

Host: Wait, wait, do you want to ask anything?

Mutz: I do have a few questions.

Scarpino: Okay, what I am going to do then is I shouldn't have turned the recorder off and Jerry asked for a break. I am going -- the business about who won the election I think we have won it with an ad in there about the cartoon with even the money comes out of the pocket. (Laughter).

Mutz: Yeah, by the way I heard your interview on the radio the other day about the new football stadium.

Scarpino: Yeah I was, you listened the radio at a weird time, it was like 9, 10:30 in the morning.

Mutz: Well, I often, I don't already I don't really listen to WIBC except when I am on the road and I don't know what the traffic is, and I was out going somewhere and I turned around to get the traffic to find out there you were.

Scarpino: Yeah.

Mutz: So.

Scarpino: Okay, we're back on and while we had the recorder off, one of the people in the room brought up an issue about Gerry Bepko, about the aftermath of the election for Governor, in which he mentioned that he has introduced you to public affair and raised the question about who really won and you mentioned a cartoon that was in the [Indianapolis] *Star*.

Mutz: Well, of course, what had happened was the State of Indiana was having some budget problems and Evan Bayh who I've lost to in the election was struggling with those questions and the other trail cartoon showed me sitting at the desk with money all over the desk and coming out of my pocket and so forth and showed Evan with a worried look on his face and the line was somewhat, "Who really won?" So, that's kind of fun with the process.

Scarpino: I am going to ask John Beeler who is the Graduate Research Assistant on this project, if he wants to ask a few questions and then we'll move on with some of the standard questions that we have on leadership.

John Beeler: Mr. Mutz, how would someone in 2006 go about forming a City Committee in the Indianapolis? If you would really go out and do it right now?

Mutz: Well, you know I don't know, because I had hoped for quite a while that this would happen again. There'd be a rebirth of this sort of thing. I kind of hoped that some of the leadership organizations like Stanley K. Lacy Leadership, which has a built-in alumni and group of people that you'd think might fit in this category. But, you know what I think their ingredient would be that would make this work? And that would be is if Lilly Endowment or the Central Indiana Community Foundation would be the convener, that they don't have to read it, they're have to tell people what to do et cetera. In fact, it'd better if they didn't. But I think somebody with convening power could get this done. I have to tell you quite frankly that the City Committee came together, first of all because Jim Morris. And they came together because of what he said, that he was not at that time President of Lilly Endowment but he was a Program Officer. But everybody knew he was working with the approval of the leadership that re included Tom Lake and so, it was fun; we had a good time in that situation. But the leadership of the whole thing then just began to come together because we interacted with each other. We did a lot of stuff socially too. It was fun, I mean as I think, I told you before, I can't think of anytime of my life, when I was more excited about getting up in the morning and I've involved in my business, yes. But, this was where the real excitement comes, you know.

John Beeler: So, with regards to this, say someone got this power to convene – what do you think the composition of the 2006 City Committee would like, in comparison.

Mutz: Clearly it has to have a woman in it. I mean, that in my mind was a big piece of the total population that wasn't present. Secondly, the effort at a little more diversity probably would be appropriate in today's

world. And I guess it was that occurred to me about this, since then is that, within the religious community there is some leadership developing, that might logically be included there.

John Beeler: Is that the lesson you've learned from Lilly?

Mutz: I think when I was involved with Lilly Endowment, yes; it definitely taught me that. And it was also the time period when Dick Lugar was Mayor of Indianapolis and we were worried about racial problems here, and damage and physical harm. And it was the Religious Committee that stepped up in my opinion that made the difference. I've said this to you; I think in previous interview session. And it was primarily meant at that point, of the Protestant religions, and the Catholic religion, who came together with the African American leadership, and said; "We can walk down the streets together," Dick prevented this from happening.

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Now, I am making this all dramatic here but, it was pretty dramatic and out of that came up bunch of the other things, which I think, I don't want to say defused this issue, that's terrible jargon. But, I think it eliminated, what could have been a terribly bad situation.

John Beeler: Switching to your work as Lieutenant Governor and trying to get foreign investment, did you have a strategy for dealing with the xenophobia; you talked about the nature of xenophobia but did you have a specific strategy?

Mutz: Well, our strategy obviously wasn't as effective as we'd like for I to be. Of course what we're talking about in this respect, that people wanted jobs badly. We had a terribly of scary set of circumstances with double-digit unemployment. I think, more than double what it is at presently. And our strategy of course was that this is good for your economy. And secondly, that nearly everybody in these new foreign investments, who worked there, will be Americans. There're very few foreign citizens here. Our other strategy was to get local communities. Religious leaders never find local

community like a good old place like Greensburg or someplace like that, and get them to rally around this new investment, and to welcome the people when they got there. I mean, this is one of those things that once you get to know the Japanese, they really aren't as scary as they seem to be to a lot of people at that moment, but that was the strategy.

Beeler: Okay, I guess that also speaks to the third question I had, in that, what this Hoosier leadership looks like as opposed to, leadership in another state or...

Mutz: I am not sure I am qualified to compare 'Hoosier leadership.' There's no question of the fact that we don't have as much of it, as we seemingly had 20 years ago and 30 years ago. Now part of that is due to the fact that so many of our industries are no longer owned or headquartered here. I mean that's a clear deficiency in the leadership pool. I believe that in the longer haul the philanthropic community will fill in some of the vacuum of leadership. In my book, *Fund Raising For Dummies*, I talk about the rise of the non-profit sector as a leader of the local communities. The other part of that is the university community. It will become more important and you can already see it happening in Indiana. I mean, who would have ever thought of Purdue University advertising on billboards and calling themselves the business makers? I mean 20 years ago, the Faculty Senates and others were very, very disturbed about that kind of stuff. They saw it as an infringement on academic freedom and all kinds of stuffs, and there may be people at Purdue who still feel that way. But, there's definitely a change, there's a leadership coming from the University Community, which is part of the non-profit sector.

