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9
10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF LOS ANGELES

12 PEOPLE OF THE STATE OF CALIFORNIA,
13
14 Plaintiff,
15
16 v.
17
18 CARBON HEALTH TECHNOLOGIES, INC., a
19 Delaware Corp.; CARBON HEALTH ALPHA
20 MEDICAL GROUP OF CALIFORNIA, P.C., a
21 California Professional Corp.; CARBON HEALTH
22 ALPHA PRIMARY CARE OF CALIFORNIA,
23 P.C., a California Professional Corp.; CARBON
24 HEALTH EAST BAY MEDICAL GROUP, P.C., a
25 California Professional Corp.; CARBON HEALTH
26 EAST BAY PRIMARY CARE, P.C., a California
27 Professional Corp.; CARBON HEALTH
28 MEDICAL GROUP OF FLORIDA, P.A., a Florida
Professional Service Corp.; CARBON HEALTH
MEDICAL GROUP OF SUNNYVALE, INC., a
California Professional Corp.; CARBON HEALTH
PRIMARY CARE OF CALIFORNIA, P.C., a
California Professional Corp.; CARBON HEALTH
SOUTH BAY MEDICAL GROUP, P.C., a
California Professional Corp.; CARBON HEALTH
SOUTH BAY PRIMARY CARE, P.C., a California
Professional Corp.; CARBON HEALTH
PRIMARY CARE OF SOUTHERN
CALIFORNIA, P.C., a California Professional
Corp.; CARBON HEALTH URGENT CARE OF
CALIFORNIA, P.C., a California Professional
Corp.; and TREAT MEDICAL, INC., a California
Professional Corp.; and EREN BALI, an individual,
Defendants.

Case No. **26STCV19242**

**COMPLAINT FOR INJUNCTIVE RELIEF AND
CIVIL PENALTIES FOR VIOLATIONS OF:**

- (1) California's False Advertising Law, Bus. & Prof. Code § 17500, et seq., and
- (2) California's Unfair Competition Law, Bus. & Prof. Code § 17200, et seq.

1 Plaintiff, the People of the State of California (“Plaintiff” or “People”), by and through Rob
2 Bonta, Attorney General of the State of California, allege the following on information and belief:

3 **INTRODUCTION**

4 1. Defendant Eren Bali, an engineer with no medical training and no license to practice
5 medicine, co-founded a network of companies operating under the “Carbon Health” brand name
6 (collectively with Bali, “Defendants”) to provide urgent and primary care. Defendants violated
7 California law by allowing unlicensed people to interfere with and unlawfully direct the practice of
8 medicine, promulgating false and misleading advertising to consumers, and engaging in
9 unconscionable billing practices.

10 2. In this action, the People seek an order permanently enjoining Defendants from
11 engaging in these unlawful, unfair and fraudulent practices, as well as other relief available under
12 California’s False Advertising Law, Business and Professions Code section 17500, et seq., and
13 California’s Unfair Competition Law, Business and Professions Code section 17200, et seq.

14 **PLAINTIFF**

15 3. Plaintiff is the People of the State of California, who bring this action by and through
16 Attorney General Rob Bonta. The Attorney General is authorized by Business and Professions
17 Code sections 17535 and 17536 to bring actions to enforce the False Advertising Law (“FAL”) and
18 by Business and Professions Code sections 17203, 17204, and 17206 to bring actions to
19 enforce the Unfair Competition Law (“UCL”).

20 **DEFENDANTS**

21 4. Defendant Carbon Health Technologies, Inc. (“CHTI”), formerly known as MD
22 Collab Inc., is a Delaware Corporation with a principal address located in Sunnyvale, California.
23 Carbon Health Technologies, Inc., along with the other organizational defendants, will be referred
24 to collectively as “Carbon Health.”

25 5. Defendant Carbon Health Alpha Medical Group of California, P.C. is a California
26 Professional Corporation with an identical principal address as Carbon Health Technologies, Inc.

27 6. Defendant Carbon Health Alpha Primary Care of California, P.C. is a California
28 Professional Corporation with an identical principal address as Carbon Health Technologies, Inc.

1 Carbon Health Alpha Primary Care of California, P.C. is a wholly owned subsidiary of Carbon
2 Health Alpha Medical Group of California, P.C.

3 7. Carbon Health East Bay Medical Group, P.C. is a California Professional Corporation
4 with an identical principal address as Carbon Health Technologies, Inc.

