

AMERICAN GREETINGS CORP

Form DEF 14A

May 13, 2011

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549**

**SCHEDULE 14A  
(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

**AMERICAN GREETINGS CORPORATION**  
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**TABLE OF CONTENTS**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT GENERAL INFORMATION

CORPORATE GOVERNANCE

PROPOSAL ONE ELECTION OF DIRECTORS

PROPOSAL 2 APPROVING THE SECOND AMENDMENT TO THE COMPANY S 2007 OMNIBUS  
INCENTIVE COMPENSATION PLAN

PROPOSAL 3 ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION  
(SAY-ON-PAY)

PROPOSAL 4 ADVISORY VOTE ON THE FREQUENCY FOR FUTURE SHAREHOLDER  
ADVISORY VOTES ON NAMED EXECUTIVE OFFICER COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

COMPENSATION COMMITTEE REPORT

RISKS RELATED TO COMPENSATION POLICIES AND PRACTICES

FISCAL 2011 INFORMATION CONCERNING EXECUTIVE OFFICERS

DIRECTOR COMPENSATION

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

SECURITY OWNERSHIP

SHAREHOLDER PROPOSALS FOR 2012 ANNUAL MEETING

MISCELLANEOUS

EXHIBIT A AMERICAN GREETINGS CORPORATION 2007 OMNIBUS INCENTIVE  
COMPENSATION PLAN (AS AMENDED MAY 1, 2011)

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**Table of Contents**

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of American Greetings Corporation. The meeting will be held at 2:30 p.m., Cleveland, Ohio time on Friday, June 24, 2011, at our World Headquarters, One American Road, Cleveland, Ohio 44144.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe the items to be considered and acted upon by the shareholders.

If you own shares of record, you will find enclosed a proxy and voting instruction card or cards and an envelope in which to return the card(s). Whether or not you plan to attend this meeting, please sign, date and return your enclosed proxy and voting instruction card(s), or vote over the phone or Internet, as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. You can revoke your proxy before the Annual Meeting and issue a new proxy as you deem appropriate. You will find the procedures to follow if you wish to revoke your proxy on page 2 of the Proxy Statement. Your vote is very important. I look forward to seeing you at the meeting.

Sincerely,

Zev Weiss  
Chief Executive Officer

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Table of Contents

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

- Time and Date:** 2:30 p.m., Cleveland, Ohio time June 24, 2011
- Place:** American Greetings Corporation  
World Headquarters  
One American Road  
Cleveland, Ohio 44144
- Purpose:**
1. To elect three Class I directors
  2. To approve an amendment to the American Greetings 2007 Omnibus Incentive Compensation Plan to increase the number of common shares available for issuance thereunder from 5,500,000 (4,400,000 Class A common shares and 1,100,000 Class B common shares) to 6,800,000 shares (5,600,000 Class A common shares and 1,200,000 Class B common shares)
  3. To hold an advisory vote on named executive officer compensation
  4. To hold an advisory vote to recommend the frequency for future shareholder advisory votes on named executive officer compensation
  5. To transact such other business as may properly come before the meeting or any adjournments thereof
- Who can vote:** You can vote on the proposals above if you are a shareholder of record on May 2, 2011.
- Directions:** The World Headquarters campus may be entered from the private road off Memphis Avenue, or from American Road off Tiedeman Road. As you approach from either the private road or American Road, there will be signs directing you to the meeting place. The principal address of American Greetings is One American Road, Cleveland, Ohio 44144.
- How you can vote:** **It is important that your shares be represented and voted whether you plan to attend the meeting. YOU CAN VOTE BY PROXY IN ONE OF THREE WAYS:**
- By completing and returning your proxy and voting instruction card in the enclosed envelope; or
- By telephone using the toll-free number on your proxy and voting instruction card; or

Over the Internet, by visiting the Web site noted on your proxy and voting instruction card.

*By order of the Board of Directors,*

CATHERINE M. KILBANE  
Secretary

Dated May 13, 2011

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR  
SHAREHOLDERS MEETING TO BE HELD ON JUNE 24, 2011:  
Our Proxy Statement and Annual Report to Shareholders are available at  
<http://investors.americangreetings.com>**

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**Table of Contents**

**PROXY STATEMENT**

**GENERAL INFORMATION**

**Proxy Solicitation**

The Board of Directors (the **Board**) of American Greetings Corporation (which is referred to in this Proxy Statement as **American Greetings**, the **company**, **we**, **us** or **our**) has ordered solicitation of the accompanying proxy and voting instructions in connection with the Annual Meeting of Shareholders (the **Annual Meeting**) to be held on Friday, June 24, 2011, at 2:30 p.m., Cleveland time, at our World Headquarters, One American Road, Cleveland, Ohio 44144, to consider and act upon the matters specified in the accompanying Notice of Annual Meeting of Shareholders. Copies of this Proxy Statement and the accompanying Notice and proxy and voting instruction card, along with our Annual Report to Shareholders, are first being sent or given to shareholders on or about May 13, 2011.

The expense of soliciting proxies, including the costs of preparing, assembling and mailing the Notice, Proxy Statement and proxy and voting instruction card, will be borne by us. Besides solicitation by mail, our officers and other regular employees may solicit proxies by personal interview, telephone, electronic mail and facsimile. We have asked brokerage houses, banks and other persons holding shares in nominee names to forward solicitation materials to the beneficial owners of shares held by such nominees, and we will reimburse such persons for their reasonable expenses.

**How to Vote**

**Registered Holders.** If your shares are registered in your name, then you are a registered holder and you may vote in person or by proxy. If, after reading the proxy materials, you decide to vote by proxy, you may do so in any ONE of the following three ways:

1. **By telephone.** With your proxy and voting instruction card in front of you, you may call the toll-free number **1-800-690-6903** and follow the simple instructions.
2. **Over the Internet.** With your proxy and voting instruction card in front of you, you may use a computer to access the Web site [www.proxyvote.com](http://www.proxyvote.com) where you can follow the simple instructions that will be given to you to record your vote.
3. **By mail.** You may mark, sign and date your proxy and voting instruction card and return it in the enclosed prepaid and addressed envelope. You do not need to mail the proxy and voting instruction card if you have voted by telephone or over the Internet.

The Internet and telephone voting procedures are designed to authenticate votes cast and allow shareholders to appoint a proxy and to confirm that their actions have been properly recorded. Specific voting instructions are set forth on the accompanying proxy and voting instruction card.

**Participants in the Retirement Profit Sharing and Savings Plan.** One of the investment alternatives in the American Greetings Retirement Profit Sharing and Savings Plan is a fund consisting of our Class A common shares. Participants investing in the American Greetings stock fund are allocated units that represent an interest in such shares. If you invest in the American Greetings stock fund of the Retirement Profit Sharing and Savings Plan, the plan's independent trustee, Vanguard Fiduciary Trust Company, will vote the Class A common shares allocated to your account



according to your directions. Participants may give voting directions

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## **Table of Contents**

to the plan trustee in any ONE of the three ways set forth above under Registered Holders. The trustee will vote shares for which it has not received instructions in accordance with instructions that it receives from us. We will direct the trustee based on the direction of the plan's administrative committee, which is a committee consisting of our employees.

**Nominee Shares.** If you are a beneficial owner of shares held in street name through a broker, bank or other nominee that holds the shares on your behalf, you may vote in person at the Annual Meeting by obtaining a legal proxy from the nominee that holds your shares. In addition to voting in person, you may vote by proxy by completing and signing the voting instruction card provided to you by the nominee that holds your shares, or by voting via the Internet or by telephone as permitted by the nominee that holds your shares. As a beneficial owner, in order to ensure your shares are voted, you must provide voting instructions to the broker, bank or other nominee by the deadline provided in the materials you receive from them. Because all of the matters being voted upon at the Annual Meeting are considered non-routine matters under the rules of the New York Stock Exchange ( NYSE ), brokers, banks or other nominees may not vote on those matters unless they have received specific voting instructions from beneficial owners. Such shares that brokers do not have the authority to vote in the absence of timely instructions from the beneficial owners result in what is commonly referred to as broker non-votes.

## **Changing or Revoking Your Proxy**

You have the right to change or revoke your proxy prior to the closing of the polls as indicated on your proxy and voting instruction card and may do so in any one of the following four ways:

1. send a written notice to the American Greetings Secretary stating that you want to change your proxy vote;
2. submit a properly signed proxy and voting instruction card with a later date;
3. enter later-dated telephone or Internet voting instructions; or
4. vote in person at the Annual Meeting. **NOTE: Because your Retirement Profit Sharing and Savings Plan shares are held in a qualified plan, you are not able to vote the shares allocated to your account in the plan in person at the Annual Meeting.**

Your presence at the Annual Meeting, without more, will not revoke your proxy. However, you may revoke your proxy in the manner described above at any time before it has been exercised.

If you plan to attend the Annual Meeting, please check the attendance box on the enclosed proxy and voting instruction card or indicate so when prompted if you are voting by telephone or over the Internet.

If you are a beneficial shareholder only, that is if your shares are not registered in your name but are held by a broker, bank or other nominee, you will have to check with your broker, bank or other nominee to determine how to change your vote. Also note that if you plan to attend the Annual Meeting, you will not be able to vote in person at the meeting any of your shares held by a nominee unless you have a valid proxy from the nominee.

## **Cumulative Voting**

If cumulative voting is invoked as described below, a shareholder may cumulate votes for the election of a director nominee by casting a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder is entitled. The shareholder also may distribute his or her votes between or among two or more nominees on the same basis.

Shareholders have cumulative voting rights in the election of directors if:

(i) any shareholder gives notice in writing to the President, a Vice President or the Secretary of American Greetings, not less than 48 hours before the time fixed for the holding of the Annual Meeting, that he or she desires that the voting at such Annual Meeting be cumulative, and

## **Table of Contents**

(ii) an announcement that a shareholder has given American Greetings notice of cumulative voting is made upon the convening of the Annual Meeting by the Chairman of the Board or the Secretary or by or on behalf of the shareholder giving such notice.

Unless otherwise indicated by the shareholder, where cumulative voting is invoked, the persons named in the accompanying proxy and voting instruction card will vote, in their discretion, for one or more of the nominees for whom authority to so vote was not withheld and will cumulate votes so as to elect the maximum number of nominees proposed by the Board.

If cumulative voting is not invoked at the Annual Meeting with respect to the election of directors, the proxies will vote the number of shares on the proxy and voting instruction card for only those Board nominees for whom authority has not been withheld.

## **How Shares Will Be Voted**

The shares represented by your proxy will be voted in accordance with your instructions indicated on the proxy and voting instruction card or with the instructions you provided by telephone or over the Internet. If you return an executed proxy and voting instruction card without any such instructions, the shares represented by your proxy will be voted in accordance with the Board's recommendations.

## **Required Vote**

The presence at the Annual Meeting, either in person or by proxy, of the holders of not less than 25% of the total voting power of American Greetings on the record date will represent a quorum, permitting the conduct of business at the meeting.

The nominees for election as directors who receive the greatest number of votes cast for the election of directors at the meeting by the shares present in person or by proxy and entitled to vote will be elected directors. If you withhold your vote from one or more of the nominees, the vote will be treated as present at the meeting for purposes of determining a quorum; however, broker non-votes with respect to one or more nominees will not be treated as present for purposes of determining a quorum. Neither withhold from voting votes nor broker non-votes will be counted as votes cast with respect to the election of one or more directors and, accordingly, will have no effect on the outcome of the vote.

Approval of Proposal 2 requires the affirmative vote of a majority of the votes cast on the proposal and requires that the total vote cast on the proposal represent over 50% in interest of all securities entitled to vote on the proposal. For purposes of the NYSE shareholder approval requirements, abstentions are deemed to be votes cast and will have the same effect as votes against Proposal 2. Broker non-votes will negatively impact the ability to meet the requirement that the total vote cast on Proposal 2 represent over 50% in interest of all securities entitled to vote on the proposal.

If the amendment to the American Greetings Corporation 2007 Omnibus Incentive Compensation Plan is not approved by our shareholders, it will not become effective. However, the Board reserves the right, subject to all applicable laws, regulations and stock exchange listing standards, to adopt such other compensation plans and programs as it deems appropriate and in the best interests of American Greetings and its shareholders.

Approval of Proposal 3 requires the affirmative vote of the majority of the votes cast on the proposal. With respect to Proposal 4, the frequency of the advisory vote (every year, every two years or every three years) receiving the greatest number of votes cast will be considered the frequency recommended by our shareholders. Neither abstentions nor broker non-votes will be counted as votes cast with respect to Proposal 3 or Proposal 4 and, accordingly, will have no effect on the outcome of the vote on either proposal.



## **Table of Contents**

### **Voting Securities and Record Date**

As of May 2, 2011, there were outstanding, excluding treasury shares which cannot be voted, 37,485,494 Class A common shares entitled to one vote per share and 2,937,927 Class B common shares entitled to ten votes per share upon all matters presented to the shareholders.

Holders of record of such shares at the close of business on May 2, 2011 are the only shareholders entitled to notice of and to vote at the Annual Meeting and any adjournments thereof.

### **Shares Included on the Proxy and Voting Instruction Card**

If you are both a registered shareholder of American Greetings and hold shares through the Retirement Profit Sharing and Savings Plan, you may have received one proxy and voting instruction card that shows all American Greetings common shares registered in your name, including all shares you have (based on the units credited to your account) under the Retirement Profit Sharing and Savings Plan. Accordingly, your proxy and voting instruction card also serves as your voting directions to the independent trustee of the Retirement Profit Sharing and Savings Plan.

Please note, however, that unless the identical name or names appeared on all your accounts, we were not able to consolidate your share information. If that was the case, you received more than one proxy and voting instruction card and must vote each separately.

If your shares are held through a broker, bank or other nominee, you will receive either a voting form or a proxy card from the nominee with specific instructions about the voting methods available to you. As a beneficial owner, in order to ensure your shares are voted, you must provide voting instructions to the broker, bank or other nominee by the deadline provided in the materials you receive from them. Under the rules of the NYSE, your broker cannot vote your shares on the election of directors if you do not timely provide instructions for voting your shares.

## **CORPORATE GOVERNANCE**

Shareholders elect the members of the Board to oversee their interests in the long-term health, the overall success and the financial strength of our business. The Board serves as our ultimate decision-making body, except for those matters reserved to or shared with the shareholders. The Board selects and oversees the members of senior management who are charged by the Board with conducting our business.

The Board follows, both formally and informally, corporate governance principles designed to assure that, through its membership, composition, and committee structure, the Board is able to provide us informed, competent and independent oversight. The Board has reviewed our corporate governance policies and committee charters to assure that the Board continues to meet fully its responsibilities to our shareholders. Below is a description of the measures in place to assure that objective is achieved.

### **Corporate Governance Guidelines**

The Board has adopted corporate governance guidelines, which may be found in the investors section of our Web site at [www.corporate.americangreetings.com](http://www.corporate.americangreetings.com). These corporate governance guidelines are intended to assure that director qualifications, committee structure and overall board processes provide good corporate governance and independent oversight of management.

### **Code of Business Conduct and Ethics**

The Board has adopted a code of business conduct and ethics to govern our directors, executive officers and employees, including the principal executive officer, the principal financial officer and the principal accounting officer. A current copy of the code is available on our Web site at [www.corporate.americangreetings.com](http://www.corporate.americangreetings.com). We will disclose any future amendments to, or waivers from, certain provisions of the code of business conduct and ethics for executive officers and directors on our Web site.