Scarpino: So, do you see as a result of economic change in Indiana, and the Midwest, a vacuum in leadership?

Mutz: Well, to be sure there is somewhat of a vacuum, particularly in individual communities, and what to do about that, I am not sure. As I said, I think it's going to come out of the philanthropic sector to start with. Obviously, the political sector has always have been part of that. I mean for example right now, every local government leader, County Commissioner, or Mayor,

consider as part of his portfolio economic development. That's not in burnt statue to anywhere; that was never envisioned, as a responsibility of a mayor. You've got mayors not traveling all over the world, looking for jobs, for people and investment opportunities, and so forth. So, yeah the circumstances are changing. The Middle West as a region has a lot of these difficulty, I mean, we're not unique, Ohio suffering, at Illinois and Kentucky, so forth. Michigan even describing itself as a depressed state in a sea of prosperity, I would just, I'm not sure that's exactly the image I'd want to project but anyway that hurts some people, referred to them that way.

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And that's the decline in manufacturing the increase in the service industry and so forth. But overall, the big question is how do you get brightest people who want to be here, to come here? See, I think the place where the exciting future is going to be is where, people congregate around an intellectual pursuit, now that sounds like a elitist kind of stuff, but I think it's true.

Scarpino: Is that how you practice leadership over your career, by trying to facilitate people congregate -- congregating around intellectual pursuit?

Mutz: Well, I had never said it that way until right now, but maybe that is one of the things that I did.

Beeler: You used the word convening a lot today.

Mutz: Yeah.

Beeler: Can you think about how you were personally -- maybe even unintentionally brought people together, when they didn't necessarily, they wouldn't have otherwise got?

Mutz: Yeah, well it's happened over and over again, I can think of some examples but, I remember on the things we did at PSI, when I was there, was we were trying to cut cost and become more efficient. And so, I put together a group of interdepartmental and interdisciplinary teams, to study a specific project or to

specific activity. It might be turning on and off electric users, that's the same. And I got a former schoolteacher who was a woman, who was the convener of these things. Now, I was actually the convener, but she was in-charge of details and setting the agenda and all that stuff. And this is not a new idea, it's the same thing you find in these other leadership techniques that are espoused by leadership and business experts. But the thing is, it has real energy when you get that group together, these people say, well, I'm doing something that's important, this could change the way we do business here. We can shorten the cycle time and all that kind of stuff. Well, I got a lot of benefits other than that, that were not originally my intention, all I really wanted was the policy question, how do we do this better? But it got a bunch of other benefits in addition to that.

Beeler: Yeah there's something else you've mentioned before is genesis and how something can turn into something else. At a meeting -- and you find that you've incorporated that into your personal style of leadership.

Mutz: I hope so, I told you about the devil's advocate in meetings and I mention today, the question of who we were really talking about. Four-year degree granting institution for Indianapolis Public University and out of the conversation came Unigov. Well that's pretty fertile territory, that kind of a meeting.

Scarpino: I'm going to shift back to some more of standard questions. I am going to ask you few of more of our standard questions and then we want to talk to you in the remaining time about Public Service Indiana and Lumina. Do you see a distinction between leadership and management?

Mutz: Absolutely.

Scarpino: Can you explain a little bit what do you think the distinctions are?

Mutz: Well, there's a lot of authors who've done a better job more articulately than I can but, leadership has to do in my mind, not mainly with the motivation of people,

and the ability to bring the creative instincts and creative ideas, out into the open and get them all on the table. Management on the other hand is taking the visions of leadership and making them work, implementing them in essence. So, they're both important, but I think their roles are different.

Scarpino: Do you think it's possible to be a good leader and a bad manager?

Mutz: Yes, yes we've got all kinds of examples in the business world on people who were visionaries, but when their business got to be more matured, they were not the right person to run into that point.

Scarpino: We've spent quit a bit of time, talking about and to getting you to talk about your style of leadership and to characterize, to describe yourself as a leader. And I am wondering if you can think of one event or incident that best demonstrates your style of leadership, you just have to pick one thing as an illustration.

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Mutz: I really can't because each of these events kind of alters your approach and molds how you do it. But I do think the challenge of a very depressed Indiana workforce when I first became Lieutenant Governor is the best example I think, in which we talked about a vision for the future, we talked about a specific group of programs to implement that vision and then we talked off a lot about, carrying the message, communicating the message. As I've mentioned to you earlier in my leadership discussion, where the aspects of leadership is communication. It doesn't necessarily mean you have to be a great public speaker, but you have to find ways to communicate with people on levels other than just the rational. This idea -- you can make more money if you do this, that's one motivation but there's a lot of others.

Scarpino: Now, we've a couple of questions that relate to leadership in terms of impact, influence, perceptions that other people have of leaders and I've already asked you one of those questions which is, do you think leaders are born or made? And we've talked

about that. But the other question that I haven't asked you is: do you think it's important and necessary for a leader to have a positive, reasonably well supported set of goals and projected outcomes?

Mutz: I think a leader needs to have a vision for where he wants to go or she wants to go, but sometimes the outcomes are not readily apparent. Collins, Don Collins in his book, *Good To Great* and all that sort of thing, what he thinks is first the right people then the ideas.

Scarpino: So may be there's a difference sometimes between projected out comes and actual outcomes?