5 8. Carbon Health East Bay Primary Care, P.C. is a California Professional Corporation
6 with an identical principal address as Carbon Health Technologies, Inc. Carbon Health East Bay
7 Primary Care, P.C., is a wholly owned subsidiary of Carbon Health East Bay Medical Group,
8 P.C.

9 9. Carbon Health Medical Group of Florida, P.A. is a Florida Professional Service
10 Corporation, with an identical principal address as Carbon Health Technologies, Inc.

11 10. Carbon Health Medical Group of Sunnyvale, Inc., formerly known as Inna Yaskin,
12 Inc., is a California Professional Corporation with an identical principal address as Carbon Health
13 Technologies, Inc. Carbon Health Medical Group of Sunnyvale, Inc., is a wholly owned
14 subsidiary of Carbon Health Medical Group of California, P.C.

15 11. Carbon Health Primary Care of California, P.C. (“CHPCC”), formerly known as
16 Carbon Health Medical Group, Inc., is a California Professional Corporation with an identical
17 principal address as Carbon Health Technologies, Inc.

18 12. Carbon Health Primary Care of Southern California, P.C. is a California Professional
19 Corporation with a principal address in Eastvale, California.¹

20 13. Carbon Health South Bay Medical Group, P.C. is a California Professional
21 Corporation with an identical principal address as Carbon Health Technologies, Inc.

22 14. Carbon Health South Bay Primary Care, P.C. is a California Professional Corporation
23 with an identical principal address as Carbon Health Technologies, Inc. Carbon Health South Bay
24 Primary Care, P.C., is a wholly owned subsidiary of Carbon Health South Bay Medical Group,
25 P.C.

26 _____
27 ¹ This entity was formed to provide clinical services as part of the Defendants’ bankruptcy
28 restructuring in the Southern District of Texas. Defendants’ bankruptcy plan was confirmed on
May 29, 2026, and made effective June 15, 2026, in the Southern District of Texas (*In re Carbon
Health Technologies, Inc.* (Bankr. S.D. Tex., 2026, No. 26-90306(CML))).

1 **FACTS**

2 *The Founding of Carbon Health and Its Illegal Organizational Structure*

3 23. CHTI was co-founded by Bali in 2015 along with a physician and two other
4 individuals. The stated goal of CHTI was to create an electronic health records system and billing
5 platform. Bali was the Chief Executive Officer of CHTI.

6 24. To assist with building and testing the platform, Bali decided to open a primary care
7 clinic inside CHTI’s headquarters. Because of California’s prohibition on unlicensed persons
8 practicing medicine and its prohibition on the corporate practice of medicine, a separate entity—
9 CHPCC—was incorporated in 2016 as a professional corporation (“PC”) to be associated with
10 clinic business. CHTI’s physician co-founder was the sole shareholder of CHPCC.

11 25. CHTI and CHPCC entered a contractual arrangement whereby CHTI would serve as
12 a management services organization (“MSO”) to CHPCC. The MSO agreement provided that
13 CHTI would be the sole provider of administration and management services to CHPCC. The
14 relationship between CHTI and CHPCC is referred to in the trade as a “friendly PC” or “MSO-
15 PC” model.

16 26. The MSO agreement gave CHTI undue and unlawful control over CHPCC. The
17 agreement gave CHTI complete authority over advertising, billing, finances, maintenance and use
18 of patient records, selection of medical equipment, and the hiring, firing, and compensation of
19 licensed medical professionals associated with the “Carbon Health” brand name.

20 27. The agreement gave CHTI undue and unlawful control over CHPCC by, among other
21 things, mandating CHTI’s consent for CHPCC to: (a) make any asset purchase valued at over
22 \$1,000; (b) incur a debt of more than \$1,000; (c) enter a contract valued at more than \$1,000;
23 (d) amend its articles of incorporation or bylaws; or (e) issue shares, pay dividends on shares,
24 reclassify stock, or engage in a consolidation, conversion, merger or stock/share exchange. The
25 MSO agreement granted CHTI a security interest in the physician co-founder’s shares in CHPCC.
26 In the event of a breach or default of the MSO agreement by CHPCC, or upon the termination of
27 the MSO agreement for any reason, the physician co-founder of CHTI was required to transfer his
28 shares in CHPCC to a physician of CHTI’s choosing.

1 28. The MSO agreement allowed CHTI to assign its obligations to a wholly owned
2 affiliate or to a successor without consent of CHPCC.

