

# AT 88, JOHN PAPPAJOHN STILL WORKS HARDER THAN YOU DO

*'Failure is not in my vocabulary'*



BRIAN POWERS / THE REGISTER

"I'm an eternal optimist," said philanthropist/investor John Pappajohn at Pappajohn Capital Resources on Aug. 16 in Des Moines. "Failure is not in my vocabulary," he added.

*His fortune didn't come easily. And he has no plans to slow down anytime soon.*

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**INSIDE:** DON'T MISS YOUR FREE COPY OF GROWING IOWA, CELEBRATING 20 YEARS OF ENTREPRENEURIAL CENTERS.

**PAGE 8A:** JOHN PAPPAJOHN ON ARTWORK: "WHY DO WE LIKE IT? I CAN'T ALWAYS TELL YOU. IT'S A GUT FEEL AFTER A WHILE."

**I**t's 9 a.m., and one of Iowa's most famous entrepreneurs has already been working for hours, making phone calls, reviewing charitable causes and running through potential multimillion-dollar deals. John Pappajohn is a self-described workaholic who, at age 88, still works seven days a week. He rises at 5 in the morning (it used to be 4 a.m.), gets to the office by 8 a.m. and will try to make it home by 6 p.m.

A colleague describes him as "an absolute maniac."

"I started working with him when he was 67. I can't imagine him when he was mid-40s or 50s," said Matt Kinley, executive vice president of Equity Dynamics, Pappajohn's financial consulting firm.

Pappajohn was born in Greece and grew up in Mason City. As a businessman, he has amassed a net worth estimated in the hundreds of millions.

But today, he's better known for his philanthropic efforts, donating millions to causes around Iowa. And this month, the entrepreneurial centers he funded at five Iowa universities and colleges celebrate their 20th anniversa-

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# JOHN PAPPAJOHN

## About John Pappajohn

**Age:** 88  
**Birthplace:** Greece, but raised in Mason City  
**Current Home:** Des Moines  
**Family:** Wife, Mary; daughter, Ann Vassiliou; two grandchildren  
**Education:** Bachelor's degree in business from University of Iowa, 1952  
**Career:** Investor and philanthropist. Founder and president of Equity Dynamics, a financial consulting firm. Founder of Pappajohn Capital Resources, a venture capital fund

## A sampling of John and Mary Pappajohn's philanthropy

- » University of Iowa Hospitals and Clinics: **\$3 million** for a new pavilion, 1989
  - » University of Iowa Hospitals and Clinics: **\$1 million** to endow a clinical cancer center, 1991
  - » University of Iowa College of Business: **\$4 million** for new business building, 1992
  - » Entrepreneurial centers at five Iowa universities and colleges: about **\$25 million**, starting with \$4.75 million in 1996
  - » Scholarship fund for disadvantaged or minority students: **\$5 million** dedicated, 1997
  - » John and Mary Pappajohn Higher Education Center in Des Moines: **\$4 million**, 1997
  - » Sculptures for John and Mary Pappajohn Sculpture Park: estimated value of **\$20 million to \$30 million** when donated, 2007-2009
  - » University of Iowa biomedical institute: **\$26.4 million**, 2009
  - » Iowa State University: **\$5 million**, various
- Source: John Pappajohn, Des Moines Register archives, Iowa State University



John Pappajohn walks to the podium followed by his wife, Mary, during the groundbreaking ceremony in 2009 for Pappajohn Sculpture Park. REGISTER FILE PHOTO

## How the Pappajohns joined world's top art collectors

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When John Pappajohn was going to school at the University of Iowa, an art history and appreciation course gave him his first taste of the art world.

"I had never been in a museum in my life, so what the hell did I know. But I liked the pictures," Pappajohn said.

He and his wife, Mary, bought their first painting, by a University of Iowa professor, for \$100. Now married for 55 years as of Saturday, they still own the work today, along with pieces of multimillion-dollar art.

The Pappajohns' love for art has landed them on ARTnews' list of the Top 200 collectors in the world every year from 1998 to 2014. The magazine describes them as collectors of modern and contemporary art. Pappajohn estimates the couple has more than a thousand art books in their home.

Pappajohn said he can't explain what he and his wife look for in art, but they make decisions quickly on what to buy and "we're right most of the time."