Mutz: Yeah, that's right, because I think what you do is, once we get all these people assembled, who you hope will be your creative engine in your leadership to implement, you better listen to them. What you think the governization ought to be isn't necessarily the right thing. Now, there are certainly other examples of leadership style that are far different to then, if you were to interview Bill Cook for example, from Cook in Bloomington, Indiana.

Scarpino: I have met Mr. Cook.

Mutz: Yeah. His leadership style is much different in this situation, but it starts with listening. People thing Bill just suddenly had all these great ideas. He is the world's best listener, when it comes to talking to medical practitioners. He can sit down with a M.D., he's not a doctor, biology major he may be, but not a doctor. But when he listens to a physician talk about what it is he needs to get something done to cure this or to cure that and so forth. Bill is a great listener, and then he figures out well how can we produce a product that will get this done? So, even in his case, which ranges a different style than I might suggest here, he's a wonderful listener. He also is a person who realizes that there are lot other good ideas out there besides his, and he is willing to at least listen to them. He has one interesting characteristic and that is that he does not like partners, does not want to give up ownership of his business to any body else, he owns it all and that's a very unusual kind of approach, but any way.

Scarpino: But one more -- actually our final standard question is: can there be a great leader who pursues goals or outcomes, questionably or utility or morality?

Mutz: Well...

Scarpino: Was Hitler or Idi Amin were great leaders?

Mutz: Well they certainly were.

Scarpino: I just picked two bad people.

Mutz: Yeah, but they were pretty bad. I guess I'd have to say that, clearly, there are some leaders whose vision is not necessarily morally appropriatable or in the best interest of society and they've been pretty good at, taking an awful lot of people to the brink. Ultimately though, I think that the morality of your actions does confront you at some point in this process. Now, my wife says, I am a dreamer, that's not true. She says a lot of really bad people succeed in; probably they shouldn't, that had been her attitude.

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But I do believe that ultimately the people that you lead catch on.

Scarpino: But if we are -- if one of the goals of this project, over the long haul is to, attempt to figure out what the essence of leadership is. Do you think that somebody who is pursuing goals or outcomes that are questionably used or questionable morality, are they actually exercising leadership?

Mutz: Well, you're asking me whether or not because the moral aspect or the legal aspect or the -- what's best for society aspect doesn't seem to be present in their thinking. I think most of those people walk down their path thinking that that is not the case. What they are doing, the goal is so important it's got this means and ends argument that we deal with all the time. But -- so I think they think probably they are right, you can't help the zealous drive; zealous is a negative word that determines drive or the enthusiastic drive to succeed,

if you think what you doing is wrong. Now, is Tony Soprano a leader? You know he's a fictional character on the television program, but is he a leader? Well yeah, in his element he is.

Scarpino: A Mafia boss could be a leader of the development, right?

Beeler: Ken Lay, right?

Mutz: Yeah Ken Lay, good example (Laughter).I went the other day to see that movie called *The Smartest Guys In The Room*, that's an interesting take on that.

Scarpino: In 1993, you moved Lilly foundation to Public Service Indiana, which we even call PSI, which then I believe is the largest investor on utility in the State of Indiana. You served as President of PSI. As far as I know, you had no prior experience in the Electric Utility Industry. How did this move from Lilly to PSI come about?

Mutz: Well it came about because, Jim Rogers who was the Chairman of the Board of PSI -- I was in the process of engineering a merger, between PSI and Cincinnati Gas and Electric. And the result of that merger was called Synergy. Synergy was then later, just recently merged with Duke Power and it's -- now every body is going to be called Duke Power. But anyway, Jim believed very strongly in the importance of a community presence, particularly on the part of utility that serves so many small communities. It wasn't Indianapolis; it was everything around Indianapolis, 52 counties. And so, he needed somebody with a fairly high name recognition, and persona, or presence in the minds of people, and he thought one of the ways to assure Indiana that he wasn't going to turn his back on these communities that had supported him during the hostile takeover with IPL and all the other things he tried to do. So the idea was to bring somebody in, who had some credibility and who could maintain the image of the utility, during that transition period, that's why I was hired.

Scarpino: I -- actually I read some of John's research to give credit where credit is due, but there was an article in the *Indianapolis Star*, about the time that you assumed

that position, and I am just going to quote two lines from the article and you can tell wonder what your reaction is and the Rogers is referred to James Rogers who is the Chairman and CEO. It said, 'Rogers was looking for a second-in-command, who can stick up for PSI's Indiana operations once its parent company merges with Cincinnati Gas and Electric Company to form Synergy Corporation, in Ohio. Utility watchers Rogers believe that Mutz, will give PSI something Rogers couldn't, unquestionable loyalty and commitment to Indiana.' Is that, do you think that's an accurate statement?

Mutz: I think it's an accurate statement, yeah, that's what Jim wanted and that's what I did.

Scarpino: Were you taking leadership risk making that move? You had no background in the utility Industry?

Mutz: Well of course I was, a lot of people told me I was nuts, why would you leave Lilly Endowment where you have all this money and all these things to do and so forth. And I saw there's a new challenge, and then I also saw it as an opportunity to do some things that I had never done before . . .

Scarpino: . . . Such as?

Mutz: . . . Well, to run a large corporation with – at that time, 4000 employees, find out what the corporate internal structure is really like, I worked it out with Alcoa, which is a big company, where I was just a beginner there. This was a different view of that. It was also an opportunity to work with a guy who had respect for, in Jim Rogers, even though he is 10 years younger than I am, he is one of the most innovative corporate leaders I have ever worked with.

