. These records shall be kept with rules established for this purpose by the commission, but in any case, shall be kept on file for not less than two years. During the relevant period, Mercor failed to keep accurate and complete payroll records showing the actual hours worked daily and the wages paid to Ms. Adams and other aggrieved employees.

Failure to Furnish Accurate Itemized Wage Statements

Labor Code section 226(a) and Wage Order No. 4 require an employer semimonthly or at the time of each payment of wages to furnish wage statements to its employees setting forth, inter alia, (1) gross wages earned, (2) total hours worked by the employee, (3) the number of piece-rate units earned and any applicable piece rate if the employee is paid on a piece-rate basis, (4) all deductions, provided that all deductions made on written orders of the employee may be aggregated and shown as one item, (5) net wages earned, (6) the inclusive dates of the period for which the employee is paid, (7) the name of the employee and only the last four digits of his or her social security number or an employee identification number other than a social security number, and (8) the name and address of the legal entity that is the employer. Mercor failed to provide *any* compliant wage statements to Ms. Adams and other aggrieved employees, despite being required to do so. Accordingly, Mercor is subject to civil penalties under Labor Code section 226.3.

Failure to Reimburse Necessary Business Expenses

Labor Code section 2802 and Wage Order No. 4 require employers to indemnify their employees for all necessary business expenses that they incur in direct consequence of the discharge of his or her job duties or in direct consequence of his or her obedience to the directions of the employer. During the relevant period, Ms. Adams and other aggrieved employees incurred necessary business-related expenses and costs that were not fully reimbursed by Mercor. These costs include, but are not limited to, the use of software, Wi-Fi and internet connections, and electricity costs that "Taskers" were required to use to perform their AI training duties, among other expenses. Indeed, Ms. Adams and the other aggrieved employees absorbed all the costs associated with training AI for Mercor at their own expense and without reimbursement by Mercor. Ms. Adams and the aggrieved employees are entitled to reimbursement for all such expenses.

* * *

Mercor has violated, caused to be violated, or is currently violating, numerous provisions of the California Labor Code, as described above. Ms. Adams respectfully requests that the agency provide notice if the agency does not intend to investigate the above allegations pursuant to Labor Code § 2699.3. If the agency does not intend to investigate the alleged violations, Ms. Adams respectfully requests a letter confirming the same so that we may bring a civil action seeking civil penalties and injunctive relief under PAGA against Mercor for the violations described in this letter. Please know that we intend to file a civil complaint and to bring the appropriate claims under Labor Code § 2699 should your office decline to investigate, or investigate but decline to issue citations, within the time frames set out in Labor Code § 2699.3. Should you require anything further or have questions, please do not hesitate to contact me. Thank you for your consideration.

Respectfully Submitted,
CLARKSON LAW FIRM, P.C.

Glenn A. Danas, Esq.

Via certified mail with return receipt:

Mercor.io Corporation
55 2nd St., Suite 2600
San Francisco, CA 94105

CSC - Lawyers Incorporating Service
Agent for Service of Process for
Mercor.io Corporation
2710 Gateway Oaks Drive
Sacramento, CA 95833

Brendan Foody
55 2nd St., Suite 2600
San Francisco, CA 94105

Surya Midha
55 2nd St., Suite 2600
San Francisco, CA 94105

Adarsh Hiremath
55 2nd St., Suite 2600
San Francisco, CA 94105