

By: Hinojosa of Hidalgo

S.B. No. 2130

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of certain transactions and activities involving the provision of veterinary services; authorizing civil penalties; creating criminal offenses.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Title 2, Business & Commerce Code, is amended by adding Chapter 15A to read as follows:

CHAPTER 15A. CONSOLIDATION OF VETERINARY SERVICES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 15A.0001. DEFINITIONS. In this chapter:

(1) "Affiliate" means a person or entity who, directly or indirectly through intermediaries, controls, is controlled by, or is under common control with another entity or shares common branding with another entity. For purposes of this subdivision, control of an entity means having:

(A) ownership of or the direct or indirect ability to vote 25 percent or more of the outstanding shares or participation shares of any class of voting securities of the entity;

(B) the ability to control in any manner the election of the majority of the entity's directors or individuals exercising functions similar to a director's functions; or

(C) the ability to directly or indirectly exercise a controlling influence over the management or policies of

1 the entity through ownership of equity or securities, by contract,  
2 or otherwise.

3 (2) "Geographic market" means a county, metropolitan  
4 statistical area designated by the United States Office of  
5 Management and Budget, or contiguous geographic area in this state  
6 from which an entity draws at least 50 percent of the entity's  
7 veterinary services clients.

8 (3) "Private equity company" means a for-profit firm,  
9 sole proprietorship, corporation, limited or general partnership,  
10 limited liability company, limited liability partnership, business  
11 trust, investment asset manager, real estate investment trust,  
12 joint venture, joint stock company, or other entity, including a  
13 wholly-owned subsidiary, majority-owned subsidiary, parent  
14 company, or affiliate of any of those entities, that:

15 (A) is not required to be registered or regulated  
16 as an investment company under the Investment Company Act of 1940  
17 (15 U.S.C. Section 80a-1 et seq.) due to the exclusion from the  
18 definition of investment company under Section 3(c)(1) or (7) of  
19 the Investment Company Act of 1940 (15 U.S.C. Section 80a-3(c)(1)  
20 or (7));

21 (B) engages in collecting capital from  
22 individuals or entities to invest, develop, or dispose of assets;  
23 and

24 (C) limits or does not provide investors with  
25 redemption rights in the ordinary course of business.

26 (4) "Transaction" means:

27 (A) a direct or indirect acquisition, purchase,

1 lease, merger, gift, encumbrance, exchange, option, receipt of a  
2 conveyance, creation of a joint venture, or other transfer of an  
3 interest in a veterinary services provider; or

4 (B) a change of control, wholly or partly, of a  
5 veterinary services provider by a private equity company.

6 (5) "Veterinary medicine" has the meaning assigned by  
7 Section 801.002, Occupations Code.

8 (6) "Veterinary services" means:

9 (A) diagnosing, treating, correcting, changing,  
10 manipulating, relieving, providing care, advice, or guidance for,  
11 or preventing disease, deformity, defect, injury, or other physical  
12 or mental condition of an animal by prescribing, administering, or  
13 dispensing to or for the animal a drug, biologic, anesthetic,  
14 apparatus, surgery, or other therapeutic or diagnostic substance or  
15 technique, and services provided under any other discipline or  
16 specialty of veterinary medicine;

17 (B) representing an ability and willingness to  
18 perform an act listed under Paragraph (A);

19 (C) using a title, a word, or letters to induce  
20 the belief that a person is legally authorized and qualified to  
21 perform an act listed under Paragraph (A); and

22 (D) receiving a fee from a client, including an  
23 owner or caretaker of an animal, or insurer in exchange for  
24 performing an act listed under Paragraph (A).

25 (7) "Veterinary services provider" means:

26 (A) a person licensed to practice veterinary  
27 medicine under Chapter 801, Occupations Code, who provides

1 veterinary services; and

2 (B) a business entity owned exclusively by one or  
3 more veterinarians as authorized by Chapter 801, Occupations Code,  
4 that provides veterinary services.

5 Sec. 15A.0002. CHANGE OF CONTROL. For purposes of this  
6 chapter, a change of control with respect to a veterinary services  
7 provider in this state means an agreement, association,  
8 affiliation, partnership, joint venture, transfer, or other  
9 arrangement or event:

10 (1) that results in a private equity company directly  
11 or indirectly establishing a change in governance of or sharing of  
12 control over the provision of veterinary services by the veterinary  
13 services provider; or

14 (2) in which a private equity company wholly or partly  
15 assumes direct or indirect control over the management, operations,  
16 or policies of the veterinary services provider through ownership  
17 of voting securities, by contract, or through another means of  
18 altering voting control or responsibility for the governing body of  
19 the veterinary services provider.

20 Sec. 15A.0003. RULES; PROCEDURES; FORMS. The attorney  
21 general may adopt rules, procedures, and forms necessary to  
22 administer and enforce this chapter.