3 29. These agreements effectively made CHPCC a captive professional corporation, the
4 existence and ownership of which were wholly dependent upon CHTI’s discretion.

5 30. CHTI employed the same unlawful playbook with each of the defendant medical
6 groups. For further illustration, in October 2018, Carbon announced it was merging with Direct
7 Urgent Care, Inc., which had half a dozen urgent care clinics in the San Francisco Bay Area.

8 31. Like CHPCC, Direct Urgent Care, Inc.³ (“DUCI”) used the friendly PC model. DUCI
9 was a professional corporation and received management services from an entity named Direct
10 Healthcare Services, Inc. After the Carbon Health merger, Direct Healthcare Services, Inc.’s role
11 in providing management services to DUCI was assigned to CHTI, such that CHTI began
12 providing management services to DUCI. DUCI changed its name to operate under the Carbon
13 Health brand. Additionally, CHTI obtained an assignable option in DUCI. In the event of a
14 breach or default of the MSO agreement with CHTI by DUCI, or upon the termination of the
15 MSO agreement for any reason, the sole DUCI shareholder would transfer his shares to a
16 physician of CHTI’s choosing.

17 32. By mid-2019, \$36.5 million in venture capital had been infused into CHTI. With this
18 infusion of funds, Bali expressed his lofty aspirations for Carbon Health: “We want to grow to
19 several thousand clinics. . . .We’re looking to be the Starbucks of healthcare.”⁴

20 33. Concurrent with the COVID-19 pandemic, Carbon Health began acting upon Bali’s
21 expansion plan, funded by nearly \$600 million in additional venture capital into CHTI. By early
22 2026, Carbon Health expanded to over sixty clinics in California.

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24 _____
25 ³ Carbon Health Medical Group of California, P.C., formerly known as Direct Urgent
26 Care, Inc., was a California professional corporation with an identical principal address as Carbon
27 Health Technologies, Inc. It was dissolved as part of the Defendants’ bankruptcy reorganization.
28 Its clinical services will be undertaken by the other professional corporations, including
potentially the two new entities formed through reorganization.

⁴ (Kevin Truong & Erin Dietsche, *Carbon Health pulls in \$30M to become the ‘Starbucks of healthcare,’* MedCity News (June 6, 2019), <<https://medcitynews.com/2019/06/carbon-health-pulls-in-30m/>> [as of June 16, 2026]).

1 34. To support this expansion, Defendants entered a series of new and updated contracts
2 to ensure CHTI and Bali retained control over CHPCC, DUCI, and additional professional
3 corporations that started operating under the “Carbon Health” brand, including Carbon Health
4 Alpha Medical Group of California, P.C., Carbon Health Alpha Primary Care of California, P.C.,
5 Carbon Health East Bay Medical Group, P.C., Carbon Health East Bay Primary Care, P.C.,
6 Carbon Health Medical Group of Florida, P.A. (“CHMGFL”), Carbon Health South Bay Medical
7 Group, P.C., and Carbon Health South Bay Primary Care, P.C.

8 35. Specifically, CHTI updated its management services agreement with CHPCC in
9 2019, and entered similar management services agreements with the newer above-referenced
10 Defendant professional corporations. Through these agreements, CHTI had complete authority
11 over advertising; payor negotiations; selection of medical equipment; and the hiring, firing, and
12 compensation of licensed medical professionals associated with the “Carbon Health” brand name.
13 The agreements further obligated the professional corporations to receive management services
14 only from CHTI.

15 36. Critically, the agreements installed a new physician shareholder in CHPCC and each
16 of the Carbon Health professional corporations. This shareholder granted CHTI an assignable
17 option in the professional corporations. This assignable option allowed CHTI to exercise the
18 option if the management services agreement between the professional corporation and CHTI
19 were terminated, expired, or not renewed or if CHTI, in its sole discretion, determined that the
20 shareholders’ continued ownership of the professional corporation would impair CHTI’s ability to
21 provide management services under the management services agreement. If CHTI exercised the
22 option, ownership of the professional corporation would immediately transfer to a physician of
23 CHTI’s sole choosing. Additionally, CHTI could exercise its option to replace the shareholder of
24 the professional corporation if the shareholder obligated the professional corporation to incur debt
25 to any entity besides CHTI or if the shareholder attempted to sell the professional corporation, in
26 whole or in part, to a physician who was not approved by CHTI.