## **Table of Contents**

### **Independent Directors**

The NYSE rules require listed companies to have a board of directors with at least a majority of independent directors. Under the NYSE rules, a director qualifies as independent upon the Board's affirmative determination that the director has no material relationship with American Greetings (either directly or as a partner, shareholder or officer of an organization that has a relationship with American Greetings). In assessing the materiality of a relationship, the Board has not adopted categorical standards beyond the NYSE criteria, but rather broadly considers all relevant facts and circumstances. The Board has determined that Drs. Cowen and Thornton and Messrs. Dunn, MacDonald, Merriman and Ratner are independent under the NYSE rules. In the course of the Board's determination regarding the independence of each non-management director, the Board considered the following transactions, relationships and arrangements in determining that the director is independent:

1. Dr. Cowen is a director of, and Mr. Ratner is a director, a greater than 10% shareholder and the President and Chief Executive Officer of, Forest City Enterprises. A subsidiary of Forest City Enterprises rents retail store space in various shopping malls to us pursuant to lease agreements in the ordinary course of business. We sold our retail store operations to Schurman Fine Papers in April 2009, and since the time of the sale we have subleased the retail store locations to Schurman Fine Papers. In addition, Mr. Ratner has a 10% indirect ownership interest, through a trust, in a Cleveland, Ohio shopping mall that leased space to us for one retail store that is now under sublease to Schurman Fine Papers. That shopping mall is managed by RMS Investment Corporation (RMS). Each of Mr. Ratner's four children has a 4.28% ownership interest in RMS.

2. During fiscal 2011, Dr. Cowen was a member of the board of directors of Jo-Ann Stores, Inc., a company that in the ordinary course of business purchases our products. Dr. Thornton is a member of the board of directors of Applied Industrial Technologies, Inc., a company from which we purchase products and services from time to time in the ordinary course of business. Mr. Dunn is the Chief Executive Officer and owner of 5% of the common equity of HIT Entertainment Limited, a company from which we license certain character properties in the ordinary course of business.

3. We made discretionary charitable contributions to charitable and other non-profit organizations where each of Messrs. MacDonald, Merriman and Ratner, and Drs. Cowen and Thornton serves or has served as an executive officer, director or trustee.

All of the transactions, relationships or arrangements listed above were entered into, and payments were made or received by us, in the ordinary course of business and on competitive terms. Aggregate payments that were made to, or that we received from, each of the relevant organizations, including any charitable organization in which a non-management director served as an executive officer, did not exceed the greater of \$1 million or 2% of that organization's consolidated gross revenues for each of the most recent three completed fiscal years. The Board has determined that these transactions, relationships and arrangements are not material, do not create a material relationship between American Greetings and any of Messrs. Dunn, MacDonald, Merriman and Ratner, or Drs. Cowen or Thornton and that the independent judgment of these directors has not been and will not be compromised by such transactions, relationships and arrangements.

In addition, based on the NYSE independence standards, the Board determined that Messrs. Zev, Jeffrey and Morry Weiss are not independent because they are executive officers of American Greetings.

### **Board Leadership Structure**



We separate the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. As Chief Executive Officer, Zev Weiss is responsible for setting the strategic direction for the company and the day-to-day leadership and performance of the company. As the Chairman of the Board, Morry Weiss provides guidance in such critical functions as mergers and acquisitions and other strategic initiatives, works with the Chief Executive Officer in developing the company's long-range strategic plans, provides guidance to the Chief Executive Officer and other members of senior management, sets the agenda for the Board meetings and presides over meetings of the full Board. Because Mr. Morry Weiss, our Chairman, is not independent, our Board has appointed Mr. Ratner to be the presiding director

## **Table of Contents**

at the executive sessions of the non-management directors, as defined under the rules of the NYSE. The Board believes that this provides an effective leadership model for the company.

## **Board Oversight of Risk**

The Board, as a whole and also at the committee level, is responsible for oversight of risks that could affect the company. The Board, committees or both receive regular reports from members of senior management on areas of material risk to the company, including sales, operational, financial, legal and regulatory, and strategic risks. The Audit Committee oversees the company's enterprise risk assessment and risk management policies. In addition, the Compensation and Management Development Committee evaluates risks associated with the company's compensation policies and practices, and discusses these risks with the Audit Committee. The Board focuses on the most significant risks facing the company and the company's processes to enable the organization to identify, manage and mitigate risks. Although the Board oversees the company's risk management, company management is responsible for day-to-day risk management processes. The company does not believe that the Board's role in the oversight of risk has an effect on the Board's leadership structure.

## **Board of Directors and Committees**

The Board met five times during fiscal 2011. The Board has a standing Executive Committee, Audit Committee, Nominating and Governance Committee, and Compensation and Management Development Committee (which we also refer to herein as the Compensation Committee). Each member of the Audit, Nominating and Governance, and Compensation and Management Development Committees is independent as defined under the current listing standards of the NYSE.

## **Executive Committee**

Morry Weiss (Chair)  
William E. MacDonald, III  
Michael J. Merriman, Jr.  
Charles A. Ratner

Jerry Sue Thornton  
Jeffrey Weiss  
Zev Weiss

The Executive Committee has the same power and authority as the Board between meetings of the Board except that it may not fill vacancies on the Board or on committees of the Board. The Executive Committee held no meetings during fiscal 2011.

## **Audit Committee**

William E. MacDonald, III (Chair)  
Scott S. Cowen

Jeffrey D. Dunn  
Michael J. Merriman, Jr.

The Board has determined that each Audit Committee member is financially literate under the current listing standards of the NYSE. The Board also determined that each of Mr. MacDonald and Mr. Merriman qualify as an audit committee financial expert as defined by the Securities and Exchange Commission (SEC) rules. Shareholders should understand that the designation of Mr. MacDonald and Mr. Merriman as an audit committee financial expert is a SEC disclosure requirement and that it does not impose upon them any duties, obligations or liabilities that are greater than those generally imposed on them as members of the Audit Committee and the Board. In addition, under the Sarbanes-Oxley Act of 2002 and the NYSE rules mandated by the SEC, members of the Audit Committee must have

no affiliation with the issuer, other than their board seats, and receive no compensation in any capacity other than as a director or committee member. Each member of the Audit Committee meets this additional independence standard applicable to Audit Committee members of NYSE listed companies.

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by:  
(1) monitoring the integrity of our financial statements; (2) monitoring the integrity of our auditing, accounting and financial reporting processes generally; (3) monitoring the independence and performance of our independent registered public accounting firm and our internal audit department; (4) monitoring our compliance with legal and regulatory requirements; (5) reviewing the adequacy of and compliance with our

## **Table of Contents**

financial policies and procedures and systems of internal control; (6) preparing the Audit Committee Report to be included in this Proxy Statement; and (7) making regular reports to the Board and keeping written minutes of its meetings. The Audit Committee is also responsible for reviewing and approving or ratifying transactions with related persons, as described below in the Certain Relationships and Related Transactions section of this Proxy Statement. The Audit Committee has the sole authority to engage and replace the independent registered public accounting firm. The Audit Committee met eight times during fiscal 2011. The current version of the Audit Committee charter is available on the investors section of our Web site at [www.corporate.americangreetings.com](http://www.corporate.americangreetings.com).

## **Nominating and Governance Committee**

Charles A. Ratner (Chair)  
William E. MacDonald, III

Michael J. Merriman, Jr.  
Jerry Sue Thornton

The purposes of the Nominating and Governance Committee are to (1) assist the Board by identifying individuals qualified to become Board members, and to recommend to the Board the director nominees for each annual meeting of shareholders; (2) review and recommend to the Board qualifications for committee membership and committee structure and operations; (3) recommend to the Board directors to serve on each committee and a chair for such committee; (4) develop and recommend to the Board a set of corporate governance policies and procedures; and (5) lead the Board in its annual review of the Board's performance. The Nominating and Governance Committee met two times during fiscal 2011. A current version of the Nominating and Governance Committee charter is available on the investors section of our Web site at [www.corporate.americangreetings.com](http://www.corporate.americangreetings.com).

It is the policy of the Nominating and Governance Committee to consider individuals recommended by shareholders for membership on the Board. If a shareholder desires to recommend an individual for membership on the Board, then that shareholder must provide a written notice on or before January 14, 2012 to our Chairman, Chief Executive Officer or Secretary at American Greetings Corporation, One American Road, Cleveland, Ohio 44144, for consideration by the Committee for that year's election of directors at the Annual Meeting. It is the policy of the Committee not to evaluate candidates recommended by shareholders any differently from candidates recommended from other sources.

The Nominating and Governance Committee determines, and reviews with the Board on an annual basis, the desired skills and characteristics for directors as well as the composition of the Board as a whole. This assessment considers the nominee's qualification as independent under the listing standards of the NYSE, as well as diversity, age, skill and experience in the context of the needs of the Board. When the Nominating and Governance Committee considers diversity, the Committee views diversity in the broadest sense, including a person's age, gender, race, national origin, education, professional experience and differences in viewpoints and skills. The Nominating and Governance Committee has not adopted a formal policy with respect to diversity; however, the Board and the Nominating and Governance Committee believe that it is essential that the Board members represent diverse viewpoints and skills, which contribute to a more effective decision-making process. In considering candidates for the Board, the Nominating Committee considers the entirety of each candidate's credentials in the context of these standards. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective director nominees. American Greetings believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will enhance the quality of the Board's deliberations and decisions.

The biography of each current and nominated director set forth below in Proposal One contains information regarding the person's service as a director of our company, director positions at publicly-held companies held currently or at any time during the last five years, and the experiences, qualifications, attributes or skills that caused the Nominating and

Governance Committee and the Board to determine that the person should serve as a director for American Greetings.

The Nominating and Governance Committee will recommend prospective Board members who have the highest personal and professional integrity, who have demonstrated exceptional ability and judgment and who the Committee believes will be effective, in conjunction with the other members of the Board, in collectively

## **Table of Contents**

serving the long-term interests of the shareholders. When seeking candidates for the Board, the Committee may consider candidates proposed by our Chairman, Chief Executive Officer or shareholders and may also solicit suggestions from incumbent directors, management and third-party search firms, although the Board has not engaged a third-party search firm at this time.

### **Compensation and Management Development Committee**

Scott S. Cowen (Chair)  
Jeffrey D. Dunn

Charles A. Ratner  
Jerry Sue Thornton

The Compensation and Management Development Committee of the Board reviews and approves the compensation for our executive officers generally and reviews and approves our executive and employee compensation plans (including the plans for our named executive officers identified in the Summary Compensation Table in the Fiscal 2011 Information Concerning Executive Officers section below and our other executive officers); reviews and approves grants and awards to executive officers and other participants under our equity-based compensation plans; and oversees the annual evaluation of management. The Compensation Committee is also responsible for producing the Report of the Compensation and Management Development Committee included in this Proxy Statement. The Compensation Committee met seven times during fiscal 2011. The current version of the Compensation Committee's charter is available on the investors section of our Web site at [www.corporate.americangreetings.com](http://www.corporate.americangreetings.com).

#### *Use of Consultants*

From time to time, the Compensation Committee uses outside compensation consultants to work with the Compensation Committee and management. The Compensation Committee has engaged Mercer (US) Inc. ( Mercer ), a wholly owned subsidiary of Marsh & McLennan Companies, Inc. ( MMC ), to assist it in setting executive and non-employee director compensation levels, designing and implementing incentive plans for executives and non-employee directors, and providing industry data and peer group pay practices to assist management in making recommendations regarding the compensation of our executive officers and non-employee directors. The industry data and recommendations provided by Mercer were used as one of the resources in making compensation decisions during fiscal 2011. Mercer's fees for executive compensation consulting to the Compensation Committee in fiscal 2011 were \$52,332. The use of an independent consultant provides additional assurance that our executive compensation programs are reasonable and consistent with company objectives. Although management, particularly the Senior Vice President of Human Resources, works closely with Mercer, the consultant is ultimately accountable to the Compensation Committee on engagements relating to the compensation of our executive officers and our outside directors. During fiscal 2011, Mercer periodically participated in Compensation Committee meetings and advised the Compensation Committee with respect to compensation trends and best practices, plan design, and the reasonableness of individual compensation awards. Additional information on the Compensation Committee's processes and procedures for consideration of executive compensation is included in the Compensation Discussion and Analysis section below, and for consideration of non-employee director compensation is included in the Director Compensation section below.

American Greetings and its subsidiaries also separately retain Mercer and other affiliates of MMC to provide services and products that are unrelated to the services provided to the Compensation Committee on matters relating to the compensation of our executive officers and non-employee directors (the Unrelated Company Services ). In fiscal 2011, the Unrelated Company Services included such products and services as: insurance coverage, including officer and director insurance, group life insurance, workers compensation insurance and salary continuance insurance;; motor vehicle, marine transit, and corporate travel insurance; advisory and administrative services with respect to employee pension plans; and general purpose compensation surveys. During fiscal 2011, we paid Mercer or other affiliates of

MMC an aggregate of \$120,061 for these Unrelated Company Services, which amount does not include fees passed on by the affiliates of MMC to unrelated third parties for payment of insurance premiums on policies for which the MMC affiliate only provided brokerage or other advisory services. The decisions to engage Mercer or other affiliates of MMC for Unrelated Company Services in fiscal 2011 were made by employees of the company or its subsidiaries. However, commencing in March 2010, the Compensation Committee implemented a policy requiring that management receive the Compensation Committee's prior approval to engage a compensation consultant or an affiliate thereof to provide

## **Table of Contents**

non-executive compensation services to the extent such engagement, individually or in the aggregate, involves the payment of fees to such consultant or affiliate in excess of \$50,000. Accordingly, the Compensation Committee approved in advance the Unrelated Company Services provided to the company by Mercer or other affiliates of MMC.

Mercer has advised us that none of its principals or employees who provided advice to the Compensation Committee had any direct or indirect involvement in providing the Unrelated Company Services, or in the company's selection of, or negotiation of arrangements with, Mercer or other affiliates of MMC to provide such services. In addition, none of Mercer's principals or employees who provided advice to the Compensation Committee received any direct or indirect compensation as a result of Unrelated Company Services, other than to the extent that employees of Mercer benefit from the overall success of MMC and its affiliates generally. The Compensation Committee does not believe that Mercer's ability to provide it with objective advice was impaired by the Unrelated Company Services provided to the company and its affiliates.

In addition, American Greetings has practices and procedures for ensuring the Compensation Committee's compensation consultant is independent and for minimizing potential conflicts of interest including the following:

The Compensation Committee has the authority to retain and dismiss Mercer at any time;

Mercer reports directly to the Compensation Committee and has direct access to the Committee through the chairman;

Each engagement of Mercer by the Compensation Committee is documented in an engagement letter that includes a description of the agreed upon services, fees and other matters considered appropriate; and

As described above, management must receive the Compensation Committee's prior approval to engage a compensation consultant or an affiliate thereof to provide non-executive compensation services to the extent such engagement, individually or in the aggregate, involves the payment of fees to such consultant or affiliate in excess of \$50,000.