23 Sec. 15A.0004. MULTIPLE REMEDIES ALLOWED. The application  
24 of one civil remedy under a provision of this chapter does not  
25 preclude the application of any other civil or criminal remedy  
26 under this chapter or other law. Civil remedies under this chapter  
27 are supplemental and not mutually exclusive.

1           SUBCHAPTER B. REVIEW OF PROPOSED TRANSACTIONS

2           Sec. 15A.0051. APPLICABILITY OF SUBCHAPTER. (a) Except as  
3 provided by Subsection (b), this subchapter applies only to a  
4 proposed transaction between a private equity company and a  
5 veterinary services provider:

6           (1) that:

7                   (A) involves:

8                           (i) a veterinary services provider that has  
9 an annual gross revenue of at least \$400,000;

10                           (ii) a private equity company that has an  
11 annual gross revenue of at least \$400,000 during the three most  
12 recent fiscal years that is derived from veterinary services  
13 provided in this state by the private equity company and the  
14 company's affiliates; or

15                           (iii) a veterinary services provider  
16 located in a geographic market in which the private equity company  
17 has a 40 percent market share of any veterinary services; or

18                   (B) will result in an entity that is projected to  
19 generate an annual gross revenue of at least \$400,000 during the  
20 five years after the transaction's closing date; and

21           (2) with respect to which at least one of the following  
22 material circumstances exists:

23                   (A) the transaction is a merger, consolidation,  
24 amalgamation, divestiture, leveraged buyout, or interest exchange  
25 of a veterinary services provider by or with another entity;

26                   (B) the transaction is part of a series of  
27 related transactions for the same or related veterinary services

1 occurring over the past 10 years involving the same entities to the  
2 transaction or entities affiliated with the same entities to the  
3 transaction;

4 (C) the transaction involves the acquisition of a  
5 veterinary services provider by another entity that has consummated  
6 a similar transaction or series of similar transactions over the  
7 past 10 years with one or more other veterinary services providers;

8 (D) the transaction involves the formation of a  
9 new entity, affiliation, partnership, joint venture, or parent  
10 corporation for the provision of veterinary services in this state  
11 that is projected to have at least \$400,000 in annual revenue at  
12 normal or stabilized levels of utilization or operation;

13 (E) the transaction involves a change of control  
14 of assets in this state that are related to the provision of  
15 veterinary services and valued at \$400,000 or more;

16 (F) the fair market value of the transaction is  
17 at least \$400,000 and the transaction concerns the provision of  
18 veterinary services;

19 (G) the transaction is likely to increase the  
20 annual revenue derived in this state of any party to the transaction  
21 by either \$400,000 or more or 25 percent or more at normal or  
22 stabilized levels of utilization or operation;

23 (H) the transaction involves the sale, transfer,  
24 lease, exchange, option, encumbrance, granting of a security  
25 interest, or other disposition of 25 percent or more of the total  
26 assets or operations of the veterinary services provider to another  
27 entity;

1           (I) the transaction is part of an agreement or  
2 series of agreements that will result in the sharing of 25 percent  
3 or more of the veterinary services provider's revenues with the  
4 private equity company, that company's affiliates, or a combination  
5 of those entities;

6           (J) the transaction would result in the transfer  
7 of 25 percent or more of the voting power of the members of the  
8 governing body of the veterinary services provider, including by  
9 adding or substituting one or more members or through any other type  
10 of written or oral arrangement;

11           (K) the transaction would vest voting rights  
12 significant enough to constitute a change in control, including  
13 supermajority rights, veto rights, exclusivity provisions, and  
14 similar provisions, even if ownership shares or representation on a  
15 governing body are less than 25 percent;

16           (L) the transaction is part of an agreement or  
17 series of agreements that directly or indirectly through one or  
18 more other persons transfers to another entity the ownership of or  
19 power to vote 25 percent or more of the outstanding shares of any  
20 class of voting security of a veterinary services provider;

21           (M) the transaction is part of an agreement or  
22 series of agreements that directly or indirectly transfers the  
23 power to exercise a controlling influence over the management or  
24 policies of a veterinary services provider; or

25           (N) the transaction would result in any other  
26 change of control of a veterinary services provider to, or  
27 acquisition of control of a veterinary services provider by,

1 another entity.

2 (b) This subchapter does not apply to a proposed transaction  
3 if, immediately before the transaction, the private equity company  
4 that is a party to the transaction already controls all other  
5 parties to the transaction.

6 Sec. 15A.0052. ATTORNEY GENERAL CONSENT TO PROPOSED  
7 TRANSACTION REQUIRED. A proposed transaction to which this  
8 subchapter applies may not be completed unless the attorney general  
9 provides written approval for the transaction to be completed.

10 Sec. 15A.0053. NOTICE TO ATTORNEY GENERAL OF PROPOSED  
11 TRANSACTION. (a) A private equity company that is a party to a  
12 proposed transaction shall submit to the attorney general for  
13 approval under Section 15A.0052 written notice of the transaction  
14 not later than the 90th day before the transaction's anticipated  
15 closing date.