27 37. CHMGFL’s primary purpose was to lease personnel to Carbon Health’s professional
28 corporations that provided clinical services. At the time CHTI entered into the management

1 services agreement with CHMGFL, there was no Carbon Health-branded clinic operating in
2 Florida; and while a handful of Carbon Health clinics eventually opened in Florida, they closed
3 quickly. The lease agreements provided that CHMGFL would lease physician and non-physician
4 healthcare professionals, and non-medical staff, such as front-desk staff, to the California
5 professional corporations.

6 38. Beyond the contractual arrangements, Defendants' conduct reflects and confirms
7 CHTI's undue and unlawful control over the professional corporations. For instance, at the March
8 2023 meeting of CHTI's board of directors, matters that can only be decided by a physician
9 licensed in the State of California were discussed, including reductions in clinician staffing,
10 increasing billing complexity, and payor contracting. And at the June 2023 meeting of CHTI's
11 board of directors, clinician performance and incentives were discussed, even though physician
12 workloads and compensation may only be decided by a physician licensed in the State of
13 California.

14 39. Defendants' public statements further confirm CHTI's undue control over the
15 professional corporations and its unlawful practice of medicine. According to an August 2021
16 article published in Inc. Magazine, "Bali decided to buy [Direct Urgent Care] and turn those
17 locations into Carbon Health clinics – and then build more. 'We just said, you know what, screw
18 it, we're going to own the clinics,' he says. 'We're going to own the brand. We're going to own
19 the services. We're going to own every piece of it.'"⁵ In July 2022, speaking on a podcast,
20 CHTI's former Chief Strategy Officer stated that Bali founded Carbon Health, "runs our
21 company," sets the corporate vision for "how healthcare should be for patients," and generally
22 acts as the corporate "north star."⁶ More recently, in one of its pleadings filed in the United States
23 Bankruptcy Court for the Southern District of Texas, ignoring the differences between CHTI and
24

25 ⁵ (Tom Foster, *How Eren Bali, Founder of Billion-Dollar Companies Udemy and Carbon*
26 *Health, Wants to Fix American Health Care*, Inc. (Aug. 17, 2021), Inc.
<<https://www.inc.com/magazine/202109/tom-foster/carbon-health-eren-bali-udemy-primary-care-inc-5000-2021.html>> [as of June 16, 2026]).

27 ⁶ (Priya Aneja, Paul Schrimpf, & Jeff Gourджи, *Healthcare Transformers: Myoung Cha of*
28 *Carbon Health*, Prophet's Healthcare Changemakers Podcast (July 27, 2022),
<<https://www.youtube.com/watch?v=VZx48vsOy9s>> [as of June 16, 2026]).

1 the professional corporations, Defendants stated that CHTI “is a leading urgent care (‘UC’) and
2 primary care (‘PC’) medical service provider. . . .”

3 Carbon Health’s Misleading Advertising

4 40. Defendants’ advertising was deceptive from day one. CHPCC’s first advertisements
5 to prospective patients did not disclose that the clinic’s purpose was to test CHTI’s electronic
6 health record application.

7 41. Additionally, because CHPCC was a new entity, it lacked provider contracts with
8 health plans and insurers. Defendants knew this would be a detriment to obtaining patients and
9 thus undercut their ability to test the mobile application. Consequently, Defendants decided they
10 would “act[] like we were accepting everyone’s insurance” even though this was not true.⁷ The
11 top-level domain of Carbon Health’s website displayed the names and trademarks of a well-
12 known insurance company. The website further stated in its Frequently Asked Questions: “Do
13 you accept my insurance plan? Yes.” The website also stated that, to start care with Carbon
14 Health, “all you need is your insurance card” and Carbon Health would charge patients their
15 “standard copay.”

16 42. With the Carbon Health-DUCI merger in 2018, Defendants gained access to provider
17 contracts. This, however, did not fix Defendants’ false advertising regarding insurance coverage.
18 For instance, in early 2021, the Carbon Health website advertised primary care, urgent care,
19 COVID-19 care, and virtual care, and stated that Defendants “accept all major insurance
20 policies.” Similar representations were also made in print mailers and social media advertising.
21 This statement, however, was not entirely true, and Defendants changed their advertising to say
22 that they “accept most major insurance” in 2023.

