Raines Joins AOL Founder’s Venture

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By Annys Shin
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Franklin D. Raines, former chairman and chief executive of mortgage giant Fannie Mae, is making a fresh start as an informal adviser for Revolution LLC, a District-based holding company launched last month by former America Online chairman Steve Case.

Raines "is a friend and colleague" of Case's and has had an office at Revolution's downtown D.C. headquarters since mid-April, said Malin Jennings, a company spokeswoman. Raines does not hold a title at Revolution, and he is not receiving a salary. But Raines is assisting Case and his team in evaluating health care companies that Revolution might invest in, Jennings said.

When Revolution rolls out its health care venture later this month, Raines is going to be an investor and board member, Jennings said.

Raines did not return a voice-mail message left at his office.

Raines was forced to resign by Fannie's board in December after federal regulators concluded that Fannie executives had misapplied accounting rules. The accounting changes allowed the company to meet earnings targets, which in turn triggered multimillion-dollar bonuses for the executives.

Federal regulators ordered the company to restate earnings it reported for 2000 to 2003, which could cause a reduction in previously stated earnings of as much as $12 billion. The Securities and Exchange Commission and the U.S. attorney for the District of Columbia are investigating Fannie Mae.

Raines received a retirement package potentially worth $25 million for him and his wife, according to a recent study by the Program on Corporate Governance at Harvard Law School.

After his retirement from Fannie Mae, Raines also stepped down from the boards of Pfizer Inc., PepsiCo and TIAA-CREF. He remains part of the Washington Baseball Club, a group of high-powered Washington businesspeople -- led by Thayer Capital Partners Chairman Frederick V. Malek and former Advisory Board chairman Jeff Zients -- that is hoping to buy the Washington Nationals.

After Raines's departure from Fannie Mae, Case invited him to work out of Revolution's offices, Jennings said.

Their relationship dates at least to the late 1990s, when Raines joined the board of AOL. Raines stayed on the board following the 2001 merger between AOL and Time Warner. Case stepped down in 2003; Raines left the Time Warner board in 2004.
Revolution is Case's first major business venture since he left AOL. He is investing more than $500 million of his own money in the company, which invests in resorts, spas and health care companies with the goal of driving "transformative" change in those industries, according to the company's Web site. So far, Revolution has bought majority interests in Wisdom Media Group Inc., a health-focused radio and television broadcaster; Exclusive Resorts LLC, a vacation club for wealthy travelers; and Miraval, a luxury resort and spa.

The new health care venture aims to create "the first comprehensive, consumer-driven health care company," according to the Revolution Web site.