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So, I thought that would be fun too. Now the other thing is, I think I told you earlier that my situation at Lilly Endowment -- I could have stayed there but, I think I'd done the things that I could do most effectively, so it was kind of time to move on. So those are factors, now, the risk of course really isn't as great

as maybe you think it is in the sense that, utilities at that time, have a off a lot of talent inside on the technical stuff. I wasn't going to screw up the generation of power at one of the power plant.

Scarpino: We often have blackouts?

Mutz: No that's right, I mean like, my role is in at different level and in a different arena, mainly the political arena as well as the public arena. So, I was in an arena there that I was familiar with, even though I've never been a utility executive. Then they sent me to utility school for eight weeks at Edison Institute -- has a program for, what they call emerging utility leaders. Everybody in the group laughed at me because I already had the title -- they said well, you don't need to come here. But I said, you don't understand how little I know about this. But that's the story.

Scarpino: What were the key issues that you faced as President of PSI?

Mutz: Well, the first one dealt with the purpose that I was there, the reassurance of local community's leaders, that Jim wasn't leaving them out on a limb. Secondly, it was a time of turmoil in the electric business because the national debate was beginning about deregulation of electricity and Jim is and continues to be an advocate of deregulation. And our policy, and I must admit my own approach, was one that suggested that deregulation properly implemented was a good thing, for the consumer and good for the utility business. That whole idea was not very popular with the other utilities in Indiana, the other four electric utilities were, and were not ...

Scarpino: And they were Indianapolis Power & Light Utilites?

Mutz: And that was Power & Light, NYTCO and in the Northern part of the state, SIGECO in the Southern part of the state, the REMC movement and then AEP which was an Ohio utility that have the northeast part of Indiana. So, I was one among five who was an advocate for competition and the others didn't like it, that's the second issue. The third issue was related to this business of how do we reduce cost in an industry

that traditionally never had to be too concerned about cost? I mean, I know that sounds funny but in the utility business you make a new investment, you put it in the right base, get the IURC, the utility regulators to approve it and raise rates. And of course that's one of the reason for example right now that the automobile industry in United States is in trouble because they had that kind of monopoly in the automobile because suddenly foreign competition came in and they were not able to compete very well, and they are still struggling with it. Well, we had decided at PSI that we needed to find ways to cut cost and to do it effectively. And so, that's the third big challenge. I think those are the ones I had listed as most important.

Scarpino: What you think you've learned about leadership, as President of PSI?

Mutz: Well I learned -- the biggest thing I learned there was that difficulty in moving people to change, who didn't want to change . . .

Scarpino: . . . And that would be on utility deregulation and cost cutting and . . .

Mutz: Well, those things, but mainly, they are our own employees. An average employee had been there 24 years, I mean this was an unusually old workforce and most of them had in mind the old cycle -- work your career all of in place, get to age 62 or whatever the retirement age would be, retire and go on with a happy life. They were -- there was no sense of urgency in this workforce and that was one of the things we were trying to...

Scarpino: . . . Was work force motivation and work force development one of your tasks?

Mutz: Yeah, but just see, we're going to hire a lot of people, because they were all ready there and so the question is, how you motivate these people and I remember a number of people said, John, I really don't care about doing this. I want to get three more years and then I am out of here.

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As some of these people were there, some of the bright people in the workforce but they had lost any desire to do that.

Scarpino: If I read my notes correctly, in 1999 you stepped down as a President of PSI and became Vice Chairman?

Mutz: Yeah.

Scarpino: What's did that entail?

Mutz: Well, what would had happen was, actually I had only signed on for a five years, when I first took the job, but it already seven years and I wanted to move on to some other things, and also I wanted to teach at Northwestern university where that the Medill Schools of Journalism that offered me a adjunct professorship for one quarter so I could live on campus and teach...

Scarpino: So did you that?

Mutz: I did it, yes, that fall. That's also the fall I wrote the book called *Fund Raising For Dummies*, and I was having great time and I had enjoyed it, my wife and I lived on campus, I kept office hours, saw students, created papers and all that sort of thing.

Scarpino: Did anybody ever tell you that the dog ate their homework?

Mutz: (Laughter) I never had that one but I had some other experiences yeah. These were graduate students, they were candidates for master's degrees, they were pretty serious people and surprisingly pretty old. My oldest student was 38 years old, so this was not as bunch of kids. They were seasoned people and many out of them had already been out in the work world, you know so that was a good experience. So yes, I did those things.

Scarpino: So, Vice-Chairman was...

Mutz: Well.

Scarpino: What kind of a position?

Mutz: Well, it was a position in which I'd still maintained an office here in Indianapolis. I was responsible for discussions with the other utilities about policy and I worked directly with our legislative teams, the lobbyists at workforce, is that what sometime that I also use to supervise, as even I was actually a utility officer. I also was in charge of foreign investments that we have, so we had investments in the United Kingdom and in South America rather large (Inaudible) and I traveled to those parts of the world on a regular basis to participate the board meetings and so forth. So, it was a, I called it transaction from active involvement too.

Scarpino: So, really in 1999 you were transitioning out of PSI?

Mutz: Exactly.

Scarpino: Did you ever consider running for mayor of Indianapolis?

Mutz: I did it for a very short period of time and probably got in the press at one time or another.

Scarpino: Yeah I admit it did, yes.

Mutz: Yeah, I talked about it, and the party hierarchy at that time thought that Sue Ann Gilroy was the better candidate and for one reason I had a lot of arguments politically was the hierarchy of that time. I am thinking, primarily of the Sheriff of that time, Jack Cottey was his name and he was a power in Marion County politics. Jack and I just don't agree on lots of things.