23 43. The misrepresentations regarding insurance coverage were not limited to printed
24 statements. Misrepresentations were made verbally by Defendants’ California clinic employees.
25 For instance, patients visiting a Carbon Health clinic were informed by staff that Carbon Health

26 ⁷ (Eren Bali, *How Does Startup Magic Happen? The Carbon Health Story*, Carbon Health
27 Blog (Sept. 2, 2021), <https://carbonhealth.com/blog-post/startup-magic-is-crazy?srsId=AfmBOopDnIg3t_XCC_mFDgAB-EuL5IEeuxh7fDdCDrnirJO9rWpkmSsF> [as of
28 June 16, 2026]).

1 was “in network” with the patients’ health insurance, even when the patients’ plan was not in
2 network with Carbon Health.

3 44. California patients complained in online forums and to Defendants about the
4 disconnect between actual coverage and the written and oral advertisements of coverage. This
5 disconnect resulted in patients receiving out-of-network bills that were greater than their
6 anticipated in-network bill.

7 45. Defendants were aware of the complaints and the issues regarding incorrect
8 representations of patient network status, yet the misrepresentations continued.

9 *Carbon Health’s Improper Patient Billing Practices*

10 46. For most of the relevant time-period, when a patient would check in at a clinic, staff
11 would accept credit or debit cards from patients with insurance coverage as payment for copays.
12 Defendants claimed they adequately informed patients of this practice, yet in many instances the
13 only notice patients had was the following statement that was buried several pages into
14 Defendants’ prolix in their consent to treatment:

15 If you have provided your insurance information during your visit today, our billing
16 team will send a claim to your insurance company shortly after your visit. Once the
17 claim is successfully processed, your insurance company will send us a statement
18 with the amount you owe. If you have a remaining balance, you will receive a
19 statement via email with the amount you owe. ***For your convenience, we will charge
20 the credit card you have left on file with us. There will be approximately 7 days
from the time you receive the statement to the time your card is charged.*** The date
we charge the card will be written on your statement. If you would like to make other
arrangements to pay off your balance or have questions regarding your statement,
please contact us before the date on your statement.

21 (emphasis added)

22 47. At no relevant time did Defendants provide patients with a copy of the signed consent
23 to charge described in Paragraph 46.

24 48. Thus, in many instances, Defendants’ patients only learned of the amount of a
25 potential charge to his or her credit or debit card a few days before the charge was processed. This
26 is because, unlike when a consumer purchases a tangible good, the cost of medical care is not
27 typically fixed when a consumer attempts to use his or her health insurance benefits. The cost of
28 care depends on a variety of factors, including: (i) whether the care provided is covered by

1 insurance; (ii) whether the facility at which the care was provided is contracted with the patients'
2 insurance company (i.e., "in network"); (iii) whether the provider who provided the care is in
3 network; (iv) whether the patient is subject to co-insurance or deductible requirements; and
4 (v) whether the insurance company imposed prerequisites or limitations on coverage (such as a
5 prior authorization).

6 49. By auto-billing a patient's credit or debit card on file a few days after Defendants
7 received a statement from the patients' insurance company, Defendants did not provide patients
8 with sufficient time to determine whether the bill amount was correct. This compressed
9 timeframe prevented patients from disputing an insurance company's denial of care before paying
10 or even before receiving notice that a claim was processed and pending.

11 50. This practice proved to be problematic for Defendants as patients that discovered that
12 Defendants would sometimes overbill or double bill them, or Defendants would process patients'
13 claims without going through the patients' insurance or health plans.

14 51. Defendants lacked protocols to prevent charging patient credit and debit cards
15 without authorization. This resulted in patients' cards on file being charged without consent. For
16 instance:

17 a. Until mid-2022, Defendants' systems permitted patients to bypass, and not sign,
18 the consent to treatment and credit card authorization during the clinic check-in process.

19 b. Even when a patient executed an authorization that specified a seven-day notice
20 period, Defendants would charge cards with only three days' notice. Defendants also charged
21 some patients' credit and debit cards with no prior notice of the impending charge.

22 c. In 2023, Defendants decided to reverse prior write-offs of patient bills and
23 charged patients' credit and debit cards for services provided as far back as 2020.

24 52. Defendants received numerous and regular complaints from patients claiming they
25 were surprised by charges. Patients also complained that they never consented to their credit and
26 debit cards being automatically charged soon after transmission of a bill. Defendants nevertheless
27 continued with their unauthorized and illegal billing practices.
28

1 *The Anthem Negotiations of 2022-2023*

2 53. In late 2022, and early 2023, Defendants engaged in contract negotiations with the
3 Anthem Blue Cross Prudent Buyer Plan Participating Physician Group (“Anthem”).