By "right," Pappajohn means what they like ends up being one of the best pieces in an art show, he said.

"Why do we like it? I can't always tell you. It's a gut feel after a while," Pappajohn said.

The sculpture park that bears their name in downtown Des Moines has 28 sculptures, all donated by the Pappajohns.

Until 2006, Des Moines had spent millions trying to change and revitalize the Western Gateway, Des Moines Art Center Director Jeff Fleming recalled. The next year, the Pappajohns suggested opening the sculpture park.

"Coming one year later, perhaps even less than one year later, and suggesting a change to that space was really a bold idea," Fleming said.



RODNEY WHITE/REGISTER FILE PHOTO  
 John Pappajohn, right, tours the Pappajohn Sculpture Park with Art Center Director Jeff Fleming, left, Sept. 15, 2009, in downtown Des Moines.



REGISTER FILE PHOTO  
 Philanthropists John and Mary Pappajohn were on hand for the ribbon-cutting ceremony at the sculpture park in 2009.



ZACH BOYDEN-HOLMES/THE REGISTER  
 The Pappajohn Sculpture Park in downtown Des Moines on March 30, 2015.

When the park was being planned, it was estimated the sculpture collection had a value of \$20 million to \$30 million. In 2009, Sotheby's estimated the value at about \$40 million, a spokeswoman for the Art Center said.

Many of the sculptures now in the park had been in the Pappajohns' Des Moines home and yard.

Fleming said the Pappajohns seek out work by "significant artists that have made significant contributions."

Pappajohn said he and his wife have never bought art as an investment. But he does treat the process similar to how he does business: Build a network of dealers, scope out the best work and get in early to buy it.

The couple no longer is on the ARTNews list, Pappajohn said, because they have been divesting some of their collection.

**"I don't stress. I can take losses. They don't upset me. I just learned that that's life, and I'm in a business where there's risk, and if you can't take the heat, get the hell out of the business." — John Pappajohn**



BRIAN POWERS / THE REGISTER

Philanthropist/investor John Pappajohn said trusting his instincts plays a big role in making deals. "My instincts are very good," he added at Pappajohn Capital Resources on Aug. 30 in Des Moines.

## Pappajohn

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ry. His fortune didn't come easily. As a child, he had to repeat kindergarten because he spoke little English, and he sold scrap to help support his family.

He built an insurance company in his 30s, turned venture capitalist in his 40s and has carved out successes investing in health care and medical technology.

Now, he splits his time between Des Moines and New York and vacations in Florida, where he has multiple telephones to stay connected. "I don't miss anything," Pappajohn said.

But for all his accomplishments, much of Pappajohn's success is built on a simple premise: He works longer and harder than everyone else.

He often says: "Everybody wants to go to heaven, but nobody wants to die. Everybody wants to get rich, but no one wants to pay the price."

And he has no plans on slowing down anytime soon.

"I got a lot done. I've got a lot more things I want to get done," Pappajohn said.

### Looking to make money

Born in 1928, Pappajohn came to America with his mother, Maria, when he was 9 months old, following his fa-

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## JOHN PAPPAJOHN



BRIAN POWERS / THE REGISTER

John Pappajohn became a venture capitalist in 1969 starting with \$100,000 from selling his insurance business.

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ther, George, to Mason City. His father came to the city looking for opportunity, following others from Greece who had found jobs.

"That's why he went, because he knew that, where he was going, he could get a job and make money," Pappajohn said.

While growing up, he "was always looking for a way to make money," he said.

He would go to a nearby scrapyard and scavenge for lead, copper, rags or anything else he could sell. He helped tear down his grade school and sold the bricks.

After college, he worked for Aetna in Mason City. There, he met Illinois businessman W. Clement Stone, who came to talk to a local underwriters group. Stone sold Pappajohn on starting an insurance company and on embracing Stone's philosophy of "positive mental attitude," a way of thinking Pappajohn still promotes today.

"When I deal with my companies, I'm the 'rah rah' guy. ... It's my job to excite them and motivate them to do better with what they're doing, regardless of the product," Pappajohn said.

He later met Mary, his wife, at a church gathering in Minnesota, and the two married in 1961. They celebrated 55 years Saturday.