16 (b) A notice of a proposed transaction must contain:

17 (1) the name, address, federal tax identification  
18 number, contact information, and business line or segment of each  
19 party to the transaction;

20 (2) the anticipated closing date of the transaction;

21 (3) the annual revenue for the three most recent  
22 fiscal years derived from the provision of veterinary services in  
23 this state by each party to the transaction;

24 (4) the current geographic markets for veterinary  
25 services of each party to the transaction;

26 (5) for each party to the transaction, the address of  
27 each facility owned or operated for the provision of veterinary

1 services, the number of staff for each facility, and the capacity to  
2 serve patients or the number of patients served within the  
3 preceding three years for each geographic market;

4 (6) a detailed description of the terms of the  
5 transaction;

6 (7) for each party to the transaction, the current  
7 organizational chart, including charts of any parent and subsidiary  
8 entities, and proposed charts for each entity if the transaction is  
9 completed;

10 (8) the current governing documents for each entity  
11 involved in the transaction, any amendments to the governing  
12 documents, and any proposed updates to the governing documents that  
13 will result from the transaction;

14 (9) a copy of each agreement and term sheet, with  
15 accompanying appendices and exhibits, governing or related to the  
16 transaction;

17 (10) any documents identifying the number of clients  
18 per geographic market for each entity involved in the transaction  
19 covering the three most recent fiscal years;

20 (11) the following information prepared by both  
21 internal experts and independent consultants within the three years  
22 preceding the scheduled closing date for the transaction:

23 (A) any financial report containing an economic  
24 analysis and impact analysis on the effects of the transaction;

25 (B) the results of any projections or modeling of  
26 utilization of veterinary services;

27 (C) the financial impacts related to the

1 transaction; and

2 (D) any valuation of the assets and operations  
3 that are subject to the transaction;

4 (12) a copy of any materials submitted to or required  
5 in connection with the transaction by any other state or federal  
6 agency, including the United States Federal Trade Commission or the  
7 United States Department of Justice;

8 (13) audited financial reports or comprehensive  
9 financial statements, including details, for the following for each  
10 entity involved in the transaction covering the three most recent  
11 fiscal years:

12 (A) annual costs and annual receipts;

13 (B) realized capital gains and losses; and

14 (C) accumulated surplus and accumulated  
15 reserves;

16 (14) tax filings and any documents related to  
17 liabilities, debts, assets, balance sheets, statements of income  
18 and expenses, any accompanying footnotes, and revenue of each  
19 entity involved in the transaction covering the three most recent  
20 fiscal years;

21 (15) a description of services currently provided by  
22 the veterinary services provider involved in the transaction and  
23 expected post-transaction impacts on veterinary services,  
24 including:

25 (A) the geographic markets currently served and  
26 any post-transaction changes to those markets; and

27 (B) the levels and type of veterinary services

1 currently offered and any post-transaction changes to those  
2 services;

3 (16) a description of any other prior mergers or  
4 acquisitions closed in the last 10 years, if applicable, that  
5 involved:

6 (A) other veterinary services providers; and

7 (B) at least one of the entities, or their  
8 parents, subsidiaries, predecessors, or successors, involved in  
9 the transaction;

10 (17) a description of potential post-transaction  
11 changes to ownership, governance, or operational structure,  
12 employee staffing levels, job security, retraining policies,  
13 wages, and benefits of the parties to the transaction; and

14 (18) any other information, including documents, the  
15 attorney general determines necessary to evaluate the transaction.

16 (c) The attorney general may deny approval for a proposed  
17 transaction with respect to which a private equity company submits  
18 notice under this section on the basis that the company did not  
19 submit adequate information, provided that the attorney general:

20 (1) notifies the company of the insufficiency; and

21 (2) allows the company a reasonable opportunity to  
22 remedy the insufficiency.

23 Sec. 15A.0054. ACKNOWLEDGEMENT OF RECEIPT OF NOTICE;  
24 COMMENCEMENT OF REVIEW PERIOD. (a) Notice of a proposed  
25 transaction submitted by a private equity company under Section  
26 15A.0053 is considered complete on the date the attorney general  
27 provides a written acknowledgement to the company that the attorney

1 general has received all required information. The attorney  
2 general's written acknowledgement constitutes the beginning of the  
3 review period for the transaction.

4 (b) The attorney general may not unreasonably withhold an  
5 acknowledgement that notice that meets the requirements of Section  
6 15A.0053 has been submitted.

7 Sec. 15A.0055. REVIEW PERIOD. (a) Except as otherwise  
8 provided by this section, the attorney general, not later than the  
9 60th day after the date the attorney general provides written  
10 acknowledgement of having received a complete notice under Section  
11 15A.0054, shall complete a review of the proposed transaction and  
12 provide to the parties to the transaction:

13 (1) written approval for the transaction and the basis  
14 for that approval; or

15 (2) written denial of the transaction and the basis  
16 for that denial.