## **Attendance**

During fiscal 2011, each incumbent director attended 75% or more of the aggregate number of meetings of the Board and the respective committees on which he or she serves. We have established a formal policy requiring director attendance at all Board meetings (and meetings of committees of which the director is a member), absent unusual circumstances. We expect our directors to attend the annual meetings of shareholders (which are usually held the same day as a meeting of the Board). Each director attended the 2010 Annual Meeting of Shareholders.

## **Communications to the Board of Directors**

The Board believes that it is important for shareholders and other interested parties to have a process to send communications to the Board. Accordingly, shareholders and interested parties who wish to communicate with the Board, an individual director, the presiding director of non-management director executive sessions, or the non-management or independent directors as a group can mail a letter to the Board, individual director, presiding director, or group of non-management directors (as applicable) c/o Secretary, American Greetings Corporation, One American Road, Cleveland, Ohio 44144. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Board Communication or Director Communication. All such letters must identify the author and clearly state the intended recipients. The Secretary will make copies of all such letters and circulate them to the appropriate director or directors; however, the Secretary will not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic. The individual directors are not spokespeople



for American Greetings and people should not expect a response or reply to any communication.

**Executive Sessions**

In accordance with NYSE rules, non-management directors meet in regularly scheduled executive sessions without management. Mr. Ratner has been appointed as the presiding director by the non-management directors to preside at these sessions.

**Table of Contents**

**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

Pursuant to our Amended and Restated Code of Regulations, the Board comprises three classes of directors, each class consisting of not less than three directors and having a three-year term. In accordance with our Amended and Restated Code of Regulations, the Board has fixed the board size at nine (9) members, with each Class having three (3) directors. Class I members are to be elected at the Annual Meeting.

It is proposed that the shareholders re-elect the following nominees for Class I directors: Jeffrey D. Dunn, Michael J. Merriman, Jr., and Morry Weiss. The term of office to be served by each nominee in Class I, if elected, will be three years, until the 2014 Annual Meeting of Shareholders, or until his successor is duly elected and qualified. Each of these nominees for Class I director has agreed to stand for election.

If for any reason any of the nominees is not a candidate when the election occurs (which is not expected), the Board expects that proxies will be voted for the election of a substitute nominee designated by the Nominating and Governance Committee; provided, however, proxies cannot be voted for a greater number of persons than the number of nominees named.

**Vote Required**

The nominees who receive the greatest number of votes cast for the election of directors at the Annual Meeting by the shares present in person or by proxy and entitled to vote will be elected directors.

**The Board unanimously recommends that you vote FOR all of the following nominees.**

The biography of each of the nominees and continuing directors below contains information regarding the individual's service as a director for American Greetings, business experience, and director positions at other publicly-traded companies that the individual holds currently or has held at any time during the last five years. In addition, the experiences, qualifications and attributes or skills that caused the Board to determine that the person should serve as a director for the company are also included.

**Nomination for Election to Term Ending 2014**

(Class I)

**Jeffrey D. Dunn (56) Class I**

Director (2007), member of the Audit Committee and the Compensation and Management Development Committee

Mr. Dunn is President and Chief Executive Officer and director of HIT Entertainment Limited (a children's entertainment company), a position he has held since February 2008. Mr. Dunn was formerly a private investor, and was employed by MTV Networks (an entertainment company and a division of Viacom, Inc., a publicly-held company) as Chief Operating Officer of the Nickelodeon Networks Group and the President of Nickelodeon Film Enterprises from 1993 to 2006. Prior to that time, Mr. Dunn was employed as Director of Marketing, Arthur D. Little (a publicly-held management consulting firm), from 1991 to

1993, Director of Marketing, Bank of Boston from 1986 to 1991, and Associate International Director, Time Magazine and General Manager, Discover Magazine from 1977 to 1986. He is a director of a number of privately-held companies, including Vlingo Corporation.

The Board chose to nominate Mr. Dunn as a director because of his expertise in the areas of children's entertainment, intellectual property, digital content and licensing as well as his international business experience. In addition, during his career, among other significant achievements, Mr. Dunn implemented business strategies for the successful development of worldwide children's entertainment brands and other intellectual property rights, which has provided the Board a valuable resource on a variety of matters, including the marketing, development and merchandising of the company's entertainment properties, such as Care Bears and Strawberry Shortcake.

**Table of Contents**

**Michael J. Merriman, Jr. (55) Class I**

Director (2006), member of the Audit Committee, Nominating and Governance Committee and Executive Committee

Mr. Merriman has been an operating advisor with Resilience Capital Partners, LLC (a private equity firm), since July 1, 2008. From November 2006 until its sale in November 2007, Mr. Merriman served as Chief Executive Officer of The Lamson & Sessions Co. (a publicly-held manufacturer of thermoplastic conduit, fittings and electrical switch and outlet boxes). Prior to joining Lamson & Sessions, Mr. Merriman served as the Senior Vice President and Chief Financial Officer of American Greetings from September 2005 until November 2006. He served as the President and Chief Executive Officer of Royal Appliance Mfg. Co. (a publicly-held manufacturer and marketer of Dirt Devil vacuum cleaners) from 1995 until April 2004, was its Chief Financial Officer from 1992 to 1995, and served on the board of directors from 1993 to 2004. Mr. Merriman has served as a director of RC2 Corporation (a publicly-held manufacturer of pre-school toys and infant products) since 2004, Nordson Corporation (a publicly-held manufacturer of equipment used for precision dispensing, testing and inspection, surface preparation and curing) since 2008, and OMNOVA Solutions Inc. (a publicly-held innovator of emulsion polymers, specialty chemicals, and decorative and functional surfaces) since 2008. Mr. Merriman is also a director of Boys Hope Girls Hope of Northeast Ohio (a non-profit organization), True Hero, Inc. (a non-profit organization) and John Carroll University.

The Board chose to nominate Mr. Merriman as a director because of his financial acumen, his significant public accounting experience, his service on boards of directors of other publicly-traded companies and his product development expertise. Mr. Merriman has significant finance, financial reporting and accounting expertise and was formerly a certified public accountant, which provides the Board with valuable expertise and qualifies him as a financial expert on the Audit Committee, as described above under the section Audit Committee. In addition, because of his wide range of management experience, including as a former partner at Arthur Andersen & Co. and his service as chief financial officer of American Greetings, Mr. Merriman provides valuable insight into the company's operations as well as its interactions with investors and financial analysts.

**Morry Weiss (71) Class I**

Director (1971), Chairman of the Board of Directors, Chair of the Executive Committee

Mr. Weiss joined American Greetings in 1961 and has had various responsibilities with American Greetings including Group Vice President of Sales, Marketing and Creative. In June 1978, Mr. Weiss was appointed President and Chief Operating Officer. From October 1987 until June 1, 2003, Mr. Weiss was Chief Executive Officer of American Greetings. In February 1992, Mr. Weiss became our Chairman. Mr. Weiss serves as a member of the advisory board of Primus Venture Partners (equity investor in companies requiring growth capital). Mr. Weiss served as a director of National City Corporation (a publicly-held financial holding company) from 1991 until its sale in December 2008. Mr. Weiss participates in a number of professional, educational and non-profit organizations, including as Chairman of the Yeshiva University Board of Trustees and as a trustee of the Cleveland Clinic Foundation. Morry Weiss is the father of Jeffrey Weiss, a director and our President and Chief Operating Officer; the father of Zev Weiss, a director and our Chief Executive

Officer; and the brother of Erwin Weiss, our Senior Vice President, Enterprise Resource Planning.

The Board chose to nominate Mr. Weiss as a director and Chairman of the Board of Directors because of his 50 years of extensive experience in the social expression s industry, holding positions of ever-increasing executive responsibility at the company, including accomplished roles as American Greetings President, Chief Operating Officer, and Chief Executive Officer. As a member of our company s founding family and member of senior management for over 30 years, Mr. Weiss has extensive knowledge of our industry as well as our business and history that provides the Board valuable insight into our operations and strategies. In addition, Mr. Weiss has served on various boards of directors of other companies and organizations, providing the Board with an array of valuable perspectives and insights.

**Table of Contents**

**Continuing Directors with Term Expiring in 2012**

(Class II)

**Charles A. Ratner (69) Class II**

Director (2000), Chair of the Nominating and Governance Committee, member of the Compensation and Management Development Committee and Executive Committee

Mr. Ratner is the Chief Executive Officer and President of Forest City Enterprises, Inc. (a publicly-held conglomerate corporation engaged in real estate development, sales, investment and construction), positions he has held for 15 and 17 years, respectively, and has been a member of its board of directors since 1972. Mr. Ratner has served as a director of RPM International, Inc. (a publicly-held specialty coatings manufacturer) since 2005. In addition, Mr. Ratner participates in a number of professional, civic, educational, health care, and non-profit organizations, including as a board member of The Greater Cleveland Partnership, University Hospitals Case Medical Center, United Jewish Communities, United Israel Appeal, Mandel Associated Foundations, David and Inez Myers Foundation, and the Musical Arts Association as well as on the Board of Governors for The National Association of Real Estate Investment Trusts and the Jewish Agency for Israel, on the Executive Committee for United Way Services of Greater Cleveland and as a Trustee-for-Life for the Jewish Community Federation of Cleveland. Mr. Ratner has been a board member for the Jewish Education Center of Cleveland (JECC) for more than 15 years.

The Board selected Mr. Ratner as a director because of his extensive executive management experience, with a particular emphasis in real estate development, along with particular strengths with respect to leadership, management and corporate governance skills gained from more than 40 years of senior management experience at Forest City Enterprises as well as his experience on other boards of directors. In addition, Mr. Ratner has acquired a deep understanding of our products and our company during his more than ten years of service on our board and provides the board a valuable perspective as a member of the boards of several prominent local non-profit organizations.

**Jerry Sue Thornton (64) Class II**

Director (2000), member of the Nominating and Governance Committee, Compensation and Management Development Committee and Executive Committee

Dr. Thornton is the President of Cuyahoga Community College, Cleveland, Ohio (the largest community college in northeast Ohio), a position she has held since 1992. Dr. Thornton served as a director of National City Corporation from 2004 until its sale in December 2008. Dr. Thornton has served as a director of Applied Industrial Technologies, Inc. (a publicly-held distributor of industrial products and services) since 1994 and RPM International, Inc. since 1999. Dr. Thornton also serves on the board of directors of American Family Insurance (a privately-held insurance company) and participates in a number of professional, civic, educational, health care, and other non-profit organizations, including as a board member of Playhouse Square Foundation, Rock and Roll Hall of Fame and Museum Cleveland and New York, University Hospitals Health System, United Way Services of Greater Cleveland, The Campus District, The Greater Cleveland Partnership and The Cleveland Museum of Art.

The Board selected Dr. Thornton as a director because of her extensive management experience and her experience serving on boards of directors of public companies. In addition, as the president of Cuyahoga Community College, Dr. Thornton has demonstrated management expertise and is a recognized leader in the local community, which, among other things, provides the board a valuable perspective on engagement with the public sector and the communities in which we operate. Dr. Thornton also provides the Board a valuable perspective as a member of the boards of several local non-profit organizations.

**Table of Contents**

**Jeffrey Weiss (47) Class II**

Director (2003), member of the Executive Committee

Mr. Weiss is President and Chief Operating Officer of American Greetings, a position he has held since June 2003. Prior to becoming President and Chief Operating Officer, Mr. Weiss has had various responsibilities with American Greetings since joining in 1988, including most recently, Executive Vice President, North American Greeting Card Division of American Greetings from March 2000 until June 2003. Mr. Weiss is a board member of the Cleveland Institute of Art (professional art college). Jeffrey Weiss is the son of Morry Weiss, our Chairman of the Board; the brother of Zev Weiss, a director and our Chief Executive Officer; and the nephew of Erwin Weiss, our Senior Vice President, Enterprise Resource Planning.

The Board selected Mr. Weiss as a director because of his extensive executive management and leadership skills, together with his significant knowledge of the social expressions industry, gained through his 20-plus years of experience at the company. In addition, as our President and Chief Operating Officer, his day-to-day exposure to the company's activities provides Mr. Weiss with an exhaustive understanding of our operations and an in-depth knowledge of our corporate strategies.

**Continuing Directors with Term Expiring in 2013**

(Class III)

**Scott S. Cowen (64) Class III**

Director (1989), Chair of the Compensation and Management Development Committee, member of the Audit Committee

Dr. Cowen is President and Seymour S. Goodman Professor of Management and Professor of Economics, Tulane University, a position he has held since 1998. Prior to that, Dr. Cowen served as Dean and Albert J. Weatherhead, III Professor of Management, Weatherhead School of Management at Case Western Reserve University. Dr. Cowen has served as a director of Forest City Enterprises, Inc. since 1989; and Newell Rubbermaid Inc. (a publicly-held consumer home products company) since 1999. He was a director of Jo-Ann Stores, Inc. (a publicly-held specialty store retailer) from 1987 until its sale in 2011. Dr. Cowen has been a member of the Board of Overseers of TIAA-CREF (a private financial services company) since 2010. Dr. Cowen participates as a board member of a number of civic organizations, including as Chair of the Southeast Louisiana Regional Airport Authority and as a member of the New Orleans Business Council, New Orleans Public Belt Railroad and Greater New Orleans Inc.

The Board selected Dr. Cowen because of his breadth of knowledge in economics, finance and management, extensive experience in the public sector and his cumulative service on boards of directors in industries that are relevant to our operations. As the president of Tulane University, a national research university, Dr. Cowen also brings valuable management and leadership experience. In addition to the leadership skills he possesses as a result of his work at Tulane University, Dr. Cowen has gained extensive crisis management experience from his leadership in the rebuilding of Tulane following its devastation by Hurricane Katrina. He also played a leadership role in the rebuilding of New Orleans following Hurricane Katrina, and in major New Orleans civic and business organizations,



including chairing the Southeast Louisiana Regional Airport Authority and a committee charged with reforming and rebuilding the New Orleans public schools following Hurricane Katrina.

**Table of Contents**

**William E. MacDonald, III (64) Class III**

Director (2007), Chair of the Audit Committee, member of the Executive Committee and Nominating and Governance Committee

Mr. MacDonald was Vice Chairman and member of the Office of the Chairman of National City Corporation from 2001 until his retirement on December 31, 2006. Prior to that, Mr. MacDonald held various management positions within National City over more than 30 years including Senior Executive Vice President of National City Corporation and President and Chief Executive Officer of National City's Ohio Bank. Mr. MacDonald has served as a director of Lincoln Electric Holdings, Inc. (a publicly-held manufacturer and reseller of welding and cutting products) since 2007. He was a director of The Lamson & Sessions Co. from 2006 to 2007 and MTC Technologies, Inc. (a publicly-held provider of technical and professional services and equipment integration for the U.S. military and intelligence agencies) from 2002 to 2007, when in each case the boards were dismantled as a result of divestiture. Mr. MacDonald has served as a director of Segmint Inc. (a privately held technology-based company helping financial institutions and their marketing partners build digital customer relationships) since 2008. Mr. MacDonald participates as a board member of a number of civic, health care and other non-profit organizations including The Cleveland Clinic Foundation and is Trustee Emeritus of The Diversity Center and WVIZ/PBS and 90.3 Ideastream.