Scarpino: These were political arguments?

Mutz: Yeah.

Scarpino: What was the nature of those, what was it you disagree about?

Mutz: Well, I think largely I would well for example; I wasn't in favor of the consolidation of the Police in the fire districts in Marion County. He being Sheriff was opposed to it, unless he ran it all. We had

disagreements about the quality of candidates for office, I hate to get in to personal stuff here but yeah we disagreed about his approach, techniques and so forth.

Scarpino: So, you elected not to run.

Mutz: Right.

Scarpino: In 2002, you became Chairman of the City of Indianapolis, Department of Water Works? That was a short-term position?

Mutz: Well, I could be still be there if I wanted to be. I think I was an appointee of the President of the County Council, who was Bart Servos.

Scarpino: Right.

Mutz: Now, I was philosophically opposed to the city buying the waterworks in the first place, but once it was decided Bart asked me, if I would be his -- one of the two candidates to be a nominee and it was just was a deal which was worked out directly by Bart Servos and Mayor Bart Peterson.

Scarpino: Right.

Mutz: And, Bart was delighted to have me there because it was a political buffer for him. Here's a high profile Republican supervising the acquisition and kinds of difficult employee issues they had.

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Scarpino: So, that was the task, was to supervise the acquisition by the city?

Mutz: That's right.

Scarpino: Okay, so...

Mutz: And I stayed down there for I think a year and a half or so and then, some other opportunities came along and I thought it would be best if I resign from that.

Scarpino: What were some of the challenges that you faced that you supervised that?

Mutz: Well, I think the biggest challenge was the resolution of employee relationships in this new environment. Like most utilities the people that work at Indianapolis Water Company had been there long time. They were the beneficiaries of the monopolistic environment, where they had an unbelievable personal benefits in addition to their salaries, pension programs, et cetera., health insurance, all the rest of it. And of course the issue was, like in any merger, you've got a company that's going to -- you're going to go to work for it now that has a different benefit package. The question is how do you resolve? That was our biggest issue. And we have lots of difficulties, whether there were demonstrations by disgruntled employees, and I mean, the hearings that we held at that time were well attentive to settle these things.

Scarpino: I remember that. Why were you opposed to the city acquiring the water utility?

Mutz: Well, philosophically I think utilities like this are more efficiently run by for-profit organizations -- to state it very simple. My experience had been at PSI that, we were a lot more efficient in spite of our inefficiencies than we were the ones that were, the electric utilities that were run by cities and things of that kind. And if the profit motive is a good motivation in a utility set of circumstances, I'll put it that way.

Scarpino: What's the motivation behind the city acquiring that water utility, in your opinion was it related to quality and efficiency of service or politics or something else?

Mutz: It was xenophobia.

Scarpino: Xenophobia?

Mutz: Here it comes again. Yeah there was this fear of having a foreign company owning our utility.

Scarpino: And the foreign company was?

Mutz: Well, I can't remember now the name of the foreign company, but the logical acquires when NIPSCO put it up for sale. See NIPSCO bought the Water Company originally because they thought this a way for us...

Scarpino: . . . Northern Indiana Public Service . . .

Mutz: Yes, that's right.

Scarpino: An electric utility.

Mutz: That's right and what they wanted to do was to get at the Indianapolis electric customers. They said, all we do, we'll buy this utility, now we'll have a base to go after the electric business in Indianapolis. Well, deregulation didn't come to Indiana, so Apalco still had control of that. Water utilities do not perform well economically compared to other investments. I mean, when I was at PSI, Jim Rogers said, 'John, check this out,' so we did an in-depth look at the water company. We decided that we could deploy our capital more efficiently in other places and this was not an acquisition that earned enough money to make sense, so we took pass on it. I looked at a lot of acquisitions when I was at PSI, so NIPSCO found out the same thing, this is not going to work for us, so they put it up for sale. The only logical buyers were United Water and this French outfit that we're talking about. United Water was also owned by a foreign company and so that's what happened.

Scarpino: Jim Morris worked for the Water Company and ...

Mutz: Yes, he did, indeed and he was still there when I was involved in this transition.

Scarpino: You have been on numerous Boards of Directors including Conseco, when did you serve on a Conseco Board of Directors?

Mutz: Well, I want to say that it was from, '98 -- we would have checked this out, I can't remember, it's on my resume . . .

Scarpino: Actually, probably rule number two in the oral historian's book is don't ask the narrator a date and I just did it. So... (Laughter)

Mutz: Yeah I can't give you exactly but it was during the time that I was at the Lilly Endowment and at Synergy.

Scarpino: All right. You were on the Conseco Board during a time of turmoil and controversy in the company?

Mutz: Yeah, I missed all the gravy days, its mainly after I became a Board Member, we began to fell into some of the difficulties that eventually caused the bankruptcy and . . .

Scarpino: . . . Could you summarize those?

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Mutz: Well, the major problem with the company was twofold. One, Steve Hilbert decided that we would branch out into the financial services into ...

Scarpino: . . . And Steve Hilbert was the CEO?