17 (b) The attorney general may stay any period specified by  
18 this section during the period of a concurrent review conducted by  
19 another state agency, a federal regulatory agency, or a court if the  
20 other entity's review may affect the attorney general's review of  
21 the proposed transaction. The attorney general shall provide notice  
22 of the stay to the parties to the transaction.

23 (c) The attorney general may extend the period required  
24 under Subsection (a) by an additional 30 days, in addition to any  
25 time for which the review period is stayed under Subsection (b), if  
26 additional time is necessary to complete the review of the proposed  
27 transaction. The attorney general shall provide notice of the

1 extension to the private equity company that submitted the notice  
2 of the transaction under Section 15A.0053. If the extension is  
3 necessary to obtain additional documentation or information, the  
4 attorney general may toll the additional 30 days for any period  
5 during which the attorney general is awaiting that documentation or  
6 information.

7 Sec. 15A.0056. APPROVAL OR DENIAL OF PROPOSED TRANSACTION.

8 (a) The attorney general may approve or deny a proposed transaction  
9 to which this subchapter applies based on the attorney general's  
10 determination of whether the transaction is against the public  
11 interest. The attorney general shall provide notice to the parties  
12 to the transaction of the approval or denial.

13 (b) In determining whether a proposed transaction with  
14 respect to which a private equity company submits notice under  
15 Section 15A.0053 is against the public interest, the attorney  
16 general shall consider whether the transaction may:

17 (1) lessen competition or create a monopoly in any  
18 geographic market affected by the transaction;

19 (2) be a part of a series of similar transactions by  
20 the private equity company that furthers a trend toward  
21 consolidation;

22 (3) incentivize practices by the private equity  
23 company that may:

24 (A) reduce quality of veterinary services;

25 (B) increase the total cost of veterinary  
26 services for clients or insurance payors; or

27 (C) generate less cost-efficient patient

1 outcomes;

2 (4) require the private equity company to obtain  
3 financing collateralized by the veterinary services provider's  
4 operations or assets to meet the cost of the transaction, which will  
5 subsequently shift the burden of financial risk in ways that may  
6 undermine the financial stability or competitive effectiveness of  
7 the veterinary services provider;

8 (5) reduce the options of competing veterinary  
9 services providers within a geographic market that may incentivize  
10 the private equity company involved in the transaction to:

11 (A) increase prices for veterinary services;

12 (B) lower the quality at a given price for  
13 veterinary services; or

14 (C) provide less cost-efficient veterinary  
15 services;

16 (6) enable the private equity company to accrue market  
17 power that may reduce the incentive to compete or offer a comparable  
18 or better patient experience within a geographic market;

19 (7) entrench or extend a dominant market position of  
20 veterinary services of any entity involved in the transaction,  
21 including extending market power into related markets through  
22 vertical or cross-market mergers;

23 (8) reduce the delivery of veterinary services to  
24 uninsured or underinsured populations within a geographic market;

25 (9) reduce access to affordable and quality veterinary  
26 services within a geographic market;

27 (10) restrict or reduce the range of veterinary

1 services historically offered within a geographic market;

2 (11) negatively affect veterinary services provider  
3 cost trends and containment of total animal care spending; or

4 (12) negatively affect the labor market by:

5 (A) lowering wages or slowing wage growth;

6 (B) worsening benefits or working conditions; or

7 (C) resulting in other degradations of workplace  
8 quality.

9 (c) A proposed transaction may not be presumed to be  
10 efficient for the purpose of assessing compliance with the factors  
11 of public interest.

12 Sec. 15A.0057. REVIEW ASSISTANCE FROM OTHER ENTITIES. (a)  
13 For purposes of evaluating a proposed transaction to determine  
14 whether to approve or deny the transaction under this subchapter,  
15 the attorney general may:

16 (1) contract with, consult, and receive  
17 recommendations from any state or federal agency on terms the  
18 attorney general considers appropriate; or

19 (2) contract with experts or consultants to help  
20 review the transaction.

21 (b) Notwithstanding Subsection (a), the attorney general  
22 may not incur contract costs that exceed the reasonable amount  
23 necessary for a review of the proposed transaction.

24 Sec. 15A.0058. REQUEST FOR RECONSIDERATION. (a) Not later  
25 than the 10th day after the date the attorney general provides  
26 notice of the attorney general's determination to deny a proposed  
27 transaction under Section 15A.0056, a party to the transaction may

1 request that the attorney general reconsider the decision and  
2 modify, amend, or revoke the prior decision based on new or  
3 different facts, circumstances, or law.

4 (b) A party requesting a reconsideration under Subsection  
5 (a) shall submit to the attorney general a written affidavit  
6 stating the new or different facts, circumstances, or law the party  
7 requests to be considered.

8 (c) The attorney general shall grant or deny  
9 reconsideration not later than the 30th day after the date of  
10 receipt of the request under this section.