The Board selected Mr. MacDonald because of his valuable experience and insights into banking and capital markets gained during his thirty-eight year career in increasingly significant management positions with National City Corporation, one of the nation's leading financial services institutions. Mr. MacDonald's experience in leading a large corporate organization, structuring complex financial solutions, and his expertise in economic issues provide the Board with valuable expertise and qualifies him as a financial expert on the Board's Audit Committee, as described above under the section Audit Committee. In addition, Mr. MacDonald's service as a director on boards of other public companies has enhanced his understanding in areas of executive management, corporate governance, strategic planning and executive compensation, which has made him a valuable resource to the company. Mr. MacDonald also brings a valuable perspective as a member of the boards of several prominent local non-profit organizations.

**Zev Weiss (44) Class III**

Director (2003), member of the Executive Committee

Mr. Weiss became Chief Executive Officer of American Greetings in June 2003. Prior to becoming Chief Executive Officer, Mr. Weiss had various responsibilities with American Greetings since joining in 1992, including most recently, Executive Vice President, A.G. Ventures and Enterprise Management from December 2001 to June 2003. He is currently on the board of United Way Services of Greater Cleveland and is the 2011-2012 Campaign Co-Chair. Mr. Weiss serves as President of the Board of Fuchs Mizrahi Day School. Zev Weiss is the son of Morry Weiss, our Chairman of the Board; the brother of Jeffrey Weiss, a director and our President and Chief Operating Officer; and the nephew of Erwin Weiss, our Senior Vice President, Enterprise Resource Planning.

The Board selected Mr. Weiss because of his extensive executive management and leadership skills gained through his 18 years of experience at the company. Mr. Weiss has extensive knowledge of the social expressions industry in general and the company's business in particular and as our Chief Executive Officer, Mr. Weiss's day-to-day leadership

of American Greetings gives him critical insights into our operations and strategies, and provides an important link between management and our Board, facilitating the Board's ability to effectively perform its oversight function with the benefit of management's perspective on the business.

**Table of Contents**

**PROPOSAL 2**

**APPROVING THE SECOND AMENDMENT TO THE  
COMPANY'S 2007 OMNIBUS INCENTIVE COMPENSATION PLAN**

At the annual meeting held on June 22, 2007, the shareholders of American Greetings adopted the American Greetings Corporation 2007 Omnibus Incentive Compensation Plan (the "Omnibus Incentive Plan") pursuant to which 2,800,000 Class A common shares and 700,000 Class B common shares were reserved for issuance to key employees, non-employee directors and consultants of American Greetings and its subsidiaries. At the annual meeting held on June 26, 2009, the shareholders approved an amendment to the Omnibus Incentive Plan to increase the number of shares authorized for issuance under the Omnibus Incentive Plan by an additional 1,600,000 Class A common shares and 400,000 Class B common shares (the "First Amendment to Omnibus Incentive Plan"). On May 1, 2011, the Compensation Committee of the Board adopted, subject to shareholder approval, an amendment to the Omnibus Incentive Plan, as amended, to increase the number of shares authorized for issuance under the Omnibus Incentive Plan by an additional 1,200,000 Class A common shares and 100,000 Class B common shares (the "Second Amendment to Omnibus Incentive Plan"). The Board has directed that the proposal to approve the Second Amendment to Omnibus Incentive Plan be submitted to our shareholders for their approval at the Annual Meeting. We are also seeking approval of the amendment (1) so that the compensation attributable to grants and other payments made under the Omnibus Incentive Plan may qualify for exemption from the \$1,000,000 deduction limit under Section 162(m) of the Internal Revenue Code (see discussion of Section 162(m) under the "Federal Income Tax Consequences" section below); (2) in order for incentive stock options granted under the Omnibus Incentive Plan to meet the requirements of the Internal Revenue Code; and (3) in order to satisfy the NYSE corporate governance listing standards.

The Board believes that the Omnibus Incentive Plan is an integral part of our compensation philosophy and programs. Our ability to draw top quality individuals to positions is material to our success, and the Board has concluded that our ability to achieve these objectives has been enhanced by the ability to make awards under the Omnibus Incentive Plan. In addition, the Board believes that the interests of American Greetings and its shareholders will be advanced by continuing to offer our employees, officers and non-employee directors the opportunity to acquire or increase their proprietary interests in American Greetings. Accordingly, an increase in the number of shares available under the Omnibus Incentive Plan was approved to ensure that sufficient shares of American Greetings Class A and Class B common shares are available so that the company may continue to attract, retain and motivate top quality management, employees, officers and non-employee directors. As of May 4, 2011, there were 533,483 Class A common shares and 233,356 Class B common shares remaining for future awards, which would increase to 1,733,483 Class A common shares and 333,356 Class B common shares if the Second Amendment to Omnibus Incentive Plan is approved.

*The material terms of the Omnibus Incentive Plan are summarized below. This summary of the Omnibus Incentive Plan is not intended to be a complete description of the Omnibus Incentive Plan and is qualified in its entirety by the actual text of the Omnibus Incentive Plan, as amended, attached as Exhibit A.*

**Material Features of the Omnibus Incentive Plan**

**General.** The Omnibus Incentive Plan provides that awards may be in any of the following forms: (1) incentive stock options; (2) nonstatutory stock options (incentive stock options and nonstatutory stock options are together referred to as "options"); (3) appreciation rights; (4) share awards; (5) restricted shares; (6) deferred shares (or RSUs); (7) performance bonuses; (8) performance shares; (9) directors shares; (10) performance units; and (11) dividend equivalents.

Dividend equivalents may be granted in connection with share awards (other than options and appreciation rights). Awards under the Omnibus Incentive Plan may be settled in cash, our common shares or a combination of cash and shares, as provided in the terms of each award agreement.

Subject to adjustment in certain circumstances as described below, the Omnibus Incentive Plan, as amended by the First Amendment thereto, authorizes up to 4,400,000 Class A common shares and 1,100,000

## **Table of Contents**

Class B common shares. If approved, the Second Amendment to Omnibus Incentive Plan would increase this to 5,600,000 Class A common shares and 1,200,000 Class B common shares. Shares subject to grants will become available again for purposes of the Omnibus Incentive Plan: (1) if and to the extent options and appreciation rights granted under the Omnibus Incentive Plan terminate, expire or are cancelled, forfeited, exchanged or surrendered after the effective date of the Omnibus Incentive Plan without being exercised; or (2) if any share awards or dividend equivalents are forfeited, terminated or otherwise not paid in full after the effective date of the Omnibus Incentive Plan. In addition, any portion of an award that is payable only in cash pursuant to the terms of the applicable award agreement will be immediately available again for purposes of the Omnibus Incentive Plan.

The Omnibus Incentive Plan provides that the maximum aggregate number of common shares, or its equivalent, that can be the subject of awards made to an individual during any fiscal year is 500,000 Class A and 500,000 Class B common shares, but not to exceed 500,000 common shares collectively, subject to adjustment as described below (the Individual Limit ). In addition, the number of performance shares and units awarded to an individual may not exceed an aggregate value of \$5,000,000 as of the grant date (determined based on the fair market value of our Class A common shares as of the grant date).

Where two or more awards are granted in relation to each other so that the exercise and payment of one award automatically affects the number of shares that may be issued in connection with the exercise of the related award, only the maximum amount that can be issued in connection with both related awards in the aggregate will be counted against the number of shares reserved for issuance under the plan.

If approved by the shareholders, the Second Amendment to Omnibus Incentive Plan will become effective as of May 1, 2011, the date it was approved by the Compensation and Management Development Committee of our Board.

**Management.** The Omnibus Incentive Plan is managed and interpreted by the Committee. Except to the extent required by law, the Committee means the Board or the Board's Compensation and Management Development Committee, or such other committee or designee appointed by the Board or the Committee's delegate. The Committee has the authority to (1) determine the individuals to whom grants will be made under the Omnibus Incentive Plan; (2) determine the type, size and terms of the grants; (3) determine the time when grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability; (4) amend the terms of any previously issued grant, subject to the limitations described below; (5) adopt guidelines separate from the Omnibus Incentive Plan that set forth the specific terms and conditions for grants under the Omnibus Incentive Plan; and (6) deal with any other matters arising under the Omnibus Incentive Plan. The determinations of the Committee are made in its sole discretion and are final, binding and conclusive. The Compensation and Management Development Committee presently consists of Scott S. Cowen, Jeffrey D. Dunn, Charles A. Ratner and Jerry Sue Thornton, each of whom is a non-employee director of American Greetings. Day-to-day administrative functions of the Omnibus Incentive Plan are performed by our employees. Moreover, the Committee may delegate to our officers or managers the authority to grant awards under the Omnibus Incentive Plan from a preauthorized pool of shares, provided such grants may only be made to individuals authorized to receive awards under the Omnibus Incentive Plan.

**Eligibility for Participation.** Key employees (including executive officers and members of the Board), non-employee directors and consultants of American Greetings and our subsidiaries selected by the Committee are eligible for grants under the Omnibus Incentive Plan. As of May 4, 2011, approximately 375 employees and six non-employee directors are eligible to receive grants under the Omnibus Incentive Plan.

**Types of Awards.** The Omnibus Incentive Plan provides that awards may be in any of the following forms:

Stock Options. The Committee may grant options intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code or so-called nonstatutory stock options that are not intended to so qualify or any combination of incentive stock options and nonstatutory stock options. Anyone eligible to participate in the Omnibus Incentive Plan may receive a grant of nonstatutory stock

**Table of Contents**

options. Only our employees may receive a grant of incentive stock options. No more than 4,400,000 Class A common shares and 1,100,000 Class B common shares may be issued as incentive stock options under the Omnibus Incentive Plan, as amended. If approved, the Second Amendment to Omnibus Incentive Plan would increase this to 5,600,000 Class A common shares and 1,200,000 Class B common shares.

The Committee fixes the exercise price per share for options on the date of grant. The exercise price of any incentive stock option granted under the Omnibus Incentive Plan will be equal to or greater than the fair market value (the closing price of our Class A common shares as reported on the NYSE) of the underlying common shares on the date of grant.

The Committee determines the term of each option; provided, however, that the term may not exceed ten years from the date of grant. The vesting period for options commences on the date of grant and ends on such date as is determined by the Committee, in its sole discretion, which is specified in the grant letter. Options may be exercised while the participant is employed by or providing service to us or within a specified period of time after termination of such employment or service, as determined by the Committee. A participant may exercise an option by delivering notice of exercise to us or our designated agent. The participant may pay the exercise price and any withholding taxes for the option in several ways: (1) in cash or by check; (2) by delivering common shares already owned by the participant and having a fair market value on the date of exercise equal to the exercise price or through attestation to ownership of such shares; (3) with respect to Class A common shares by delivery of a properly executed notice together with irrevocable instructions to a broker to promptly deliver to us the amount of sale proceeds to pay the exercise price and related withholding taxes on the settlement date that occurs after the date specified in the notice of exercise; (4) with respect to Class B common shares, through attestation of the ability to pay the exercise price followed by immediate tendering of such shares to us and our immediate repurchase of such shares in accordance with our amended and restated articles of incorporation; or (5) by such other method as the Committee may approve, to the extent permitted by applicable law. The Committee may provide that an option will be substituted with an appreciation right that will be subject to the same number of underlying shares as the substituted option.

Appreciation Rights. The Committee may grant appreciation rights to anyone eligible to participate in the Omnibus Incentive Plan. Appreciation rights may be granted in connection with, or independent of, other awards. Upon exercise of an appreciation right, the participant will receive an amount equal to the excess of the fair market value of our common shares on the date of exercise over the base amount set forth in the grant letter. Such payment to the participant will be in cash, in common shares, or in a combination of cash and common shares, as determined by the Committee. The Committee will determine the period when appreciation rights vest and become exercisable. Appreciation rights may be exercised while the participant is employed by or providing service to us or within a specified period of time after termination of such employment or service, as determined by the Committee.

Restricted Shares. The Committee may grant restricted share awards to anyone eligible to participate in the Omnibus Incentive Plan. The Committee may require that participants pay consideration for the share awards and may impose restrictions on the share awards (referred to in the Omnibus Incentive Plan as restricted shares ). If restrictions are imposed on share awards, the Committee will determine whether they will lapse over a period of time or according to such other criteria as the Committee determines appropriate. The Committee determines the number of common shares subject to the grant of share awards and the other terms and conditions of the grant. The Committee will determine to what extent, and under what conditions, a participant will have the right to vote common shares and to receive dividends or other distributions paid on such shares during the restriction period. The Committee may determine that a participant's entitlement to dividends or other distributions with respect to share awards will be subject to the achievement of performance goals or other conditions.

Deferred Shares. The Committee may grant deferred share awards, which we refer to as RSUs. Each grant of an RSU constitutes the promise to deliver shares of common stock to the participant in consideration of the performance of



services, but subject to the fulfillment of such conditions during the applicable deferral period as the Committee may specify. A grant of an RSU may require the participant to pay consideration that is more or less than the fair market value per share on the date of grant. Unless otherwise determined by the

**Table of Contents**

Committee, each RSU grant will be subject to a deferral period of not less than one year. During the deferral period, the participant will have no right to transfer any rights under his or her award, will have no rights of ownership in the RSUs and will have no right to vote the shares subject to the RSUs. The Committee may, however, authorize the payment of dividend equivalents on such shares on either a current, deferred, or contingent basis, either in cash or in additional common shares.

Performance Units. The Committee may grant performance units to anyone eligible to participate in the Omnibus Incentive Plan. Performance units may be granted in connection with, or independent of, other awards. Each performance unit provides the participant with the right to receive an amount based on the value of a common share if specified performance goals are met. The Committee determines the number of performance units that will be granted, the performance goals, the target amount that will be paid, and the other terms and conditions applicable to the performance shares. Payments with respect to performance units will be made in cash, in common shares, or in a combination of cash and common shares, as determined by the Committee.

Performance Shares. The Committee may grant performance shares to anyone eligible to participate in the Omnibus Incentive Plan. Performance shares may be granted in connection with, or independent of, other awards. Each performance share provides the participant with the right to receive a common share or an amount based on the value of a common share, if specified performance goals are met. The Committee determines the number of performance shares that will be granted, the performance goals, the target amount that will be paid, and the other terms and conditions applicable to the performance shares. Payments with respect to performance shares will be made in cash, in common shares, or in a combination of cash and common shares, as determined by the Committee.

Other Share Awards. The Committee may grant other types of share awards that would not otherwise constitute options, appreciation rights, deferred shares, restricted shares, performance shares or dividend equivalents. The Committee may grant other share awards to anyone eligible to participate in the Omnibus Incentive Plan. These grants will be based on or measured by common shares, and will be payable in cash, in common shares, or in a combination of cash and common shares. The terms and conditions for these grants will be determined by the Committee.

Directors Shares. Directors may elect to receive Class A or Class B common shares in lieu of any fees owed to them for services performed while on the Board. Such shares shall be in an amount equal in value to such fees, based on the closing price of our Class A common shares reported on the NYSE on the last trading day of the calendar quarter immediately prior to the payment of such fees. Directors who elect to receive shares in lieu of fees may also elect, pursuant to our Outside Directors' Deferred Compensation Plan, to defer the receipt of such shares for a period specified in such plan. Shares reserved for issuance under the Omnibus Incentive Plan will be used to satisfy our obligation to deliver director shares, including deferred shares and any dividend equivalents accrued on deferred shares, following the effective date of the Omnibus Incentive Plan.