Mutz: . . . He was the CEO of the Conseco. And he was looking for an acquisition, and the acquisition turned out to be the largest provider of financing called Green Tree, for manufactured houses. Manufactured housing is a very tough business to begin with and financing them is much different than regular houses, because they deteriorate the value the minute you buy a new one, unlike automobiles, rather than houses. There is not an appreciation generally speaking. So, what we did, we bought what appeared to be a very financially successful financier of manufactured housing, all over the United States, huge operation. Added dramatically to the Conseco customer base and fit into Steve's idea of Middle America. He said, we are financiers and insurance people for Middle Americans, not for Wealthy Americans, not for Poor Americans, but Middle Americans, and nobody else is really in that space and that's true. The most people in those financial services businesses want people to talk, and so that was the philosophy, not an unsound philosophy. But the company turned out to be an

unsound purchase and you could make the argument that if you go back and restate the accounting method that they never made any money in the history of the whole company, even though it appeared that they did. But at stake, was -- were two kinds of accounting, and this is a complicated -- don't want to get into it now, but the point being that, during the turmoil that we actually voted on the board to go back -- to go to the normal kind of accounting for Green Tree, but it was too late. And then the second thing that happened was the investment community lost their enthusiasm for Steve. Steve was one of these guys, self-made human being, never finished college, went out to raise the money going door to door to get started in the insurance industry. It's a rag-to-riches -- it's a wonderful story. And Steve had a vision about the consolidation of the insurance industry that was very sound and worked. It was an industry full of a lot of waste and when you brought together two or three insurance companies, and consolidated the back off his operations; there were great profits there, right possibilities for profit. And so, I mean as a consolidator, Steve was enormously successful. The consolidation however with Green Tree was not a good acquisition, and what happened was, his reputation for being the high flying deal maker, was damaged...

Scarpino: . . . Because of Green Tree?

Mutz: . . . Because of Green Tree, and as a result, the investment community began to clamor for his resignation, and I was on the Board of Conseco when we had the meeting in which he resigned. And I was one of those who had to sit with him during this time period, this meeting lasted out at nine in the morning and ended at seven that night, and it was a very difficult meeting. Now, a little bit I dreamed that I'd still beyond this board, several years later when Gary Wendt, a nationally known business leader who had been successful at GE, became our CEO and then I was the one who'd have asked to ask Gary Wendt to leave, which I did. I was Chairman of the Committee for the Reorganization of Conseco and Chairman of the Bankruptcy Committee at Conseco . . .

Scarpino: . . . Because Conseco went into bankruptcy, receivership . . .

Mutz: That's right, and then of course when the bankruptcy ended and they, as we say, came out of bankruptcy, established new corporate a new accounting system, so forth. Then the new owners of course had their own people they wanted on the board at that time and so I resigned.

Scarpino: Was that a leadership risk for you to be on the board like that?

Mutz: Absolutely, I didn't think it was when I first got involved or I'd probably wouldn't have joined that board. And I did a lot of due diligence to try to figure out if that was a company I should go to, because they were operating so differently than other people in the insurance business. And what I did was, I hired the insurance expert Ernst & Young here in town, to do a careful look for me because he didn't audit them, he had no relationship with. And after learning what he told me, as an insurance consolidator, he said they are good.

(00:45:04)

And he also said, Rolly Dick is a sound financial manager; he was the CFO there. And I let him spend a lot of time with Rolly, and yes on the basis of those conversations and that research that I joined the board. Now, again you take a risk when you are on the Board of somebody who has the kind of volatile personality and exuberance that Steve Hilbert has. But I like Steve, I still like Steve, but it was a situation in which, yes you take a risk when you are involved in a situation like that. Now, the other risk I took was financial, one of the big things that led to lack of confidence in Steve Hilbert was, a program he put in place that allowed officers and directors of the company to buy company stock with loans guaranteed by the company. Now, such a program is designed to align the interest of Board Members and officers with the interest of common shareholders. That is normally considered to be a desirable kind of alignment. The problem we had here was that Steve put no limits on

how much of this that these individuals could do. And so you had some directors and some officers who were buying 20 and 30 and many more millions of dollars of Consec stock, with loans guaranteed by the company. And of course they wanted me to do this too, this is one of the ways you demonstrate to the financial community that you have confidence in your business. And I said well, yes I'll participate, but I am not going to buy any more stock with a loan of this nature that I cannot afford to pay back from my existing monies and assets, if everything were to go badly. So, I could remember my wife saying to me on several occasions, John don't be greedy. This is supposed to be the great answer to additional financial success. And I ended up, having to pay off my loan in Consec of 1.3 million dollars, and that was that something you do on the installment basis, that's cash on the barrelhead you have to pay. And I was one of three members of the board who paid off their loans. Some of those loans are still not paid off or some are still pending in terms of litigation. Some were settled.

Scarpino: So, when the company went bankrupt those loans were called in as well?

Mutz: Not at that time, no. Gary Wendt concluded that you had a conflict of interest on the board, if you had a big loan and still served on the board, and I believed Gary was right, and I supported him in this. The point being that this financial obligation becomes so big and so important to you that your actions on behalf of the company and other shareholders is favored or altered. So, Gary went to the board and he gradually got individuals like me to say, either you pay off your loan or you resign from the board. And I went individually to the other board members and said, I am going to pay mine off and I want you to do the same. And if you don't, then we are going to invoke a section in the Indiana Statute that allows the board to relieve those directors of their responsibility. It's a section seldom ever used. So, this was a tense kind of situation with men and women who you had previously worked with and so forth. But I did get the resignations of all them except two, and two of them we had to, as Donald Trump, we had to fire him. They were relieved from their board responsibilities and those were not very

enjoyable circumstances when you have to deal with that. So, then of course along came the bankruptcy and there is a whole lot of people you got hurt in bankruptcy.

Scarpino: So this is a business about the loans of the conflict of interests really predated bankruptcy.

Mutz: Oh, yes.

Scarpino: So, the company was on a downhill slide when this was happening.

Mutz: That's right.

Scarpino: Would you consider what you were faced with as a member the board and be paying your own loan and persuading your colleagues to do the same, and resignations, and firings is -- does that have anything to do with leadership or the fact that, sometimes maybe a leader has to have the courage to do things that are difficult?