4 54. In November 2022, Defendants informed Anthem that if new contracts with better
5 financial terms for Defendants were not reached by mid-March 2023, then Defendants would be
6 out-of-network for patients with preferred provider organization (“PPO”) health benefits provided
7 by Anthem. New contracts were not negotiated by mid-March 2023, and Defendants thereafter
8 went out-of-network with providers for patients with Anthem PPO plans.

9 55. To ensure Defendants did not lose revenue due to Anthem PPO patients visiting a
10 different provider, Defendants developed a three-part scheme. First, Defendants developed a
11 protocol in which, once they were out-of-network with Anthem, Defendants removed all billing
12 codes from Anthem claims and replaced those codes with a different, stand-alone code—S9088
13 (“S-Code”). Anthem’s applicable provider manual, however, stated the S-Code was “not eligible
14 for separate reimbursement.” This was consistent with typical medical billing practice, which
15 describes the S-Code as an add-on (not a stand-alone) medical billing code used by private payers
16 to represent the additional operational and facility costs of delivering walk-in, unscheduled
17 services at an urgent care center. Defendants also decided to newly associate a \$500 fee with the
18 S-Code. This fee was nearly triple Defendants’ self-pay fee, which was approximately \$170 for
19 an urgent care visit in 2023.

20 56. Second, Defendants continued encouraging Anthem patients to visit their clinics and
21 use their Anthem benefits by misrepresenting Defendants’ now out-of-network status. When
22 Anthem patients visited Defendants’ clinics after Defendants went out-of-network, Defendants’
23 policy was to collect the patients’ co-pay and treat the patient at check-in as if he or she were
24 using in-network benefits. Defendants also concealed from patients the \$500 S-Code charge.

25 57. Third, if patients complained about the \$500 charge, Defendants would instruct them
26 to raise the concern with Anthem to pressure Anthem to contract with Defendants on terms
27 favorable to Defendants. Defendants’ policies and procedures for the period immediately after the
28 termination of the Anthem contracts required a patient to confirm that he or she complained to

1 Anthem before Defendants would reduce a complaining patients' bill to Defendants' normal self-
2 pay rate.

3 58. This plan to leverage patients in the Anthem negotiations through manipulation of
4 patient billing codes by non-licensed individuals was approved by CHTI and its executives,
5 including Bali.

6 59. After Defendants went out-of-network with Anthem in March 2023, Anthem
7 predictably refused to provide coverage for the \$500 S-Code charge.

8 60. In mid-April 2023, Defendants began sending invoices to Anthem patients, informing
9 those patients about the \$500 charge and that their cards-on-file would be charged that amount in
10 three days. The invoice directed patients who did not wish to pay the \$500 charge to complain to
11 Anthem. Indeed, the first invoices contained a link that directed patients to complain directly to
12 Anthem executives' corporate email addresses. Defendants only removed this link after Anthem
13 complained.

14 61. Patient outcry over the \$500 S-Code charge was immediate. After the first patient
15 bills were processed, the fact that patients were claiming they never authorized the charges to
16 their cards on file was raised to CHTI's management, including Bali. However, CHTI's
17 management, including Bali, reaffirmed the S-Code policy and attempted to direct patients' anger
18 towards Anthem.

19 62. Patient complaints soon overwhelmed Defendants. Defendants' clinic staff fielded
20 multiple irate patients daily. Defendants lacked sufficient staff to respond to the number of email
21 and telephone complaints about the \$500 S-Code. The backlog for addressing complaints was so
22 severe that Defendants could not respond to patients before their cards on file were charged \$500.

23 63. Additionally, Anthem stopped adjudicating Defendants' claims.

24 64. In addition to complaints from Anthem PPO patients, Defendants also received
25 complaints from patients whose insurance or health plans had names similar to Anthem.
26 Unfortunately for these patients, Defendants also occasionally applied the S-Code charge to them,
27 as well, resulting in the rejection of claims that should have otherwise been covered.
28

1 b. Misrepresenting that out-of-network patients will pay in-network rates for services.

2 **SECOND CAUSE OF ACTION**

3 **VIOLATION OF BUS. & PROF. CODE § 17200 ET SEQ.**

4 **(Unfair, Unlawful, and/or Fraudulent Business Practices)**

5 72. The People reallege and incorporate by reference each of the paragraphs above as
6 though fully set forth herein.