Performance Bonus. The Committee may grant a performance bonus in cash or shares to participants in incentive compensation plans maintained by us, including the American Greetings Key Management Annual Incentive Plan. These grants will be payable in cash, in common shares, or in a combination of cash and common shares. The Committee will decide whether a performance bonus will become payable if specified performance goals or conditions are met.

Dividend Equivalents. The Committee may provide dividend equivalents in share awards (other than options or appreciation rights), which permit the grantee to receive with respect to shares subject to an award the equivalent value of dividends paid on our common shares. Dividend equivalents are payable in cash or common shares and may be paid currently or accrued as contingent obligations. Dividend equivalents may accrue interest. The terms and conditions of dividend equivalents are determined by the Committee.

***Qualified Performance-Based Compensation.*** The Omnibus Incentive Plan permits the Committee to impose and specify objective performance goals that must be met with respect to awards under the Omnibus Incentive Plan. The Committee will determine the performance periods for the performance goals. Forfeiture of all or part of any such grant will occur if the performance goals are not met, as determined by the Committee. Prior to, or soon after the beginning of, the performance period, the Committee will establish in

## **Table of Contents**

writing the performance goals that must be met, the applicable performance periods, the amounts to be paid if the performance goals are met, and any other conditions.

The performance goals, to the extent designed to meet the requirements of Section 162(m) of the Internal Revenue Code, will be based on one or more of the following measures: revenue; gross margin; product line contribution; operating and other expenses; operating earnings; earnings before interest, taxes, depreciation and amortization; earnings before interest and taxes; pre-tax or after-tax profits; net income; earnings per share; cash flow; productivity; return on assets; return on capital; return on equity; cash flow/net assets; debt/capital ratio; return on net capital employed; sales growth; stock price appreciation; or total shareholder return (share appreciation plus dividends as if reinvested), and may be absolute in their terms or measured against or in relationship to changes from period to period or against or in relationship to other companies comparably, similarly or otherwise situated. The foregoing measures may be based on the employee's business unit or the performance of American Greetings or American Greetings subsidiaries independently or as a whole, or a combination of the foregoing.

***Deferrals.*** The Committee may permit or require participants to defer receipt of the payment of cash or the delivery of common shares that would otherwise be due to the participant in connection with a grant under the Omnibus Incentive Plan. The Committee will establish the rules and procedures applicable to any such deferrals.

***Adjustment Provisions.*** If there is any change in the number or kind of common shares by reason of: (1) a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares; (2) a merger, reorganization or consolidation; (3) a recapitalization or change in par value; or (4) any other extraordinary or unusual event affecting the outstanding common shares as a class, or if the value of outstanding common shares is substantially reduced as a result of a spin-off, split-up or American Greetings' payment of an extraordinary dividend or distribution, the number of common shares available for grants, the limit on the number of common shares for which any individual may receive pursuant to grants in any year, the number of shares covered by outstanding grants, the kind of shares to be issued or transferred under the Omnibus Incentive Plan, and the price per share or the applicable market value of such grants will be appropriately adjusted by the Committee to reflect any increase or decrease in the number or kind of issued common shares in order to preclude, to the extent practicable, the enlargement or dilution of the rights and benefits under such grants.

***Foreign Participants.*** If any individual who receives a grant under the Omnibus Incentive Plan is subject to taxation in countries other than the United States, the Omnibus Incentive Plan provides that the Committee may make grants to such individuals on such terms and conditions as the Committee determines appropriate to comply with the laws of the applicable countries.

***Repricing of Options and Reloads.*** The Omnibus Incentive Plan includes a restriction providing that, without shareholder approval, neither the Committee nor the Board can (1) authorize any option grant to provide for reload rights, the automatic grant of options to the participant upon the exercise of options using shares or other equity, or (2) amend or replace options previously granted under the Omnibus Incentive Plan in a transaction that constitutes a repricing as that term is defined under the NYSE corporate governance listing standards. Adjustments to the exercise price or number of common shares subject to an option to reflect the effects of a stock split or other extraordinary corporate transaction will not constitute a repricing.

***Amendment and Termination of the Omnibus Incentive Plan.*** The Board or the Compensation and Management Development Committee may amend or terminate the Omnibus Incentive Plan at any time, subject to shareholder approval if such approval is required under any applicable laws or stock exchange requirements. No grants may be issued under the Omnibus Incentive Plan after February 12, 2017.

The last sales price of our Class A common shares on May 6, 2011 was \$24.01 per share as reported on the NYSE. There is no public market for our Class B common shares.

**New Omnibus Incentive Plan Benefits**

It is not possible to determine specific amounts that may be awarded in the future under the Omnibus Incentive Plan, as amended, because the grants will be discretionary.

## **Table of Contents**

Our awards of restricted stock units and our cash incentive compensation payments (under the Key Management Annual Incentive Plan) are not subject to shareholder approval of the proposed amendment to the Omnibus Incentive Plan. Please refer to the Compensation Discussion and Analysis and Fiscal 2011 Information Concerning Executive Officers sections of this Proxy Statement for information regarding those awards.

## **Federal Income Tax Consequences**

The federal income tax consequences arising with respect to awards granted under the Omnibus Incentive Plan will depend on the type of the award. The following provides only a general description of the application of federal income tax laws to certain awards under the Omnibus Incentive Plan. This discussion is intended for the information of shareholders considering how to vote at the Annual Meeting and not as tax guidance to participants in the Omnibus Incentive Plan, as the consequences may vary with the types of awards made, the identity of the recipients and the method of payment or settlement. The summary does not address the effects of other federal taxes (including possible golden parachute excise taxes) or taxes imposed under state, local, or foreign tax laws.

From the recipients' standpoint, as a general rule, ordinary income will be recognized at the time of payment of cash or delivery of actual common shares. Future appreciation on common shares held beyond the ordinary income recognition event will be taxable at capital gains rates when the shares are sold. As a general rule, we will be entitled to a tax deduction that corresponds in time and amount to the ordinary income recognized by the recipient, and we will not be entitled to any tax deduction in respect of capital gain income recognized by the recipient.

Exceptions to these general rules may arise under the following circumstances: (1) if common shares, when delivered, are subject to a substantial risk of forfeiture by reason of failure to satisfy any employment, service or performance-related condition, ordinary income taxation and our tax deduction will be delayed until the risk of forfeiture lapses (unless the recipient makes a special election to ignore the risk of forfeiture); (2) if an employee is granted an option that qualifies as an incentive stock option, no ordinary income will be recognized, and we will not be entitled to any tax deduction, if common shares acquired upon exercise of such option are held more than the longer of one year from the date of exercise and two years from the date of grant; (3) we will not be entitled to a tax deduction for compensation attributable to awards granted to one of our named executive officers, if and to the extent such compensation does not qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code, and such compensation, along with any other non-performance-based compensation paid in the same fiscal year, exceeds \$1 million; and (4) an award may be taxable to the recipient at 20 percentage points above ordinary income tax rates at the time it becomes vested, plus interest, even if that is prior to the delivery of the cash or common shares in settlement of the award, if the award constitutes deferred compensation under Section 409A of the Internal Revenue Code, and the requirements of Section 409A of the Internal Revenue Code are not satisfied.

Section 162(m) of the Internal Revenue Code generally disallows a publicly-held corporation's tax deduction for compensation paid to its chief executive officer or any of its three other most highly compensated officers (other than the chief financial officer) in excess of \$1 million in any year. Compensation that qualifies as performance-based compensation is excluded from the \$1 million deductibility cap, and therefore remains fully deductible by the corporation that pays it. We intend that options and appreciation rights granted at the fair market value of the common shares on the date of grant will qualify as performance-based compensation. Deferred shares, share awards, performance shares, dividend equivalents, other share awards and dollar-denominated awards granted under the Omnibus Incentive Plan will only qualify as performance-based compensation when the Committee conditions such grants on the achievement of specific performance goals in accordance with the requirements of Section 162(m) of the Internal Revenue Code.

The Omnibus Incentive Plan provides that we have the right to require the recipient of any award under the Omnibus Incentive Plan to pay to us an amount necessary for us to satisfy our federal, state or local tax withholding obligations

with respect to such grants. We may withhold from other amounts payable to such individual an amount necessary to satisfy these obligations. Unless the Committee determines otherwise, a

**Table of Contents**

participant may satisfy our withholding obligation by having shares acquired pursuant to the grant withheld, provided that the number of shares withheld does not exceed the individual's minimum applicable withholding tax rate for federal, state and local tax liabilities. The Omnibus Incentive Plan also provides that the Committee may permit a participant to satisfy our withholding obligation that exceeds the minimum applicable withholding tax rate by transferring to us previously acquired common shares.

**Availability of Omnibus Incentive Plan Document**

The full text of the 2007 Omnibus Incentive Compensation Plan, as amended by the Second Amendment to Omnibus Incentive Plan, is included as Exhibit A to this Proxy Statement.

**Board Recommendation**

The Board believes that the adoption of the Second Amendment to the American Greetings Corporation 2007 Omnibus Incentive Compensation Plan to increase the number of shares authorized for issuance thereunder will enable American Greetings to continue to provide important equity-based and other incentives to employees, non-employee directors and consultants who are expected to contribute materially to our future success. **Accordingly, the Board unanimously recommends approval of the Second Amendment to the American Greetings Corporation 2007 Omnibus Incentive Compensation Plan by the shareholders.**

**Equity Compensation Plan Information**

The following table provides information about our common shares that may be issued under our equity compensation plans as of February 28, 2011.

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</b>
Equity compensation plans approved by security holders <sup>(1)</sup>	6,902,178	\$ 16.82	1,129,006
Equity compensation plans not approved by security holders		N/A	
<b>Total</b>	<b>6,902,178</b>	<b>\$ 16.82</b>	<b>1,129,006</b>

(1) Column (a) includes 4,533,931 Class A common shares and 1,166,395 Class B common shares that may be issued in connection with the exercise of outstanding stock options. The amount in column (a) also includes



749,500 Class A common shares and 141,000 Class B common shares that may be issued upon the settlement of outstanding performance shares that have been awarded under the Corporation's equity compensation plans, assuming the maximum performance or other criteria have been achieved. In addition, the amount in column (a) includes 110,999 Class A common shares and 29,675 Class B common shares related to restricted stock units that may be issued upon the satisfaction of service-based vesting period. The amount in column (a) also includes 30,115 Class A common shares and 140,563 Class B common shares representing share equivalents that have been credited to the account of certain officers or directors who have deferred receipt of shares earned and vested under our 1997 Equity and Performance Incentive Plan or the Omnibus Incentive Plan or that were to be paid in lieu of cash directors fees under the 1995 Director Stock Plan, which will be issued under these plans upon the expiration of the deferral period.

Column (b) is the weighted-average exercise price of outstanding stock options; excludes restricted stock units, performance shares and deferred compensation share equivalents.

Column (c) includes 924,164 Class A common shares and 134,054 Class B common shares, which shares may generally be issued under the Corporation's equity compensation plans upon the exercise of stock options or stock appreciation rights and/or vesting of awards of deferred shares, performance shares or restricted stock units.

**Table of Contents**

**PROPOSAL 3**

**ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION  
(SAY-ON-PAY)**

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in July 2010 (the Dodd-Frank Act ), and as required by Section 14A(a)(1) of the Securities Exchange Act of 1934 (the Exchange Act ), the Board is providing the shareholders of American Greetings the opportunity to vote on an advisory, non-binding basis, to approve the compensation paid to American Greetings named executive officers, as disclosed in this Proxy Statement.

We are asking our shareholders to indicate their support for the compensation of our named executive officers as described in this Proxy Statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the executive compensation program and practices described in this Proxy Statement. Accordingly, we are asking our shareholders to vote on the following resolution:

RESOLVED, that the compensation paid to the company s named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion in this Proxy Statement, is hereby APPROVED.

As an advisory vote, the shareholder vote on named executive officer compensation is not binding on the company or the Board. Although the shareholder vote on named executive officer compensation is not binding on the company, the Board and the Compensation Committee will consider the outcome of the vote in establishing our compensation philosophy and making future compensation decisions.

As described more fully in the Compensation Discussion and Analysis section of this Proxy Statement, there are several components of our executive compensation program that we believe are crucial, that will attract the talented individuals necessary to realize success, and that we believe create value for our shareholders. These performance-based components include both long-term incentive plans, such as awards of restricted stock units and performance shares that vest over time, provided that the executive remains employed with the company, and short-term awards, such as annual cash awards based on performance according to the provisions of our Key Management Annual Incentive Plan. In fiscal 2011, we continued with the same executive compensation philosophy that we have had in place for several years. The core of the company s executive compensation program, and the fundamental principal of our philosophy, continues to be to pay-for-performance performance of the organization and its business units, and performance of the individual compared to financial goals, strategic initiatives and individual goals. Using this philosophy, we determine the compensation programs and practices for all our executive officers, including our named executive officers. The compensation decisions we made in fiscal 2011 were based on this principle.

We believe that our Board and its Compensation Committee have developed a strong compensation package that is consistent with our company goals and strategies and aligned with the long-term interests of our shareholders. Please take a moment to review the Compensation Discussion and Analysis section of this Proxy Statement for a thorough discussion of the details of the company s executive compensation program.

**Board Recommendation**

**The Board unanimously recommends a vote FOR the resolution approving the compensation of the company s named executive officers, as disclosed in this Proxy Statement.**



**Table of Contents**

**PROPOSAL 4**

**ADVISORY VOTE ON THE FREQUENCY FOR FUTURE SHAREHOLDER ADVISORY VOTES  
ON NAMED EXECUTIVE OFFICER COMPENSATION**

Under the Dodd-Frank Act, and as required by Section 14A(a)(2) of the Exchange Act, the Board is providing the shareholders of American Greetings the opportunity to recommend, on an advisory basis, whether the shareholder advisory vote on named executive officer compensation, as discussed in Proposal 3 above, should occur every year, every two years or every three years.

As an advisory vote, your recommendation as to the frequency for future shareholder advisory votes on named executive officer compensation is not binding on the company or the Board. We value shareholder opinion, however, and will consider the outcome of the shareholder recommendation when determining the frequency for future shareholder advisory votes on named executive officer compensation.

The Board has determined that an advisory vote on named executive officer compensation every three years is the optimum approach for American Greetings for reasons including the following:

The three-year period will provide shareholders sufficient time to evaluate and respond to the effectiveness of American Greetings' short- and long-term incentive programs, some of which are based on a multi-year cycle.

The three-year period provides the Board and the Compensation Committee sufficient time to thoughtfully evaluate and respond to shareholder input and effectively implement any desired changes to the company's executive compensation program.

From time to time, important elements of the executive compensation plan are based on multi-year performance results.

The effect of a compensation plan designed to span several years might not be determinable before the completion of the plan term.