(00:50:04)

Mutz: Yes I think it does, I mean I do think that is the test of leadership, when you're put in those situations and you don't run. Now I've had some people who said to me, John, when you resign from the board, why do you want to put up with all these? And to be candid with you to say, first of all I felt I had a responsibility to follow through. But I also felt that my own personal integrity was in stake. I thought that you know the -- may be the major thing that recommends John Mutz, in the long run, it's not my money, it's not my intriguing ideas, its my integrity.

Scarpino: Where do you think that integrity fits in the panoply of leadership qualities?

Mutz: Well I think it's extremely important and I -- those were really difficult kinds of moments when you deal with that kind of stuff. I remember another case, which I'll mention real briefly and that was, one of the members of the board of PSI was confronted with a proposal that PSI put on its board a prominent political personality, who likely would be elected to the

U.S. Senate for the interim time period between when you left one office and took of another. And another board member on the PSI board said no, Jim – this is Jim Rogers -- I don't think this is in the best interest of this company, and I really don't think it's of the best interest of the individual at all. And this happened to be the Chairman of the Committee that hired Jim Rogers, who said this and Jim says, well. Well, I've heard enough, we won't do it. So, he didn't even press the board to do it. That's leadership. And it is the kind of thing that often makes you unpopular temporarily and that's happened to me on occasion, but I think of that example. And I have to say that example, one of the things that kind of led me to where I was when I got to the Consecro situation, because it happened before that and I really did suffer with lot of these people. I think we did the best we could for Consecro at that point. In fact the company still exists here in Indianapolis and still employs people. These may be a legacy from that.

Scarpino: You think it's on the rebound?

Mutz: Yes.

Scarpino: Financially?

Mutz: Yeah financially, yes I think it is and the trick here, which has nothing to do with leadership particularly, except to say they need an A or A minus (A-) rating so that they can sell their insurance products in competition with the other big insurance companies. There are B plus, (B+) something or the other right now, and I think they'll get that rating from the insurance rating agencies.

Scarpino: What do you think you've learned as a leader from the trials and tribulations of serving on that Consecro Board during those difficult times, personal difficult times?

Mutz: Yeah well, yeah I think I learned the importance of even though everybody else seems to be walking to a different drummer, if you really have strong doubts, speak up and I -- it was not an easy thing to do. Don't get me wrong, I wasn't the only one who felt this way

but I usually was the only one who would articulate at these meanings.

Scarpino: Do you think there's a difference in what you think about leadership between leadership in a situation like that, and leadership in a political arena? I mean, would a politician have been as likely to express, clearly express, strong reservations the way you did in a more private setting?

Mutz: Often not, but some times they do, even though it's an unpopular thing to do, which you know a lot of the really tough decision politics, still are not public. There are some moments when you are tested. However, I'm not sure I mentioned or not, the time I was offered a bribe or not when I was running for Governor.

Scarpino: No, you didn't mention that.

Mutz: Well, I was raising money doing all the things you do and I was down in Southern Indiana, and a group of County Commissioners in one County asked to have a meeting with me in a Conference room at the private airport in Clarksville, Indiana, which I did.

(00:55:13)

I made a big mistake, that meaning, for some reason that I didn't have a staff person with me, a witness. I should have had, and we sat on at the table and these guys describing their economic development project and it appeared to me, being nothing more than a request to give them some money to build road in their community. And I said, well there are no jobs at the end of this road right now. May be there will be some day, but there aren't now. I said our program isn't for that so forth. Well, that moment this one guy threw this envelop on the table, and all these checks fell out on the table. They were checks made out in blank, signed with amount on them, which the recipient could have filled in. And I looked at the checks, I didn't touch them. I didn't pick them up. I just looked. I knew what they were after I could read the front of them, and I said, I am leaving, I never want to talk to you guys about any of this again. You see, had I had a witness, I would be in a position to have maybe confronted them

in another way. I made a big mistake; I should have had somebody with me.

Scarpino: In the last couple of minutes we have left, I want to do two things. I want to ask you to describe what you do at Lumina Foundation? And then I wanted to give you chance to say anything that I wasn't smart enough or clever enough to ask you, or that John didn't beat me with the stick hard enough to help me figure out what to say. So, can you – you are now the President of Lumina Foundation?

Mutz: No I am chairman of the Board.

Scarpino: Okay, CEO – er, Chairman of the Board. What is Lumina Foundation and what are your leadership responsibilities there?

Mutz: Well, my leadership responsibilities are to lead the board and be the major consultive individual with the CEO. Martha Lamkin is the President and CEO. I believe the style of leadership is the coming thing not just in the non-profit world, but I think eventually we're going to have a division between the executive and the board chairman in more and more corporations. I think it's the right thing to do with that another day. At any rate, Lumina Foundation is what's called the conversion foundation. It's a foundation which was formed from the assets that were acquired when USA Group, another non-profit, sold it's assets to Sallie Mae and we got three of the – say, \$400 Million in cash and \$ 380 Million in Sallie Mae stock, New York Stock Exchange Company. And then when you get all that money it's not yours, it's in the public's purview, so we formed the new foundation and that's what Lumina is. And it is committed to access and success in post high school education and training of all kinds. Our major emphasis currently is on community colleges nationally, and secondly, on how to solve the community of the cost problem of getting a college education?

Scarpino: So, you make grants to community colleges to...