7 73. Business and Professions Code section 17200 (which is part of the Unfair Competition
8 Law or UCL), prohibits any person engaged in business in California from engaging in “any
9 unlawful, unfair or fraudulent business act or practice.”

10 74. Each Defendant is a “person” within the meaning of Business and Professions Code
11 section 17201.

12 75. Defendants have engaged, and continue to engage, in acts or practices that are unlawful,
13 unfair, or fraudulent, and that constitute unfair competition within the meaning of section 17200 of
14 the Business and Professions Code. These acts or practices include, but are not limited to:

- 15 a. Engaging in the corporate practice of medicine as prohibited by Business and
16 Professions Code sections 2052, subd. (a) and 146, subd. (a);
- 17 b. Using unfair and unconscionable consumer contracts as prohibited by Civil Code
18 section 1770, subd. (a)(19), and in breach of the covenant of good faith and fair
19 dealing as defined by California Civil Jury Instruction (“CACI”) 325;
- 20 c. Improperly billing patients and insurance companies as prohibited by California and
21 Federal laws and regulations, including, but not limited to, the following:
- 22 i. Charging patients who have health maintenance organization (HMO)
23 coverage more than their copay, deductible, and coinsurance in violation
24 of Health and Safety Code section 1379, subd. (c);
- 25 ii. Collecting or attempting to collect sums not owed by the patients in
26 violation of Civil Code section 1788.17;
- 27
28

1 false or misleading statements in violation of Business and Professions Code, section 17500, as
2 alleged in this Complaint;

3 3. Pursuant to Business and Professions Code, section 17203, that the Court enter all
4 orders or judgments, including but not limited to restitution, as may be necessary to restore to any
5 person in interest any money or other property that Defendants may have acquired by violations
6 of Business and Professions Code, section 17200, as proved at trial;

7 4. Pursuant to Business and Professions Code, section 17535, that the Court enter all
8 orders or judgments, including but not limited to restitution, as may be necessary to restore to any
9 person in interest any money or other property that Defendants may have acquired by violations
10 of Business and Professions Code, section 17500, as proved at trial;

11 5. Pursuant to Business and Professions Code, section 17536, that the Court assess a
12 civil penalty of two thousand five hundred dollars (\$2,500) against each Defendant for each
13 violation of Business and Professions Code section 17500, as proved at trial;

14 6. Pursuant to Business and Professions Code, section 17206, that the Court assess a
15 civil penalty of two thousand five hundred dollars (\$2,500) against each Defendant for each
16 violation of Business and Professions Code, section 17200, as proved at trial;

17 7. That the Court award disgorgement of profit pursuant to Government Code, section
18 12527.6;

19 8. That Plaintiff recover its costs of suit; and

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9. For such other and further relief that the Court deems just and proper.

Dated: June 17, 2026

Respectfully Submitted,
ROB BONTA
Attorney General of California
NELI PALMA
Senior Assistant Attorney General
DAVID JONES
Supervising Deputy Attorney General
Danny Lo

DANNY LO
DARCIE TILLY
Deputy Attorneys General
*Attorneys for Plaintiff, the People of the State
of California*

DECLARATION OF SERVICE BY U.S. MAIL

Case Name: In Re Carbon Health v. People of the State Of California
Case Number:

Declaration of Service by U.S. Mail

1. I am at least 18 years of age and not a party to this matter.
2. I am employed in the Office of the Attorney General of the State of California. My business address is 300 South Spring Street, Suite 1702, Los Angeles, CA 90013-1230, County of Los Angeles.
3. My electronic service address is Juan.Ligutom@doj.ca.gov.
4. On June 17, 2026, I electronically served the following document[s]:

Complaint for Injunctive Relief and Civil Penalties for Violations of:

- (1) California’s False Advertising Law, Bus. & Prof. Code § 17500, et seq., and
- (2) California’s Unfair Competition Law, Bus. & Prof. Code § 17200, et seq.

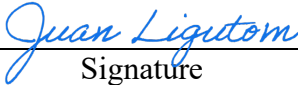
5. I served the aforementioned document[s] by mailing them to the following individual[s]:

CARBON HEALTH TECHNOLOGIES, INC.

CT Corporation System
300 North Brand Boulevard, Suite 700
Glendale, CA 91203

I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct, and that this declaration was executed on June 17, 2026.

Juan Ligutom
Declarant


Signature