**Board Recommendation**

**The Board unanimously recommends a vote for EVERY THREE YEARS for the frequency for future shareholder advisory votes on named executive officer compensation.**

**Shareholders are not voting to approve or disapprove the Board's recommendation. Shareholders may choose among the four choices (every year, every two years, every three years or abstain) set forth above.**

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Executive Summary**

During fiscal 2011, our sales and operating results continued to be impacted by the strategic actions taken over the past couple of years related to our strategy of product leadership and focusing our resources on enhancing our core competencies within greeting cards. These actions, all of which occurred prior to 2011, included the acquisition of Recycled Paper Greetings, the acquisition of the Papyrus trademark and wholesale division of Schurman Fine Papers, the change in our operating model in Mexico and the party goods transaction with Amscan, Inc. In addition, in prior periods we also divested our Retail Operations segment, shut down our Mexican operations and closed our party goods facility in Michigan. The integration and shutdown activities associated with these strategic changes to our portfolio of businesses are now substantially complete and we are beginning to realize the associated cost savings and synergies. With the successful integrations of Papyrus and Recycled Paper Greetings, we have established what we believe to be the industry-leading portfolio of products. Our financial performance exceeded our expectations for fiscal 2011. Our earnings increased compared to the previous year, enabled by our refined portfolio, good expense management, and changed capital structure. In addition, our cash flow from operating activities minus capital expenditures exceeded our original guidance by 14%.

In fiscal 2011, we continued with the same executive compensation philosophy that we have had in place for several years. We use this philosophy to determine the compensation programs and practices for all our executive officers, including our named executive officers who are listed in the Summary Compensation Table. The fundamental principle of this philosophy is performance – performance of the organization and its business units, and performance of the individual – compared to financial goals, strategic initiatives and individual goals. The compensation decisions we made in fiscal 2011 were based on this principle.

In fiscal 2011, in addition to our financial goals, we measured our named executive officers' performance based, in part, on their contributions to achieving our major corporate initiatives, which were to:

drive product leadership;

complete the integration of the Papyrus wholesale business and Recycled Paper Greetings;

develop new, and grow existing, businesses;

continue to redesign the processes and systems we use to develop, source and deliver our products to improve efficiency and execution;

continue to achieve supply chain cost savings, reducing expenses through such activities as rationalizing certain business units and product lines; and

continue to develop our human capital and improve the diversity of our workforce.

In fiscal 2011 we made few material changes to the principal compensation programs that we had in place during fiscal 2010. However, beginning with grants made in fiscal 2011, we revised our equity compensation program to reduce the annual option grant size for eligible participants, including the named executive officers, and to start granting participants restricted stock units, or RSUs. In addition, beginning in fiscal 2012, we further revised our equity compensation program to eliminate the granting of stock options so that our regular annual equity grant program now consists of all RSUs rather than a combination of RSUs and stock options. As described below, our

fiscal 2011 financial performance exceeded the performance share program's maximum earnings before interest and taxes, or EBIT, target of \$150 million (or \$186.6 million, as adjusted by the factors described below under "Key Management Annual Incentive Plan - General"). As a result, each of the named executive officers was credited performance shares at 100% of the fiscal 2011 maximum number of shares for their specific positions, although these shares remain subject to time-based vesting requirements. The actual number of stock options and RSUs granted to each of our named executive officers during fiscal 2011 was at the target level or higher, which was determined by the individual's performance rating for fiscal 2010 and the target grant size for their position. The number of RSUs granted in fiscal 2012 to our named executive officers was also at the target level or higher, which was determined by the individual's performance rating for fiscal 2011 and the target grant size for their position.

## **Table of Contents**

We did not change the named executive officers' fiscal 2011 target incentive levels under the Key Management Annual Incentive Plan from the prior year. As described below, the payments made to our named executive officers in April 2011 were based on our fiscal 2011 financial performance, which exceeded the Key Management Annual Incentive Plan's earnings per share, or EPS, target of \$1.94 per share, Total Revenue target of \$1.6204 billion and Corporate EBIT target of \$160.9 million (or EPS target of \$2.16 per share, Total Revenue target of \$1.6202 billion, and Corporate EBIT target of \$197.5 million, in each case as adjusted by the factors described below under Key Management Annual Incentive Plan - General ), resulting in payouts to the named executive officers under the corporate and business unit components of the Key Management Annual Incentive Plan at 181.2% and 194.8% of the target incentive percentages for their specific positions, respectively. In addition, under our salary increase program for North American salaried associates, in fiscal 2011, each of our named executive officers received a base salary increase, effective May 1, 2010, ranging from 3% to 12% based on his individual performance in fiscal 2010, and in fiscal 2012 each of our named executive officers received a base salary increase, effective May 1, 2011, ranging from 3% to 4% based on his individual performance in fiscal 2011.

## **General Philosophy**

We believe that our executive compensation program should enable us to attract, reward and retain those talented executives we need in our organization to achieve our objectives. We also believe that our compensation program should reward our executives for achieving their goals. We believe that these goals should include components from corporate-wide, business unit and individual performance initiatives and that these goals should align the efforts and interests of the executives with the interests of American Greetings and, most importantly, the interests of our shareholders. Under our programs, executives who achieve their individual performance goals and who play a role in achieving the corporate and applicable business unit goals may be awarded both cash and equity-based incentives.

We believe that our compensation program, in total, should be competitive with compensation programs offered by other employers of similar size and in similar industries. We also believe that the compensation paid to any one individual executive should be differentiated from that paid to our other executives based on the executive's skills and experience, overall performance contributions, and performance compared to specific goals and objectives.

## **Board Processes**

Although many compensation decisions are made in the first quarter of the fiscal year, our compensation planning process neither begins nor ends with any particular Compensation Committee meeting. Compensation decisions are designed to encourage and reward for accomplishing our fundamental business objectives and strategic goals within the principles of our compensation philosophy. Business planning, succession planning, evaluation of management performance and consideration of the business environment are year-round processes. Consequently, our compensation process is also a year-round process.

In establishing compensation for fiscal 2011, the Compensation Committee conducted a review of the compensation and performance of the Chief Executive Officer, and reviewed market data on similar positions in the marketplace to obtain a general understanding of current compensation practices, when establishing the Chief Executive Officer's compensation level. The Chief Executive Officer and/or the President and Chief Operating Officer reviewed the performance of the remaining executive officers. They made initial determinations of each executive officer's individual performance and changes to base salary, subject to the review and approval of the Compensation Committee (which consulted from time to time with the Senior Vice President of Human Resources). Although management makes recommendations about designs for and, if warranted, changes to our compensation programs, in establishing the compensation for fiscal 2011, the Compensation Committee approved all incentive and equity programs in which executive officers or directors participated, as well as all equity grants and cash payments made to any executive officer or director made under any of these programs. Management recommended for approval of the

Compensation Committee the fiscal 2011 business performance targets upon which payments to executive officers were based. As it relates to compensation for fiscal 2011, the Chief Executive Officer, Senior Vice President and General Counsel, and the Senior Vice President of Human



## **Table of Contents**

Resources worked with the Compensation Committee chair in establishing the agenda for Compensation Committee meetings and typically attended committee meetings (but were not present during executive sessions unless requested by the Committee). Management also prepared meeting information and supporting materials for each Compensation Committee meeting. Executive officers, including the Chief Executive Officer, the President and Chief Operating Officer, the Chairman, and the Senior Vice President of Human Resources, regularly participated in Compensation Committee meetings to provide:

background information regarding the compensation of our employees;

evaluations of the performance of executive officers;

recommendations on compensation plans and programs, and the actual compensation of executive officers; and

other information as may be requested by the Compensation Committee.

## **Setting Compensation**

In connection with setting the actual compensation levels for our executive officers, from time to time we collect information from the marketplace on how other employers compensate people in similar positions, using industry data, consumer products industry data and, depending on the position, data from industry segments or specific companies, specifically to obtain a general understanding of current compensation practices. We usually focus more heavily on data from consumer products companies because: (1) our core business is consumer products focused we create, manufacture, market and distribute social expression products sold to consumers; and (2) we often recruit employees from consumer product companies, or from companies that support or otherwise service the consumer products industry. Generally, for both the overall industry and consumer products market data, we look at companies with revenue that approximates our revenue. We typically obtain this data from compensation surveys that are published by nationally recognized consulting firms. Alternatively, as described below, we may commission a custom study by one of these consulting firms, using data held in their databases or information included in the proxy statements and other public filings of companies similar to us. While information developed solely from public filings covers only those individuals for whom compensation information is disclosed publicly, generally these positions correlate to our Chief Executive Officer, President and Chief Operating Officer and certain of our Senior Vice Presidents. In general, compensation realized by executives from prior awards or grants made by us, such as gains from previously awarded stock options or equity awards, is not taken into account in setting current compensation levels. We believe that our executive officers should be fairly compensated each year compared to market pay levels, internal equity among other executive officers, and their own individual performance contributions.

With respect to compensation paid in fiscal 2011, we engaged Mercer to conduct a competitive market compensation analysis for certain of our executive officers, including the named executive officers. With respect to compensation to be paid in fiscal 2012, we considered the analysis conducted by Mercer with respect to fiscal 2011 compensation, updated to account for the effect of inflation, for each of the named executive officers except the Chief Executive Officer, for whom a new compensation study was conducted by Mercer in which we looked at the compensation paid to the chief executive officers at each of our peer group companies described below. We do not specifically benchmark elements of compensation against market compensation analyses or our peer group companies. Instead, we use compensation studies and have established a peer group to help us compare the compensation we pay with those of other, similarly situated employers to gain context for current compensation practices and ensure that our practices, considered collectively, are market and cost competitive, while creating the appropriate incentives to encourage the achievement of our business objectives. In the studies, Mercer compared the compensation that we pay our named executive officers to that paid to executives with comparable positions at the nineteen peer group companies listed below. These nineteen peer group companies are the same companies used in the last study conducted for us by

Mercer in fiscal 2009, excluding Spectrum Brands, which was removed from the peer group due to its bankruptcy filing. Because there are few comparable greeting card companies with publicly available information, we selected these companies in consultation with Mercer because the nature of their businesses is similar to ours, in this case primarily in the housewares and specialties categories or otherwise with similar product lines, and they are considered representative of the companies with which we compete for

**Table of Contents**

executive talent. These peer group companies also collectively had median revenues that are similar to American Greetings' revenues, and are among companies with which we compare ourselves for other compensation purposes. Based on the most recent public reports available at the time we set fiscal 2011 and fiscal 2012 compensation (in April 2010 and April 2011, respectively), the median peer group revenues were \$1,636 million and \$1,755 million, respectively, compared to our fiscal 2010 and fiscal 2011 revenues of \$1,636 million and \$1,593 million, respectively.

<b>Company</b>	<b>Revenue<sup>(1)</sup> (\$ in millions)</b>	<b>Revenue<sup>(2)</sup> (\$ in millions)</b>
Jarden Corporation	\$ 6,022.7	\$ 5,152.6
Energizer Holdings, Inc.	\$ 4,248.3	\$ 3,999.8
Hasbro, Inc.	\$ 4,002.2	\$ 4,067.9
McCormick & Co.	\$ 3,336.8	\$ 3,192.1
The Scotts Miracle-Gro Company	\$ 3,139.9	\$ 2,980.7
Herbalife Ltd.	\$ 2,734.2	\$ 2,324.6
Church & Dwight, Inc.	\$ 2,589.2	\$ 2,520.9
Tupperware Brands Corp.	\$ 2,300.4	\$ 2,127.5
Scholastic Corporation	\$ 1,912.9	\$ 1,849.3
Alberto-Culver Company	\$ 1,597.2	\$ 1,434.0
American Greetings Corporation	\$ 1,592.6	\$ 1,635.9
Central Garden & Pet Company	\$ 1,523.6	\$ 1,614.3
Revlon, Inc.	\$ 1,321.4	\$ 1,295.9
Elizabeth Arden, Inc.	\$ 1,103.8	\$ 1,070.2
Callaway Golf Company	\$ 967.7	\$ 950.8
Blyth, Inc.	\$ 958.1	\$ 1,050.8
Libbey Inc.	\$ 799.8	\$ 748.6
JAKKS Pacific, Inc.	\$ 747.3	\$ 803.7
CSS Industries, Inc.	\$ 448.5	\$ 482.4
Lifetime Brands, Inc.	\$ 443.2	\$ 415.0

(1) Based on the most recent public reports available at the time we set fiscal 2012 compensation (in April 2011).

(2) Based on the most recent public reports available at the time we set fiscal 2011 compensation (in April 2010).

**Elements of Executive Compensation**

The compensation program for our named executive officers generally consists of the following elements:

Base salaries;

Annual cash incentive awards;

Long-term equity compensation;

Benefits;

Perquisites; and

Termination and/or change in control protection.

We selected these compensation elements to create a flexible package that bases much of its payout on the performance of the individual executive, the business unit to which that executive is assigned, and the total corporation.

## **Table of Contents**

### ***Allocation Among Elements***

Under our compensation structure, the mix of base salary, annual cash incentive and equity compensation as a percentage of total direct compensation varies depending upon the position's level in management. While we generally expect our compensation components and total compensation to approximate the market median, we do not specifically benchmark the compensation paid to our executive officers, but instead evaluate the total compensation paid to our named executive officers considering a number of factors in addition to market pay levels. For example, in considering total compensation, as well as the allocation among the elements of compensation, we consider such factors as company performance, internal equity among other executive officers, retention and each executive's individual performance contributions. Each of these factors is assessed qualitatively and there are no specific weightings given to any criteria. Based on the study conducted by Mercer with respect to fiscal 2011 compensation and described above in *Setting Compensation*, we found that the target total cash compensation (generally base salary plus the target cash bonus under our Key Management Annual Incentive Plan) paid to our named executive officers was above the market median, while long-term equity compensation paid to our named executive officers as a group was generally below the market median, resulting in total direct compensation paid to our named executive officers as a group being below the market median.

There is no pre-established policy or target for allocating between either cash and non-cash or short-term and long-term incentive compensation. In allocating compensation among these elements, we believe that the compensation of our senior most levels of management—the levels of management having the greatest ability to influence American Greetings' performance—should have a significant portion of their compensation at risk, and should be paid only on the accomplishment of pre-established goals and objectives. We believe that lower levels of management should receive a greater portion of their compensation in base salary—with less variability—because they have less of an ability to significantly affect the financial performance of the business.

### **Analysis of Compensation Elements Paid to Named Executive Officers**

#### ***Base Salaries***

General. Base salaries are provided to compensate the executive for performing the essential responsibilities of his or her job, as well as to provide market-competitive compensation to attract, retain and motivate exceptional executive talent. We evaluate each named executive officer's base salary annually, and when making changes we consider:

the executive officer's contributions to the organization, including accomplishment of individual goals and objectives;

any changes in responsibilities and roles;

any significant differences between the executive officer's base salary and the base salaries of comparable executives in the market, specifically among our peer group; and

internal pay equity.

Salary adjustments, if any, normally take effect on May 1st, based on performance in the immediately preceding fiscal year.

Named Executive Officers. To determine the base salary to be paid to the Chief Executive Officer in fiscal 2012, as well as to determine his compensation under the individual performance component of the Key Management Annual Incentive Plan, and his equity grant level, the Compensation Committee assessed the Chief Executive Officer's

performance during, and his contribution to our results in, fiscal 2011. The Compensation Committee primarily considered our financial performance, including objectives based on achieving the Total Revenue, Corporate EPS and the Corporate EBIT goals described below under the heading Key Management Annual Incentive Plan. The Compensation Committee also considered the Chief Executive

**Table of Contents**

Officer's other individual performance goals, which were based on his contributions to the achievement of our major corporate initiatives as described above, including:

driving product leadership;

completing the integration of the Papyrus wholesale business and Recycled Paper Greetings into the existing businesses;

developing new, and growing existing, businesses;

continuing to redesign the processes and systems we use to develop, source and deliver our products to improve efficiency and execution;

continuing to achieve supply chain cost savings, reducing expenses through such activities as rationalizing certain business units and product lines; and

developing our human capital and improve the diversity of our workforce.