The couple moved to Des Moines

home health care company that would later become Caremark, now a part of CVS. Pappajohn said he made about \$18 million on what was basically a \$50,000 initial investment in Caremark.

There also was Radiologix, a company Pappajohn started with Derace Schaffer that the latter says went from a concept to a \$12-per-share public offering in 22 months.

"That's an unusual example of a success," said Schaffer, a radiologist turned investor who's worked with Pappajohn on multiple companies.

Then there was Quantum Health Resources, another home health care company, which services chronically ill patients.

Pappajohn knew the company's founder, Doug Stickney, through a prior deal with Stickney's father. He invested about \$200,000 in the late '80s. Six years later, Pappajohn made about \$60 million on that investment.

"It never happened to me before," Pappajohn said.

#### Learning from losses

His venture capital firm doesn't take outside money, so Pappajohn can structure deals how he wants. By his own account, he has participated in more than 50 initial public offerings.

"That's a special skill set to understand how the transition from private to public works and then how to make a company successful as a public company," said David Miles, chairman of Miles Capital in Des Moines.

Pappajohn reports his fund's annual rate of return at around 45 percent, an extraordinary result compared with expected venture fund returns.

As a comparison, venture capital funds returned, on average, 12.9 percent in 2015 and 21.5 percent in 2014, according to Cambridge Associates. Warren Buffett's Berkshire Hathaway reported in 2015 that its shares had seen a 21.6 percent annual gain in market value from 1965 through 2014.

But not every deal has gone swimmingly.

Early on, Pappajohn invested in a lawnmower manufacturing company. He called the deal a "disaster" — margins were tight, and there was too much competition — but he got his money back.

Another time, Pappajohn said he invested in an asbestos removal company

weighed down with art books, medical textbooks, old law and tax guides, and giant tomes detailing some of his past IPOs. A silver shovel from a groundbreaking rests in the corner.

Sitting here, Pappajohn runs through names of past executives and the companies they worked on together, recalling most names as if it were yesterday.

There was James Sweeney with Kay Laboratories and Caremark, Richard Turner with Pancretec, Antone Lazos with Medical Imaging Centers of America, James Hitchen of Infrasonics — all people Pappajohn worked with, sometimes more than once, throughout his career.

"I always network," Pappajohn said. "The key to it is, if you treat people right, people want to stick with you."

Pappajohn is a fierce negotiator, colleagues and friends say. He's known for having pounded the pavement on Wall Street looking for investors and becoming well-versed in his field.

"One day we were on Wall Street, he pointed to me the first building he went into where he went door to door to every floor as a young man trying to give them a card and be interested in working with him," Schaffer said.

That same persistence is applied to the companies he works with. Asked how involved he is with his investments, Pappajohn replies: "We smell armpits."

Just as he works hard, he expects the same from his business partners. And while he values a company's product, he believes that the management team is just as important, if not more.

In executives, Pappajohn said he looks for "pattern recognition."

"If people are successful in what they're doing ... that's the kind of person that I bet on," he said.

Kinley, his executive vice president, said Pappajohn also looks for people who have sales skill.

"You need to have a CEO that knows how to sell — that knows how to get people on the same page," Kinley said. "He's a very good judge of that skill because he's a great salesman himself."

He also values every deal, Schaffer and others said, treating each company and project with the same dedication.

"That's one thing I learned from him: It doesn't matter if it's a \$5 deal or a \$100 million deal, you keep that consistency," TelePharm founder Roby Miller said.

#### A personal challenge

For all his business success, Pappajohn laughs at the fact that people still mistakenly associate him with the pizza company Papa John's.

"All the flight attendants ask me for free coupons," he joked during a speech at the University of Iowa last year. He later gave each person in the 1,000-member audience \$10 to donate to their department of choice.

Though he's known in the business world as the state's premier venture capitalist, he's probably better known among the public for the money he gives away.

In an interview with the Register, Pappajohn said it is his "personal challenge" to become the state's biggest philanthropist.

"He's always had that strong interest" in philanthropy, his brother Socrates said. "He's always said all he wants to do is to work to make enough money to

***"Money doesn't motivate me," he said. "It's the thrill of being successful and taking a deal and creating value and making money for everybody involved." — John Pappajohn***

"He was trying to make some money to help. We were all focused on having to work in order to make sure that there was money in order to do some things and help with the family," said Socrates Pappajohn, John's youngest brother.