11 (d) If the reconsideration request is granted, the attorney  
12 general shall provide notice to the parties to the proposed  
13 transaction that is the subject of the request of the attorney  
14 general's approval or denial of the transaction following  
15 reconsideration. A decision by the attorney general under this  
16 subsection has the same force and effect as the original decision.

17 Sec. 15A.0059. ADMINISTRATIVE RECORD OF ATTORNEY GENERAL  
18 DETERMINATION. (a) The attorney general's determination to  
19 approve or deny a proposed transaction under Section 15A.0056 or  
20 15A.0058 must be based on and the attorney general shall maintain an  
21 administrative record that consists of:

22 (1) evidence the parties to the transaction submitted;  
23 (2) official reports made by any experts the attorney  
24 general hired or contracted with to review the transaction;

25 (3) evidence the attorney general obtained from the  
26 parties to the transaction or from third parties; and

27 (4) any other evidence or information the attorney

1 general relied on in making the determination, including  
2 information submitted as part of the notice required by Section  
3 15A.0053.

4 (b) To the extent any evidence or information is  
5 confidential, the attorney general shall take reasonable measures  
6 to ensure the confidentiality of that evidence or information in  
7 the administrative record.

8 Sec. 15A.0060. JUDICIAL REVIEW OF ATTORNEY GENERAL  
9 DETERMINATION. (a) Not later than the 30th day after the date the  
10 attorney general makes a final determination under Section 15A.0056  
11 or 15A.0058 to deny approval for a proposed transaction, a party to  
12 the transaction may institute judicial review of the determination  
13 by filing a petition for judicial review in a district court in  
14 Travis County.

15 (b) On receipt of notice of the filing of the petition for  
16 judicial review, the attorney general shall provide to the court  
17 and the parties to the proposed transaction the original or a  
18 certified copy of the administrative record related to the  
19 transaction that the attorney general maintains under Section  
20 15A.0059. The court may:

21 (1) set a deadline by which the attorney general must  
22 submit the administrative record; and

23 (2) require or permit later corrections or additions  
24 to the administrative record.

25 (c) Judicial review of the attorney general's final  
26 determination regarding a proposed transaction is under the  
27 substantial evidence rule.

1       (d) After a review of the records, including the  
2 administrative record and any material submitted in support of the  
3 petition, the court may grant the petition and approve the proposed  
4 transaction if the court finds that the attorney general's final  
5 determination was:

- 6           (1) arbitrary or capricious;  
7           (2) characterized by abuse of discretion; or  
8           (3) clearly an unwarranted exercise of discretion.

9       (e) Not later than the 180th day after the date the petition  
10 for judicial review was filed, the court shall issue a written  
11 decision providing the court's findings of fact and conclusions of  
12 law unless extraordinary circumstances prevent the court from  
13 issuing the decision during that period.

14       Sec. 15A.0061. FAILURE TO SUBMIT NOTICE: INVESTIGATION.

15 The attorney general or a county or district attorney may conduct an  
16 investigation to determine whether a private equity company:

- 17           (1) failed to comply with Section 15A.0053 with  
18 respect to a proposed or completed transaction; and  
19           (2) is or has been engaging in or is actively preparing  
20 to engage in an activity that constitutes a violation of Subchapter  
21 C.

22       Sec. 15A.0062. FAILURE TO SUBMIT NOTICE: CIVIL PENALTY.

23 (a) A private equity company that violates Section 15A.0053 is  
24 liable to this state for a civil penalty in an amount not to exceed  
25 \$2,000 for each violation.

26       (b) The attorney general may bring an action in a district  
27 court of Travis County to:

- 1           (1) recover the civil penalty imposed by this section;  
2           (2) compel compliance with the requirements of Section  
3 15A.0053; and  
4           (3) enjoin or unwind a transaction for failure to  
5 comply with Section 15A.0053.

6           (c) The attorney may recover reasonable attorney's fees and  
7 other reasonable costs incurred in investigating and bringing an  
8 action under this section.

9           (d) The court may grant any other equitable relief the court  
10 considers appropriate in an action under this section.

11                           SUBCHAPTER C. PROHIBITED ACTIVITIES

12           Sec. 15A.0101. PROHIBITED TRANSACTIONS AND OTHER  
13 ACTIVITIES. (a) A private equity company may not enter into a  
14 transaction that:

15                   (1) will substantially lessen competition in a  
16 geographic market for veterinary services; or

17                   (2) tends, attempts, or conspires to create a monopoly  
18 in the veterinary services market within a geographic area.

19           (b) A private equity company involved in any manner with a  
20 veterinary services provider doing business in this state, whether  
21 as an investor or owner of the provider's assets, may not control or  
22 direct the provider's practice of veterinary medicine, including  
23 by:

24                   (1) influencing or entering into contracts with third  
25 parties on behalf of the provider;

26                   (2) influencing or setting rates or fees to be charged  
27 by the provider to third parties;

1           (3) influencing patient admissions or referrals; or

2           (4) influencing the selection or use of medical  
3 supplies and pharmaceuticals.

