Ampad: A controversial deal

Bain Capital put $5 million into its purchase of American Pad & Paper and quickly began charging management and other fees. It also made payments to investors. In all, Bain and its investors reaped more than $100 million even though Ampad ended up in bankruptcy, workers lost jobs, and stockholders were left with worthless shares. A look at the deal:

1992 Bain buys American Pad & Paper from Mead Corp. They invest $5 million.

1993 After Bain takes control, Ampad pays advisory fees to Bain under a management agreement.

1994 Bain acquires plant in Marion, Ind. Workers strike over layoffs and wage and benefit cuts. The events become a campaign issue in Romney's challenge to Senator Edward M. Kennedy.

1995 Bain shuts down the Marion, Ind., plant. Roughly 200 lose jobs. Bain gets at least $2 million in annual fees, plus additional fees for each acquisition Ampad makes. Ampad borrows more to acquire an envelope and stationery maker and uses some of the proceeds, about $60 million, to pay Bain investors.

1996 Ampad completes an initial public offering. Bain sells about 3 million shares, reaping about $45 million to $50 million for investors and itself. It also takes $2 million in fees for arranging the IPO, plus other fees.

1998 With Ampad struggling, Bain agrees to cut the annual fee $1.5 million a year. It also agrees to start forgoing payment until the company turns around.

1999 Revenues continue to slide. Ampad closes a plant near Buffalo, with up to 185 losing jobs.

2000 Creditors force Ampad into Chapter 11 bankruptcy to reorganize.

2001 Judge puts Ampad into Chapter 7 to liquidate assets and pay creditors. Senior secured lenders get less than 50 cents on the dollar.

SOURCE: Security and Exchange Commission filings

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