Mutz: Well we do, but our – we are interested in policy changes we don't do scholarships or anything like that,

and we are interested in how you change the system so, its more affective. And so, our national program between community colleges right now is operative in seven states, and it'll gradually expand. And our program on college cost is aimed at two aspects of college cost: one is the sticker price that the family or the individual pays and the second one is the actual cost of education within the institution they are two entirely different things and they are related but there are entirely different things. So, that's the work what we're doing there. But my major responsibility there has been to put a brand new foundation, get it up and going. And not many people get a chance to do that. Kind of like the economist who just have to build his own country. That's what happened in Latvia and Lithuania. They certainly had a chance to redo the system. But any rate that was the difficulty and of course I inherited a board, which came from the two organizations that spawned this thing. So...

Scarpino: . . . U.S.A. and Sallie Mae . . .

(00:59:57)

Mutz: . . . Yeah so I had four Sallie Mae directors and seven -
- yes that's right -- directors from U.S.A. Group. So, I was not Board Chairman to start with. Another gentlemen from Washington DC Ed Mckay was the Board Chairman. They have made me the Vice Chairman with the assumption that they'd move me up to Chairman when he retired as Board Chairman. Now, he was he in his 89 and it would be in 90 some odd years when he retired. So, they because of my foundation experience at Lilly . . .

Scarpino: . . . How did you get hooked up with Lumina Foundation?

Mutz: Well, I got hooked up with Lumina because I was a director in U.S.A. Group before him I was one of the ones that moved over.

Scarpino: Okay.

Mutz: And I got to be a director of U.S.A. Group primarily I suppose because of my experience as Lieutenant

Governor and at PSI and all the other stuff. I mean your exposure in these other situations makes you a candidate for some of the other alternatives.

Scarpino: How do you exercise leadership's Chairman of the Board?

Mutz: Well . . .

Scarpino: . . . And I mean I spoke early I said CEO and I know that so we will correct that for the record.

Mutz: All right. Well, you exercise leadership I think through two ways. One is your direct influence on the CEO. My relationship with the CEO is a very strong one it's a consultive relationship...

Scarpino: . . . Who was the CEO?

Mutz: Martha Lamkin.

Scarpino: Okay.

Mutz: And, she talks to me privately, casually about all kinds of things that are on her mind. See, CEO's. That's a lonely position and they don't have a whole lot of people they can talk to. Maybe a spouse but not a whole lot of people you want to share some of these difficult questions particularly personal questions and so forth. So, as a board chairman that's one role I play and I do have a quite a bit of influence on what happens through Martha. The second is that the Board is responsible for developing the overall work plan for the Foundation and for the management of the assets of the Foundation. So, we now have a billion almost \$300 billion dollars. The reason we got so much money is Sallie Mae stock was an antirecessionary stock and it doubled in value in six months. So, that's why we're as big as we are. Next to Lilly Endowment we're the largest foundation in Indiana. So, in developing the policy for the work of the Foundation and the policy for the investments and we do that at the board level -- now see, I've set up a much different kind of philosophy about this board then Tom Lake did at Lilly. We have a committee system and most of the power is vested in the committees. Our investment

committee has a very big agenda and a lot of authority to control the policy and what we do. Our program policy committee has a lot of authority in terms of the program. Our compensation committee has a lot to do with how we compensate our employees and benefits and all that sort of thing. So, I've vested the power in the committees and I've given the committee chairman lots of authority. But, in every case they consult with me on most of the issues before they do them. So, that's a different technique.

Scarpino: Is there anything you would like to say about your leadership experience and your leadership's style or what you've learned as a leader if I just have the insight to ask you?

Mutz: Gosh. You gentlemen have been very thorough in your research and in your questioning and there isn't anything I can add except to say that people who think of themselves as leaders are who seek to be leaders need to do what we've done here. This business of being asked to think in depth about the questions you've raised and that the second thing, of just laying out the history of what's happen to you over your life, is a very viable experience.

Scarpino: So, you think embedding those questions in some modified life history worked?

Mutz: Yeah, but not just that I think they have also -- this exercise probably, makes me better equipped to lead in whatever ways I may have an opportunity to do so in the future. It's a -- well, one of the things we use to say about organizational leadership is that there is power in history. And one of the things that we did in every group I have been involved in almost. We did a timeline. We actually put a big piece of paper up on the wall and the first date is the founding or whatever the beginning of the organization is you bring it up to the press.

(01:05:02)

Now, on the lowest level you put world events on there. You know II World War. Beatles come to America. Certainly that's both cultural and historic. Then you

had a next line which is history at the local level wherever you operate and in the top line is the history of the organization and in that, at the Lilly Endowment we even had the names of the officers of the foundation back from the beginning; and when they came and when they left; and when certain programs were started and stuff like that. There is amazing power in the study of your history. It gives you an inside that you would never guess. I mean I must have been one of those skeptics about this you know. What good does it do to go back and look at history?

Scarpino: Well, that's one of the agendas that's folded into this project is try to see if understanding the history of leadership is of use to leaders in the present.

Mutz: Well, organizationally, I can say without doubt it is very helpful and I think now I having experience this set of the interviews, I can think it would be valuable to leaders individually. Now, whether in espouse a leader or a young person moving up the ladder and all that sort of thing. How they would feel about this I don't know for sure but I told you earlier that I did a lot of reading in this field; and I think it did assist me in that time period. So, I think it's both good for individuals and organizations.

Speaker: Well Mr. Mutz thank you very much for taking the time to sit with us for interviews to share your insights with us. I learned much more from this than I contributed and I'll tell you that it's a very interesting and illuminating experience for me. So, thank you very much and thanks to John for background research.

Mutz: Well, I learned more from it than I gave to it, no question.

Total Duration: 67 Minutes.