



A New Model in Corporate Investing to Catalyze and Sustain Long-Term Health Care Innovation

This Investment Charter was established at the founding of Echo Health Ventures in November 2016

A NEW KIND OF STRATEGIC CORPORATE INVESTOR

Building new companies that leverage technological innovation to transform the health care system requires much more than ample capital. Echo Health Ventures was built upon the belief that corporate investors, working together, are best positioned to sustainably bring this multi-faceted value to the health care innovation economy for the next generation of entrepreneurs.

Corporate investors have many intrinsic advantages – including unique market and subject matter expertise, freedom from the traditional 10-year fund model, and the ability to bring high impact strategic value at critical times in the early stages of a company’s development. More importantly, we have the ability to not just take more informed risk on truly innovative new ideas, but also to give these “flyers” unique advantages (including access to pilots and testing grounds) as their models are refined and the businesses seek traction.

However, as a group, corporate investors have a spotty history and bring considerable baggage, including a reputation for being slow. We are burdened by the reputation that we are just “corporate development” (leveraging buying power and an investment toolbox to make cheaper acquisitions) - and that entrepreneurs run unnecessary risks by engaging with us.

A different, long-term approach to corporate health care investment is essential to shaping the future of the industry. We must rethink how we structure ourselves, our objectives, our incentives, and our commitments to be better strategic partners to our portfolio companies. Ultimately, we need to position ourselves to deliver on the promise of being truly strategic, not just corporate, investors, to invest in and build solutions that can scale and successfully transform the health care system.

ECHO HEALTH VENTURES WAS LAUNCHED BY CAMBIA HEALTH SOLUTIONS AND MOSAIC HEALTH SOLUTIONS, THE STRATEGIC INVESTING ARM OF BLUECROSS BLUESHIELD OF NORTH CAROLINA, ON THE BELIEF THAT GIVEN THE SIGNIFICANT MARKET OPPORTUNITY AND SUBSTANTIAL, LONG-TERM INDUSTRY NEED, STRATEGIC INVESTORS HAVE AN OBLIGATION TO RETHINK OUR INVESTMENT MODELS AND COLLECTIVELY RAISE OUR GAME.

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The very nature of corporate investing requires investors to develop their own, unique approach. However, we believe strongly that there is an opportunity to work together with other strategic investors to break down the well-deserved, negative bias against corporate health care investment by making it clear we – as an industry - are finally doing things differently. Unifying the efforts of Cambia Health Solutions and Mosaic Health Solutions demonstrates this commitment and multiplies the resources, scale, and impact that a single entity could have alone.

If we get this right, we believe strategic investors could become the heirs to the legacy of the early venture capitalists who transformed our industry. Those pioneers actively rolled up their sleeves, delivered value powered by their deep industry experience and had the vision and flexibility to back risky innovations that fundamentally changed the world. There's no question, health care needs more of this right now.

In fact, the role of corporate venture is becoming increasingly more important in health care, according to Echo Health Ventures CEO Rob Coppedge.

“The next great health care companies will personalize health care, reduce costs and cost drivers, and orient the system around the consumer, not the enterprise,” said Rob. “We need a bold new approach to corporate investment focused on building the next health care system – not propping up today’s broken system.”

OUR COMMITMENTS: THE FOUNDATION OF OUR STRATEGY

To this end, and in response to countless questions from concerned entrepreneurs and unsure syndicate partners, we felt the time was right to explicitly state the strategy behind our investment efforts.

- We can best invest to build the next great health care companies by viewing health care venture as a hands-on, stage-agnostic style. This is not a stage- or fund structure-specific model. We are active investors and believe it is essential to transform the industry by being deeply engaged with our companies and their management teams.
- We don't manage a fund, and from where we sit that's a very good thing. It allows us to take a patient, long-term view to our investments. If appropriate, we can back great management teams across multiple stages of growth. We relish the freedom from fundraising and fund life cycles and all that they entail.
- We believe that to earn the designation as a strategic investor, our investments should be focused on tomorrow's needs – not yesterday's (or even today's). We have to be pushing the industry forward, not just investing in our vendors.

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- We are not dabbling. Cambia and Mosaic have made a long-term commitment to this strategy and have aligned corporate objectives and compensation across our businesses to drive a focus on success in our portfolio.
- We need to cultivate strong, portfolio-wide business development capabilities that truly deliver on the strategic value of our market position, including but not limited to our health plans (ultimately we believe these resources can be worth significantly more to an early stage company than only our capital)
- We will maximize the value of our portfolio companies by supporting the active exchange of information and cultivating effective distribution partnerships between them when appropriate.
- While many of our companies end up doing business with each other, we believe our strategic value goes well beyond the contract. We draw bold lines between our strategic investment program and any procurement or corporate development effort. Our goal is investing to build and grow tomorrow's great health care companies – built for long-term sustainability, not for quick flips.
- We believe being strategic does not come at the expense of demonstrating financial discipline. And while we are measured by more than just IRR (internal rate of return), we have clear alignment with our companies to optimize financial return.
- We believe it is essential to attract and retain a best-in-class investment team solely focused on building our portfolio and growing the value of our family of companies. Our investment decision-making process must be as (if not more) efficient and transparent than our financial investor peers.
- We have a lot to learn. This is a living document – and will evolve as we learn from the market and our strategic investor peers – but will remain firmly rooted in our strategic commitment to advance our Cause and change the game for health care consumers.

JOIN US

We believe the time is ripe for corporate investors in health care to evolve their investment model and become truly strategic investment partners. To learn more about Echo Health Ventures' strategic investment approach and how our portfolio is making a difference in building and growing tomorrow's great health care companies, visit www.echohealthventures.com

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