Each of these goals is primarily assessed qualitatively and there are no specific weightings given to any criteria. The Compensation Committee determined that for fiscal 2011, Mr. Zev Weiss exceeded these objectives. Also, in assessing the base salary to be paid to the Chief Executive Officer in fiscal 2012, the Compensation Committee considered the study conducted by Mercer in March 2011, as described above under "Setting Compensation," where it found that target total cash compensation paid to the Chief Executive Officer was above the market median, while long-term equity compensation continued to be below the market median, resulting in total direct compensation paid to our Chief Executive Officer being below the market median. Based on Mr. Zev Weiss's performance, and in consideration for the competitiveness of his current total cash compensation, effective May 1, 2011, the Compensation Committee increased Mr. Zev Weiss's salary by 4%, from \$949,103 to \$987,067.

In assessing the base salaries to be paid to each named executive officer other than the Chief Executive Officer in fiscal 2012, the Compensation Committee considered the study conducted by Mercer with respect to fiscal 2011 compensation and described above under "Setting Compensation," as updated to account for the effect of inflation. Also in assessing the base salaries to be paid in fiscal 2012 to each named executive officer other than the Chief Executive Officer, as well as in determining such officer's compensation under the individual performance component of the Key Management Annual Incentive Plan and their equity grant level, the Compensation Committee considered the Chief Executive Officer's proposed change to each named executive's base salary, together with his assessment of each other named executive officer's performance during fiscal 2011 relative to the officer's individual performance objectives. Our named executive officers' individual performance goals are developed to ensure that the officers and the business units for which they are responsible are driving those actions and initiatives that will ensure that the business units and the company achieve their short-term financial objectives and their long-term strategic goals. These goals are designed to be internally consistent across business units, and to collectively drive the achievement of our short- and long-term goals and strategies. These goals are generally assessed qualitatively, with no specific weightings given to any criteria.

The fiscal 2011 goals for Mr. Jeffrey Weiss included objectives based on achieving the Total Revenue, Corporate EPS and the Corporate EBIT goals described below under the heading "Key Management Annual Incentive Plan," as well as reducing costs and improving efficiency through process improvement, beginning implementation of an enterprise resource planning system, beginning a globalization initiative, and improving product yield. Mr. Jeffrey Weiss's goals also included:

the integration of Recycled Paper Greetings and the Papyrus wholesale business;

introducing initiatives to support the company's product leadership efforts;

expanding retail distribution channels; and

developing new and existing character properties.

Based on his exceeding most of his individual performance goals, and considering compensation paid for comparable positions at the companies in the peer group used in the fiscal 2011 compensation study conducted by Mercer, effective May 1, 2011 the Compensation Committee determined to increase Mr. Jeffrey Weiss's base salary by 4%, from \$742,906 to \$772,622.



**Table of Contents**

The fiscal 2011 goals for Mr. Smith included:

objectives based on achieving the Total Revenue and the Corporate EBIT goals described below under the heading Key Management Annual Incentive Plan ;

integrating Recycled Paper Greetings finance functions;

implementing audit governance best practices, procedures and control mechanisms;

strengthening the annual financial planning and performance processes;

implementing new payroll and other shared services administrative practices;

executing capital structure changes;

overseeing significant tax benefits related to strategic changes; and

developing our human capital and improving workforce diversity.

The fiscal 2011 goals for Mr. Beeder included:

objectives based on achieving the Total Revenue, Corporate EPS and the Corporate EBIT goals described below under the heading Key Management Annual Incentive Plan, as well as achieving revenue growth in core accounts and business segments;

improving yield, business processes, and merchandising and planning functions;

strengthening business development through renewing, revising, and executing customer agreements and improved customer planning and management activities;

growing, harvesting and/or exiting specialty businesses;

improving retail productivity at core accounts;

implementing marketing activities to strengthen the corporate brand;

leveraging the company s inbound licensing activities;

improving sales and marketing analytics; and

developing our human capital and improving workforce diversity.

The fiscal 2011 and fiscal 2010 goals for Mr. Goulder included:

effectively executing cost reduction in the supply chain as well as identifying future cost savings initiatives;

improving productivity while decreasing costs;

partnering with commercial teams to improve yield, manage costs and grow sales and profitability;

improving service levels, including by manufacturing on time and by improving the retail point of sale fulfillment while minimizing inventory costs;

driving continuous improvement in the field sales organization; managing a cost efficient internal consulting group that supports cost-out programs, growth efforts and the identification and development of corporate strategic goals; and

supporting key human resources, sustainability and corporate initiatives.

Based on Mr. Smith meeting most of his individual performance goals, effective May 1, 2011 the Compensation Committee determined to increase Mr. Smith's salary by approximately 3%, from \$424,711 to \$437,453. Based on Mr. Beeder significantly exceeding most of his individual performance goals, effective May 1, 2011 the Compensation Committee determined to increase Mr. Beeder's salary by approximately 4% from \$492,000 to \$511,680. Based on Mr. Goulder meeting most of his individual performance goals, effective May 1, 2011 the Compensation Committee determined to increase Mr. Goulder's salary by approximately 3% from \$492,067 to \$508,829.

For purposes of determining the base salary paid to each of the named executive officers during fiscal 2011, each of the named executive officers received a base salary increase effective May 1, 2010, based on overall individual performance, achievement of individual performance goals for fiscal 2010, and/or competitive pay

**Table of Contents**

practices as described in our definitive proxy statement filed in May 2010. Mr. Goulder, who was not a named executive officer last year, also received a base salary increase effective May 1, 2010 of approximately 3% from \$477,735 to \$492,067 based on his overall individual performance and meeting most of his individual performance goals for fiscal 2010 described above.

***Key Management Annual Incentive Plan***

General. Consistent with our emphasis on pay-for-performance, we have established the American Greetings Corporation Key Management Annual Incentive Plan, under which our executive officers, including our named executive officers, are eligible to receive awards based on performance against annually established performance goals. These goals include company-wide and individual business unit financial measures as well as individual performance objectives. This plan is an important component of our compensation package because it is designed to focus our executive officers' efforts on, and reward executive officers for, annual operating results that help create value for our shareholders. At its target level, in fiscal 2011 the Key Management Annual Incentive Plan award represented between 41% and 50% of a named executive officer's total cash compensation, and between 31% and 33% of a named executive officer's total direct compensation, depending on the executive's position.

The corporate performance goals for the Key Management Annual Incentive Plan are determined through our annual planning process, which generally begins in the December that precedes the beginning of the fiscal year. During this process, management develops an annual operating plan that is consistent with our strategic plan, and that contains specific, quantifiable annual financial goals. These goals are established for each business unit and for American Greetings as a whole. Around the beginning of each fiscal year, the full Board of Directors meets with senior management and discusses and approves the operating plan for the subsequent fiscal year. The operating plan goals form the basis for the annual incentive performance measures and goals. In this manner, the Board of Directors approved the annual operating plan, and its financial goals and objectives, for fiscal 2011. Similarly, for fiscal 2011, the Compensation Committee approved these operating plan goals, as adjusted by the factors described below, as the incentive plan's financial objectives for both the corporate and business unit components for executive officers.

Any awards granted under the Key Management Annual Incentive Plan are determined at year-end based on actual performance against the pre-established specific corporate, business unit, and individual goals. The Chief Executive Officer reviews each named executive officer's individual performance and recommends to the Compensation Committee for its approval the level of compensation the officer should receive based on his individual performance. The Committee itself evaluates the performance of the Chief Executive Officer. The incentive plan award payments to any named executive officer must be reviewed and approved by the Compensation Committee prior to payment. The Compensation Committee may modify the recommendation provided by the Chief Executive Officer with respect to any named executive officer, which in turn affects payment under the Key Management Annual Incentive Plan. The Compensation Committee must approve any adjustments to the financial goals applicable to executive officers for purposes of determining if a business unit or the company has achieved its goals. Except as otherwise determined by the Compensation Committee, permitted adjustments are determined at the same time that the financial goals are initially established at the beginning of each year. These adjustments are described in a manner that can be objectively determined and are intended to account for items, events or changes in the business or its plans that, if included, would either (1) not be a meaningful measure of performance; or (2) not appropriately incentivize management. When made, these adjustments apply to all managers, including the named executive officers, who are assigned to the business unit for which the adjustment is being granted or, in the case of an adjustment to a corporate goal, these adjustments apply to all managers, including the named executive officers. With respect to the corporate and business unit goals established under the Key Management Incentive Plan for fiscal 2011, these goals are calculated in accordance with U.S. generally accepted accounting principles, or GAAP. However, at the beginning of fiscal 2011, when the goals were established, the Committee determined that the following items or events, if they occur, should be excluded, and the Corporate EPS, Total Revenue and Corporate EBIT



**Table of Contents**

goals and results, as applicable, against such goals should be adjusted accordingly, if they were not otherwise previously factored into the financial goals:

Charges related to management bonus plans;

Gains, losses or expenses for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence;

Gains, losses or expenses for the fiscal year related to the acquisition or disposal of a segment or business all as determined in accordance with GAAP;

Gains, losses or expenses for the fiscal year related to a change in accounting principle, as consistently applied;

Charges related to head count and other reductions in force, including severance;

Gains, losses or expenses for the fiscal year related to restructuring charges, discontinued operations and fixed asset sales;

Translational gains or losses arising from changes in foreign exchange rates;

Non-cash long-lived asset impairment charges;

Gains, losses or expenses associated with plant closings;

Inventory buy-back expenses incurred in connection with the conversion of a customer to a scan-based trading relationship;

The effect of acquisitions and dispositions;

The amount by which upfront payments, investments or other expenditures incurred in connection with new or amended retail contracts are in excess of revenue that are generated from such contracts during the fiscal year;

The impact of repurchases of our debt or capital stock in the open market or otherwise; and

The effect of capital restructuring initiatives, including refinancing of indebtedness.

*Performance Measures.* Under the fiscal 2011 Key Management Annual Incentive Plan, incentives are awarded to our named executive officers based on three components: (1) corporate performance (weighted at 30%), (2) business unit performance (weighted at 50%), and (3) individual performance (weighted at 20%).

For the named executive officers:

the *corporate component* is based on performance compared to an earnings per share (Corporate EPS) goal and a total revenue (Total Revenue) goal;

the *business unit component* is based on performance compared to a consolidated corporate earnings before interest and taxes (Corporate EBIT) goal, after adjustments for variations in net capital employed compared to the financial plan, with a charge/credit at the weighted average cost of capital; and

the *individual component* is generally based on the officer's individual performance compared to performance goals and objectives that are designed to ensure the achievement of the business unit and corporate goals, as well as any longer-term strategic initiatives, but will also include performance against financial targets, evaluated qualitatively.

The primary measure for performance under the corporate component of our Key Management Annual Incentive Plan is earnings per share, or Corporate EPS, weighted at 90% of the 30% target award for the corporate component. Because of its direct correlation to the interests of our shareholders, we believe an EPS goal is a good measure of overall management performance. To provide an incentive for the profitable growth of corporate revenue, the Corporate EPS performance measure is complemented by a total revenue performance measure, weighted at 10% of the 30% target award for the corporate component. We measure Corporate EPS and Total Revenue at the end of the fiscal year. Corporate EPS is calculated as the annual consolidated net income divided by the planned total number of shares outstanding as calculated on a fully diluted basis, adjusted by the factors described above in this section under

General. Total Revenue is calculated as consolidated net sales and other revenues, including but not limited to royalties, advertising, subscriptions and other revenue streams directly related to the conduct of our principal business, adjusted by

**Table of Contents**

the factors described above in this section under General. For fiscal 2011, the Corporate EPS goal was \$1.94 per share (or \$2.16 per share, as adjusted by the factors described above in this section under General ) and the Total Revenue goal was \$1.6204 billion (or \$1.6202 billion, as adjusted by the factors described above in this section under General ).

The performance measure under the business unit component of the Key Management Annual Incentive Plan for our named executive officers is Corporate EBIT, which is consolidated earnings before interest and taxes, as adjusted by the factors described above in this section under General. We believe Corporate EBIT is a good way to measure the operating performance of our business as a whole, and is a measure that also is in the direct interest of our shareholders. In determining performance against the Corporate EBIT goal, in addition to the factors described above in this section under General, we adjust the performance to reflect any variance from the planned net capital employed. We believe it is important to include such an adjustment for net capital employed because it ensures an appropriate emphasis on balance sheet management. In addition, the Corporate EBIT goal is measured on a pre-tax basis because (1) we believe a pre-tax measure more accurately reflects actual operating performance; (2) despite planning efforts, tax payments and refunds can be somewhat unpredictable; as a result, including tax as an operating metric can lead to wide swings in performance relative to goal; and (3) only a few of our executives are in a position to control variables that impact operating profit on an after-tax basis. The Corporate EBIT goal for fiscal 2011 was \$160.9 million (or \$197.5 million, as adjusted by the factors described above in this section under General ).

The Compensation Committee set the Corporate EPS and Corporate EBIT goals at levels that were 45% and 39%, respectively, higher than the levels established for the prior year. Although the goals for fiscal 2011 did not represent an increase over the actual, adjusted results achieved in fiscal 2010 under the Key Management Incentive Plan, the company had extraordinary results in 2010 that the Compensation Committee believed represented a significant stretch to achieve and were unlikely to be duplicated in fiscal 2011. As a result, the fiscal 2011 goals were set at levels that the Committee believed, notwithstanding the results in fiscal 2010, reflected a stretch for management given the continuing uncertainty in the business environment at that time, while representing goals that still provided an attainable incentive.

For our named executive officers, other than the Chief Executive Officer and the President and Chief Operating Officer, the individual performance component is based on both the executive's accomplishment of specific goals and objectives, and a comparison of the executive's performance with that of other executive officers, as well as that executive's contribution to the achievement of our corporate and business unit goals. The performance of the Chief Executive Officer and President and Chief Operating Officer is evaluated based on the achievement of our corporate and business unit goals, and their achievement of their individual goals and objectives. The fiscal 2011 individual goals and objectives for the named executive officers are described above under the heading Base Salaries.

Target Incentive and Calculation of Awards. The Key Management Annual Incentive Plan target award levels, as a percentage of base salary, for the named executive officers of American Greetings are listed below. We generally expect our annual cash incentive awards will approximate the market median, but we do not specifically benchmark annual cash incentives, as described above in Setting Compensation.