4           (c) A veterinary services provider doing business in this  
5 state may not enter into an agreement or arrangement with any entity  
6 directly or indirectly owned or controlled wholly or partly by a  
7 private equity company that allows the private equity company to:

8           (1) arrange for the collection or sale of the  
9 provider's accounts receivable; or

10           (2) manage the provider's operations in exchange for:

11                   (A) a percentage of collections or revenue; or

12                   (B) a fee charged to the veterinary services  
13 provider or passed through to a client, owner or caretaker of an  
14 animal, or insurer covering veterinary services.

15           (d) A contract involving the management of a veterinary  
16 services provider by a private equity company or the sale of a  
17 veterinary services provider's real property or other assets to a  
18 private equity company may not include a provision that prohibits:

19           (1) a veterinarian from competing with the provider if  
20 the veterinarian leaves the provider's practice; or

21           (2) a veterinarian from disparaging, opining, or  
22 commenting on the provider with regard to any issues involving:

23                   (A) quality of care;

24                   (B) utilization of care;

25                   (C) ethical or professional standards or  
26 guidelines; or

27                   (D) revenue-increasing strategies employed by

1 the company.

2 (e) A contract provision described by Subsection (d) is void  
3 and unenforceable as against public policy.

4 Sec. 15A.0102. INVESTIGATIVE AND ENFORCEMENT AUTHORITY.

5 (a) The attorney general or, subject to Subsection (f), the  
6 appropriate district or county attorney may:

7 (1) investigate any activity or contemplated activity  
8 that violates or threatens to violate any of the prohibitions in  
9 this subchapter;

10 (2) bring an action to recover a civil penalty imposed  
11 under or other remedy authorized by Section 15A.0104 or 15A.0105;  
12 or

13 (3) bring an action requesting a court order under  
14 Section 15A.0103.

15 (b) The appropriate local prosecuting attorney may  
16 prosecute an offense under Section 15A.0106, 15A.0107, or 15A.0108.

17 (c) The attorney general or a district or county attorney  
18 may recover fees, expenses, and costs incurred in bringing an  
19 action under this subchapter, including court costs, reasonable  
20 attorney's fees, witness fees, and deposition fees.

21 (d) Venue for an action brought under this subchapter shall  
22 be in a district court of Travis County or in the district court of  
23 the county in which any part of the alleged violation of any of  
24 Section 15A.0101 occurred, is occurring, or is about to occur.  
25 Venue for prosecution of an offense under Section 15A.0106,  
26 15A.0107, or 15A.0108, is in any county in which the violation is  
27 alleged to have occurred or to be occurring.

1       (e) The attorney general or, subject to Subsection (f), a  
2 district or county attorney may bring an action to recover a civil  
3 penalty under this subchapter independently or together with an  
4 action to obtain injunctive relief. The district court issuing  
5 injunctive relief retains jurisdiction in an action brought to  
6 recover a civil penalty under this subchapter. An action filed  
7 under Section 15A.0104 or 15A.0105 may not be transferred to  
8 another county except on the order of the court.

9       (f) A district or county attorney, with prior written notice  
10 to the attorney general, has the authority to bring an action under  
11 this subchapter, provided that not later than the fifth day after  
12 the date the attorney general receives the notice the attorney  
13 general responds that the attorney general does not intend to act  
14 with respect to that matter. On receipt of notice of a related  
15 active criminal investigation or prosecution, the attorney general  
16 shall coordinate and cooperate with the district or county attorney  
17 engaged in the investigation or prosecution to ensure that the  
18 filing of an action under this subchapter does not interfere with an  
19 ongoing criminal investigation or prosecution.

20       (g) A district or county attorney shall bring an action  
21 under this subchapter in the name of the state.

22       (h) A civil penalty collected under this subchapter by the  
23 district or county attorney shall be deposited to the credit of the  
24 general fund of the county in which the attorney brought action.

25       (i) The attorney general may retain a reasonable portion of  
26 a civil penalty recovered under this subchapter, not to exceed  
27 amounts specified in the General Appropriations Act, for the

1 enforcement of this subchapter.

2 Sec. 15A.0103. INVESTIGATION. (a) The attorney general or  
3 a district or county attorney may conduct an investigation if the  
4 attorney general or district or county attorney has reason to  
5 believe that:

6 (1) a veterinary services provider or private equity  
7 company possesses information, custody, or control of documents or  
8 other evidence relevant to an investigation of any activity or  
9 contemplated activity that violates or threatens to violate Section  
10 15A.0101;

11 (2) a veterinary services provider or private equity  
12 company is engaging, has engaged, or is about to engage in an act or  
13 practice that violates Section 15A.0101; or

14 (3) it is in the public interest to conduct an inquiry  
15 to ascertain whether a veterinary services provider or private  
16 equity company is engaging, has engaged, or is about to engage in an  
17 act or practice that violates Section 15A.0101.