He, Socrates and their other brother, Aristotle, worked in their father's grocery store.

It was the Depression, and Pappajohn witnessed people who would "steal a potato or an onion" to have something to eat.

If John went to school with candy, Socrates said, other students might be waiting to challenge him for it. But his brother always stood his ground.

"He didn't want to go out and pick a fight for anybody, but he wasn't about to give an inch if he thought he was right," Socrates said.

Their father, George, died of a heart attack when John was 16, leaving the family without its chief bread winner.

The loss was traumatic, but it forced him to learn how to solve problems, he said.

The brothers traded off going to school and college and working to keep the grocery running. While two went to school, the other would work. It took John Pappajohn six years to graduate from the University of Iowa.

As a student, he never made it to a Hawkeyes football game because he always worked Saturdays at a supermarket in Iowa City to help put himself through school. Now, he has a box and never misses a home game.

soon after they married, and in 1962, Pappajohn started Guardsman Life Insurance Co., traveling the state to raise money and putting together a board for the company.

"I went to all the big cities and said, 'Who's the most prominent guy in town?' I didn't know anybody," Pappajohn said.

Pappajohn later read in the paper about the then still-emerging industry of venture capital.

In 1969, the 41-year-old Pappajohn sold the insurance company — "insurance was boring to me," he said — and with \$100,000, became an investor.

"That was it. That was my net worth. That's what I started my venture fund with," he said.

#### Striking his fortune

Pappajohn's first successful investment didn't come until 1972, when Kay Laboratories sought out additional financing.

The San Diego company made hot and cold packs, and Pappajohn helped the company go public and later sell to American Hospital Supply Co.

He was locked into the stock for six months, which was fortunate for him.

"The stock doubled, so I made my first million dollars," Pappajohn said.

He came to focus on health care and medical technology because of the good profit margins and ready investors, he said. He found it easy to raise money for new products that helped lower health care costs.

Other lucrative deals included a

out of New Jersey. The company's heads cooked the books, and there were worries of connections to organized crime, he said.

In the mid-2000s, Pappajohn made a bid at getting into Iowa's burgeoning ethanol market. He proposed raising hundreds of millions of dollars to buy up independent ethanol plants, consolidate them under one company and take them public.

Ethanol prices and profits dropped, though, and the plan fell through.

"We had a good team working it — he knew how to get from point A to point B and make it all happen — but when the market just goes south, you can't get in the way of that," said Miles, whom Pappajohn hired to work on the deal.

Pappajohn said he doesn't let losses or missteps bother him.

"I don't stress. I can take losses. They don't upset me. I just learned that that's life, and I'm in a business where there's risk, and if you can't take the heat, get the hell out of the business," Pappajohn said.

#### 'We smell armpits'

Pappajohn's downtown office and its four employees serve as the hub for both Pappajohn's business and philanthropic efforts.

The office is filled with art, books, papers, awards and artifacts of his newest ventures and charitable causes, such as a box of braces from the University of Iowa used to treat clubfeet.

Shelves in a conference room are

keep giving as much money away as he can."

While he is still active in the business world, Pappajohn said he and his wife are putting more focus on charitable giving.

"Some people will spend a day trying to figure out whether to give \$100 to which organization," he said.

"I make up my mind and feel comfortable because you never know where you do the most good with philanthropy."

Together, John and Mary Pappajohn have given millions to fund scholarships, support new university buildings and establish the sculpture park that welcomes visitors to downtown Des Moines' west side.

One cause he won't give to: the Boy Scouts. The group wouldn't let him in when he was younger, he said, because he lived "on the wrong side of the tracks" in Mason City.

What drives Pappajohn to still come to work seven days a week at age 88 isn't a desire to build his personal fortune, he said. It's the challenge.

"Money doesn't motivate me," he said.

"It's the thrill of being successful and taking a deal and creating value and making money for everybody involved."

And there's more money he wants to give away, Pappajohn said.

"In Greek, the word philanthropy, it means being nice to people and sharing with people," he said. "It's not just money. It's a lifestyle."