18 (b) During an investigation under this section, the  
19 attorney general or a district or county attorney, as applicable,  
20 may:

21 (1) require the veterinary services provider or  
22 private equity company to file a written statement under oath or  
23 affirmation detailing all facts and circumstances concerning the  
24 alleged violation of Section 15A.0101 and any other necessary  
25 information;

26 (2) examine under oath any person connected to an  
27 activity or contemplated activity that may violate Section

1 15A.0101; and

2 (3) issue a civil investigative demand requiring the  
3 veterinary services provider or private equity company to produce  
4 documents, permit inspection and copying of the document, answer in  
5 writing written interrogatories, or give oral testimony.

6 (c) Except as provided by this section, the procedures  
7 established for the issuance of a civil investigative demand under  
8 Section 17.61 apply to the same extent and manner to the issuance of  
9 a civil investigative demand under this section.

10 (d) The attorney general or a district or county attorney,  
11 as applicable, may use information obtained in response to a civil  
12 investigative demand, documents obtained, or product of discovery  
13 or other record derived or created from the information as  
14 necessary to enforce this subchapter, including by presenting the  
15 information to a court.

16 (e) The attorney general or a district or county attorney  
17 shall bear the expense of copying documents for purposes of this  
18 section. The attorney general or a district or county attorney  
19 shall prescribe reasonable terms allowing the veterinary services  
20 provider or private equity company to substitute copies for  
21 originals of requested documents if the originals are made  
22 available for inspection. The attorney general or a district or  
23 county attorney may obtain or review information in an electronic  
24 format.

25 (f) A veterinary services provider or private equity  
26 company served with a civil investigative demand under this section  
27 shall comply with the terms of the demand unless a court orders

1 otherwise. A district or county attorney who executes and serves a  
2 civil investigative demand may file a petition similar to a  
3 petition described by Section 17.61(g) in the district court of the  
4 county in which any part of the alleged violation of Section  
5 15A.0101 occurred, is occurring, or is about to occur.

6 (g) Subject to Section 15A.0109, the attorney general or a  
7 district or county attorney may seek a court order to compel  
8 compliance with Subsection (b) within a period stated by court  
9 order.

10 Sec. 15A.0104. INJUNCTIVE RELIEF. (a) The attorney  
11 general or a district or county attorney may bring an action against  
12 a veterinary services provider or private equity company to  
13 restrain or enjoin temporarily or permanently any activity or  
14 contemplated activity of the provider or company that the attorney  
15 general or district or county attorney has reason to believe  
16 violates or threatens to violate Section 15A.0101.

17 (b) The court may issue a temporary restraining order or a  
18 temporary or permanent injunction. The injunctive relief shall be  
19 issued without bond.

20 (c) This section may not be construed to require the  
21 attorney general or a district or county attorney to notify a  
22 veterinary services provider or private equity company that court  
23 action is or may be under consideration. Except as otherwise  
24 provided by this subsection, the attorney general or district or  
25 county attorney shall, not later than the seventh day before  
26 instituting a court action, contact the provider or company to  
27 inform the provider or company in general of an alleged violation

1 under Section 15A.0101. Cessation of an alleged violation after  
2 the prior contact may not render the court action moot under any  
3 circumstances, and the injunctive relief shall lie even if the  
4 provider or company has ceased the act or practice after prior  
5 contact. Prior contact is not required if, in the opinion of the  
6 attorney general or district or county attorney, there is good  
7 cause to believe that:

8 (1) the provider or company would:

9 (A) evade service of process if prior contact  
10 were made; or

11 (B) destroy relevant records if prior contact  
12 were made; or

13 (2) an emergency exists and immediate and irreparable  
14 injury, loss, or damage would occur as a result of a delay in  
15 obtaining a temporary restraining order.

16 (d) A veterinary services provider or private equity  
17 company that violates an injunction issued under this section shall  
18 forfeit and pay a civil penalty of not more than \$10,000 per  
19 violation, not to exceed \$50,000.

20 Sec. 15A.0105. CIVIL PENALTIES; ADDITIONAL ENFORCEMENT  
21 ACTIONS. (a) The attorney general or an appropriate district or  
22 county attorney may bring an action to recover a civil penalty  
23 against a veterinary services provider or private equity company  
24 that the attorney general or district or county attorney believes  
25 has violated Section 15A.0101.

26 (b) A civil penalty imposed under this section for a  
27 violation of Section 15A.0101(a) or (b) may not exceed:

1           (1) for an individual person, \$300,000; or

2           (2) for a private equity company:

3                 (A) \$3 million, if the lesser of the company's  
4 assets or market capitalization is less than \$100 million;

5                 (B) \$20 million, if the lesser of the company's  
6 assets or market capitalization is at least \$100 million but less  
7 than \$500 million; or

8                 (C) \$30 million, if the lesser of the company's  
9 assets or market capitalization is \$500 million or more.

10           (c) A civil penalty imposed under this section for a  
11 violation of Section 15A.0101(c) or (d) may be in an amount not to  
12 exceed \$7,500 for each violation. Each day a violation continues is  
13 a separate violation for purposes of imposing the civil penalty  
14 under this subsection.

15           (d) The amount of a civil penalty under Subsection (c) shall  
16 be based on:

17                 (1) the seriousness of the violation, including the  
18 nature, circumstances, extent, and gravity of the violation;

19                 (2) the history of previous violations;

20                 (3) the amount necessary to deter a future violation;

21                 (4) the economic effect of a penalty on the veterinary  
22 services provider or private equity company on which the penalty  
23 will be imposed;

24                 (5) knowledge that the act constituted a violation of  
25 this subchapter; and

26                 (6) efforts to correct the violation.

27           (e) Notwithstanding Subsection (c), if the trier of fact

1 finds that a contract, agreement, or arrangement prohibited under  
2 Section 15A.0101(c) or (d) may have the effect of substantially  
3 lessening competition in a geographic market, the penalties and  
4 remedies prescribed by Subsections (b) and (f) apply instead of the  
5 penalty prescribed by Subsection (c).

6 (f) On finding a violation of Section 15A.0101(a) or (b),  
7 the court shall:

8 (1) order the divestiture or other disposition of any  
9 stock, share capital, assets, or interest acquired in violation of  
10 Section 15A.0101(a) or (b), as applicable; and

11 (2) prescribe a reasonable time, manner, and degree of  
12 the divestiture or other disposition after the court determines  
13 that divestiture is necessary:

14 (A) to avoid the creation or continuation of a  
15 monopoly or to avoid a likely substantial lessening of competition  
16 that results from the violation; or

17 (B) to restore competition for veterinary  
18 services in a geographic market that has been eliminated by the  
19 violation.

20 (g) In addition to the civil penalties provided under this  
21 section, the court may issue appropriate orders and judgments,  
22 including:

23 (1) ordering the suspension or revocation of a  
24 license, permit, or approval previously granted to a defendant by  
25 any state agency; or

26 (2) imposing reasonable restrictions on the future  
27 activities or investments of a defendant, including prohibiting a

1 defendant from engaging in the same type of endeavor as the  
2 enterprise in which the defendant was engaged in conduct violating  
3 Section 15A.0101.

4 Sec. 15A.0106. CERTAIN PROHIBITED TRANSACTIONS AND  
5 ACTIVITIES: CRIMINAL OFFENSE. (a) A veterinary services provider  
6 or private equity company commits an offense if the provider or  
7 company violates Section 15A.0101(a) or (b).

8 (b) An offense under this section is a Class A misdemeanor  
9 punishable by:

10 (1) a fine not to exceed \$5,000;

11 (2) confinement in jail for a term not to exceed three  
12 years; or

13 (3) both such fine and confinement.

14 Sec. 15A.0107. INTERFERENCE WITH INVESTIGATION: CRIMINAL  
15 OFFENSE. (a) A veterinary services provider or private equity  
16 company commits an offense if, after receiving actual notice that  
17 the attorney general or a district or county attorney has initiated  
18 or plans to initiate an investigation under this subchapter, the  
19 provider or company intentionally conceals, alters, destroys, or  
20 falsifies a document or record that is relevant or material to the  
21 investigation.

22 (b) A veterinary services provider or private equity  
23 company commits an offense if, after receiving a civil  
24 investigative demand issued under Section 15A.0103, the provider or  
25 company intentionally falsifies or withholds relevant material  
26 that is not privileged.

27 (c) An offense under this section is a Class A misdemeanor.

1       Sec. 15A.0108. DELIBERATE NONCOMPLIANCE: CRIMINAL OFFENSE.

2       (a) A veterinary services provider or private equity company  
3 commits an offense if the provider or company, with intent to wholly  
4 or partly avoid, evade, or prevent compliance with Section  
5 15A.0103, knowingly removes from any place, conceals, withholds,  
6 destroys, mutilates, alters, or by any other means falsifies any  
7 document or record that is relevant or material to an investigation  
8 or otherwise provides inaccurate information.

9       (b) An offense under this section is a Class A misdemeanor  
10 punishable by:

11               (1) a fine not to exceed \$5,000;

12               (2) confinement in jail for a term not to exceed one  
13 year; or

14               (3) both such fine and confinement.

15       Sec. 15A.0109. SCOPE OF JURISDICTION; APPEAL. (a) A  
16 district court in which an action is filed in accordance with this  
17 subchapter may hear and determine the matter presented and enter  
18 any order required to implement this chapter. A final order of the  
19 court is subject to appeal.

20       (b) The failure of a party to an action filed under this  
21 subchapter to comply with a final order of the court is punishable  
22 by contempt.

23       SECTION 2. The changes in law made by this Act apply to  
24 conduct occurring on or after the effective date of this Act.  
25 Conduct occurring before that date is governed by the law in effect  
26 on the date the conduct occurred, and the former law is continued in  
27 effect for that purpose.

1 SECTION 3. This Act takes effect September 1, 2025.