	<b>Target Incentive</b>
Zev Weiss	100%
Jeffrey Weiss	90%
John W. Beeder	80%
Michael L. Goulder	80%
Stephen J. Smith	70%

Under the Key Management Annual Incentive Plan, an incentive equal to a multiple of the executive officer's target incentive percentage will be paid depending on the level of performance achieved compared to the performance measures described above. The maximum bonus opportunity is 200% of the target incentive award. To earn this maximum, both the entire corporation and the business unit must achieve at least 125% of their financial goals, and the executive officer must significantly exceed his individual goals. If any of these



**Table of Contents**

levels is not met, the incentive payable will vary depending on the performance under each performance component. Under the Corporate EPS and Corporate EBIT component, for every 1% increase or decrease in the percentage of the goal achieved, compared to the goal itself, the target award for that component will be adjusted up or down by 4% to determine the actual award. Under the Total Revenue component, if revenue performance exceeds 103%, or is less than 97% of, the targeted amount, the target award for the revenue performance measure will be increased or decreased, as applicable, by 5% for each percentage by which we exceed 103%, or fall below 97%, as applicable, of the total revenue goal. While both the EPS and revenue performance measures are evaluated, and incentive awards determined, independently of one another, in no event may the combined award exceed the maximum permitted for the corporate component of 200% of target. In the event at least 90% of the Corporate EPS or Corporate EBIT goal is not achieved, there will be no payout under that particular component. Similarly, if at least 95% of the Total Revenue goal is not achieved, there will be no payout for the revenue performance measure. In addition, if at least 90% of the Corporate EPS goal is not achieved, no incentive is earned for the individual performance component unless the executive officer is determined to have exceeded his individual performance goals. To retain and reward top performers, the plan provides that if the executive officer exceeds his individual performance goals, then notwithstanding the failure to meet the Corporate EPS performance goal, the individual performance component of the incentive will be earned. If an executive officer does not meet his individual performance goals and receives the lowest individual performance rating, he will not receive any portion of the individual performance component of the incentive and will only receive 50% of the incentive otherwise earned. Incentive compensation earned by executive officers under the Key Management Annual Incentive Plan is paid entirely in cash.

Awards to Named Executive Officers. In April 2011, the Compensation Committee reviewed actual results for fiscal 2011 with respect to achievement of the Corporate EPS, Total Revenue and Corporate EBIT performance goals. As to the Corporate EPS goal, target EPS was \$1.94 per share (or \$2.16 per share, as adjusted by the factors described above in this section under **General** ), with a target Total Revenue of \$1.6204 billion (or \$1.6202 billion, as adjusted by the factors described above in this section under **General** ). Actual EPS and actual revenue results, in each case as adjusted by the factors described above in this section under **General** , were \$2.60 per share, and \$1.5835 billion, respectively, or approximately, 120.3% and 97.7% of target, respectively, resulting in a payout as a percentage of the target incentive of 181.2% for the combined Corporate EPS and Total Revenue target incentive measures. As to the Corporate EBIT goal, target EBIT was \$160.9 million (or \$197.5 million, as adjusted by the factors described above in this section under **General** ) and actual EBIT results, as adjusted by the factors described above in this section under **General** , was \$244.4 million, or approximately 123.7% of target, resulting in a payout as a percentage of the target incentive of 194.8% for the Corporate EBIT target incentive.

The Compensation Committee then reviewed the Chief Executive Officer's assessment of each of Jeffrey Weiss, Stephen Smith, Michael Goulder and John Beeder and his contributions to our results in fiscal 2011. With respect to the Chief Executive Officer, Zev Weiss, the Compensation Committee also considered its own assessment of his performance during fiscal 2011 based on his individual goals described above as well as his contribution to our financial results in fiscal 2011. As described above under the heading **Base Salaries** and in this section under **General** , each of Messrs. Goulder and Smith were determined to have met his individual performance objectives, each of Zev and Jeffrey Weiss was determined to have exceeded most of his individual performance goals, and Mr. Beeder was determined to have significantly exceeded most of his individual performance goals. As a result of these considerations, the Compensation Committee approved the following payout amounts for the named executive officers under the Key Management Annual Incentive Plan.

**Table of Contents**

<b>Name</b>	<b>Target Payout as a % of Base Salary<sup>(1)</sup></b>	<b>Target Award (\$)<sup>(1)</sup></b>	<b>Maximum Award (\$)<sup>(1)</sup></b>	<b>Actual Award (\$)<sup>(1)</sup></b>	<b>Actual Payout as a % of Base Salary<sup>(1)</sup></b>
Zev Weiss	100	\$ 944,495	\$ 1,888,991	\$ 1,716,715	182%
Stephen Smith	70	\$ 292,793	\$ 585,587	\$ 502,902	120%
Jeffrey Weiss	90	\$ 665,370	\$ 1,330,739	\$ 1,209,376	164%
John Beeder	80	\$ 386,667	\$ 773,334	\$ 741,473	153%
Michael Goulder	80	\$ 391,743	\$ 783,485	\$ 672,857	137%

(1) Amounts calculated based on base salaries actually paid or earned by the named executive officers during fiscal 2011.

Awards made to named executive officers under the Key Management Annual Incentive Plan for performance in fiscal 2011 are reflected in the Fiscal 2011 Summary Compensation Table below.

***Long-Term Incentive Compensation***

Our long-term incentive compensation program has historically consisted primarily of stock options. However, in April 2009 the Compensation Committee adopted a performance share program under which certain management level employees of the company, including the named executive officers, were granted performance shares targeting key corporate performance objectives over fiscal 2010, fiscal 2011 and potentially fiscal 2012. In addition, beginning in April 2010, the Compensation Committee determined to reduce the annual option grant size for its eligible employees, including the named executive officers, and instead granted employees RSUs. Although stock options represent a useful form of incentive compensation, when granting stock options, the company incurs an expense even if the option ultimately has no value to the recipient because the exercise price remains higher than the market price of our stock. Accordingly, to ensure that the costs to the company of equity awards are aligned with the objective of providing an incentive to its officers, yet maintaining an alignment of interests between the shareholders and management (including the named executive officers), beginning in May 2011, rather than including both stock options and RSUs in the annual equity grant, the Compensation Committee determined to grant only RSUs. The number of performance shares and RSUs granted is based on the participant's position in the company and, with respect to RSUs, his or her individual performance in the prior fiscal year.

Equity awards are consistent with our pay-for-performance principles because they:

- align the interests of executives with those of the shareholders;
- foster employee stock ownership;
- reflect the market's assessment of our level of goal achievement; and
- focus the management team on increasing value for the shareholders.

We have historically used stock options, and continue to use performance shares and RSUs, as our long-term incentive vehicle because we believe that the use of multiple forms of compensation helps to provide a balance between

long-term and short-term awards in our total compensation package. The Key Management Annual Incentive Plan focuses on the achievement of annual performance targets, while the multi-year vesting for our equity awards creates incentives to increase shareholder value over a longer term and encourages ongoing executive retention.

### **RSUs and Stock Options**

*Grant Terms.* Stock option awards provide our executive officers with the right to purchase our common shares at a fixed exercise price for a period of up to ten years. RSUs and stock options are earned on the basis of continued service to us. To align their interests with those of our shareholders, grants to our named executive officers other than the Chief Executive Officer and the President and Chief Operating Officer vest in approximately equal increments over two years following the date of grant and grants to our Chief Executive

**Table of Contents**

Officer and President and Chief Operating Officer vest in approximately equal increments over three years following the date of grant.

**Grant Timing.** Our named executive officers are eligible to receive annual RSU and option awards as well as awards in connection with promotions to higher level positions. The exercise price of stock options is based on the fair market value of our common shares on the grant date. The Compensation Committee has a stock option grant policy designed to ensure that stock options are granted at such times after we have publicly released our quarterly or annual financial information. Under the policy, the date of grant for annual stock option awards is the second trading day (a day that the New York Stock Exchange is open for trading) following the filing of our Annual Report on Form 10-K. The date of grant for an individual newly hired or promoted into an eligible position is based on the month of hire or promotion, and is either granted with the annual stock option grant or on the second trading day following a quarterly earnings release.

Generally, we do not consider an executive officer's stock holdings or previous equity grants in determining the number of equity awards to grant. We believe that our executive officers should be fairly compensated each year relative to market pay levels of our peer group and relative to our other executive officers. Moreover, we believe that our long-term incentive compensation program furthers our significant emphasis on pay-for-performance compensation. We do not have any requirement that executive officers hold a specific amount of our common shares or stock options.

**Grants to the Named Executive Officers.** Like our other pay components, long-term equity incentive award grants are generally expected to approximate the market median, but we do not specifically benchmark against competitive market levels. Instead, the size of the equity awards depends upon the level of the position and level of individual performance achieved by the executive, based on the executive's achievement of individual goals and objectives in the prior fiscal year. The annual target grant sizes are as follows:

Name	Fiscal 2011				Fiscal 2012	
	Target		Actual		Target	Actual
	Annual Grant RSUs	Options	Annual Grant RSUs	Options	Annual Grant RSUs	Annual Grant RSUs
Zev Weiss <sup>(1)</sup>	12,500	50,000	15,625	62,500	25,000	28,750
Jeffrey Weiss <sup>(1)</sup>	9,400	37,500	11,750	46,875	18,800	21,620
Stephen J. Smith <sup>(2)</sup>	2,800	11,000	3,220	12,650	5,500	5,500
John Beeder <sup>(2)</sup>	4,400	17,500	5,500	21,875	8,800	11,000
Michael Goulder <sup>(2)</sup>	4,400	17,500	4,400	17,500	8,800	8,800

(1) Equity grants in the form of Class B common shares.

(2) Equity grants in the form of Class A common shares.

In prior years, when our long-term incentive program consisted solely of stock options, the Compensation Committee set the target grant size for its Senior Vice Presidents (which includes Mr. Smith) at options to purchase 22,000 Class A common shares. With the assistance of Mercer, the Compensation Committee determined that this grant size was appropriate based on the median value of options granted to comparable positions in the marketplace, consistent with our general expectation of approximating the market median. For the Senior Vice President, Executive Supply

Chain Officer and the Senior Vice President, Executive Sales and Marketing Officer, which are positions currently held by Messrs. Goulder and Beeder, respectively, the target annual option grant sizes were set at 35,000 Class A common shares to recognize their contributions as a significant advisor to the Chief Executive Officer and the President and Chief Operating Officer, as well as their significant responsibilities and resulting ability to impact the long-term strategic direction and success of our business. With respect to the options granted to our Chief Executive Officer and our President and Chief Operating Officer, the annual target grant size was set in connection with their appointments to their current positions in 2003. In connection with its decision to replace a portion of the annual stock option award with RSUs, beginning in fiscal 2011, the Compensation Committee determined to decrease the target stock option award levels for all of the named executive officers to the target levels described in the table above, and for fiscal 2012, to replace the annual stock option awards entirely with RSUs. The size of the target grant sizes in

**Table of Contents**

each case was set at a level intended to maintain the aggregate accounting cost for the equity awards incurred by the company at approximately the same level as incurred when our long-term incentive program consisted solely of stock options.

The target grant sizes reflected in the table above may be increased or decreased based on individual performance in the prior fiscal year. A named executive officer who has not achieved his or her individual performance goals is eligible for an equity grant ranging from 0% to 100% of the target grant size for his or her position for that fiscal year. A named executive officer who is determined to have exceeded his or her individual performance goals is eligible for an equity grant of either 115% or 125% of the target grant size for his or her position.

The RSUs and options granted to the named executive officers in fiscal 2011 that are reflected above were granted in May 2010 and are reflected in the Fiscal 2011 Summary Compensation and the Fiscal 2011 Grants of Plan-Based Awards Tables in the Fiscal 2011 Information Concerning Executive Officers section below. The size of the award was based on the officer's target grant size and his individual performance during fiscal 2010. As described in our proxy statement for 2010, the grant size to Mr. Smith was based on Mr. Smith exceeding his individual performance goals for fiscal 2010. The grant sizes for Messrs. Zev and Jeffrey Weiss and Mr. Beeder were based on each of them significantly exceeding his individual performance goals for fiscal 2010. Mr. Goulder, who was not a named executive officer in fiscal 2010, received a grant, the size of which was based on his meeting his individual performance goals for fiscal 2010, which are described above under Base Salaries.

The annual RSU grants to our named executive officers based on fiscal 2011 performance were made on May 3, 2011, which is in our 2012 fiscal year. The size of the grants was based on each individual's target annual RSU grant size and his individual performance rating, based on the officer's individual performance assessment described above under the heading Base Salaries. Because the RSUs granted to each of the named executive officers were granted in fiscal 2012, they are not reflected in the Fiscal 2011 Summary Compensation or the Fiscal 2011 Grants of Plan-Based Awards Tables in the Fiscal 2011 Information Concerning Executive Officers section below.

**Performance Shares**

On April 17, 2009, the Compensation Committee approved a performance share award program. The program is designed to reward participants for successful execution of key strategic, operational and business objectives that will produce exceptional long-term performance and create significant value for our shareholders. The performance share program, like the Key Management Annual Incentive Plan, is intended to drive operational performance while also driving shareholder value creation, thereby better aligning the interests of our executives with those of our shareholders.

Under the terms of the performance share program, in April 2009, each of the named executive officers was granted the number of performance shares set forth below under the column Total Performance Share Grant. A portion of the total grant could be earned with respect to performance in each of fiscal 2010 and 2011 and, under certain circumstances, with respect to performance in fiscal 2012, in each case based on American Greetings achieving at or between a threshold Corporate EBIT goal of \$130 million and a maximum Corporate EBIT goal of \$150 million (or \$166.6 million and \$186.6 million, respectively as adjusted for fiscal 2011 by the factors described above under the Key Management Annual Incentive Plan - General ). Corporate EBIT goals and results are calculated in the same manner as are calculated under the Key Management Annual Incentive Plan; however, the target, unadjusted goals of between \$130 million and \$150 million are fixed for the duration of the program, whereas, under the Key Management Annual Incentive Plan, the goals, including the Corporate EBIT goal, are evaluated and set annually. The Compensation Committee set the Corporate EBIT goal in April 2009 at the same time it established the financial goals under the Key Management Annual Incentive Plan for fiscal 2009, intending the goals to be significant stretch goals designed to be earned only upon superior performance, performance well above the Corporate EBIT goal under

the Key Management Annual Incentive Plan. The number of shares that could be earned by each of the named executive officers was established at a level intended to result in the total direct compensation we pay

**Table of Contents**

to our executive officers being, on average, closer to the market median, as it was determined at that time that our total direct compensation program for named executive officers as a group was below the market median due to our lower long-term equity compensation programs.

Under the program, in each of fiscal 2010 and 2011, the named executive officers could have been credited with the number of shares set forth below based on whether we achieved the Corporate EBIT goal. If we did not achieve the threshold goal, no shares would have been credited; if we achieved the maximum goal (as we did), the number of shares set forth below would be (and actually was) credited; and for performance between the threshold and maximum goal, the number of shares that may be credited to an officer was to be interpolated. If the actual Corporate EBIT results were below the maximum in either fiscal 2010 or 2011, to promote the continued long-term achievement of the Corporate EBIT goal, the named executive officers were to have had an opportunity to be credited with up to his maximum amount based on fiscal 2012 Corporate EBIT performance. In an effort to further align the long-term interests of our officers with those of our shareholders, as well as to encourage executive retention, shares credited to a named executive officer upon achievement of performance goals must vest before the officer is entitled to ownership of the shares. Under the terms of grants, shares credited to an officer vest in equal increments over two years, beginning with the fiscal year in which the shares are credited.

In April 2011, the Compensation Committee reviewed actual results for fiscal 2011 with respect to achievement of the Corporate EBIT performance goal and determined that actual Corporate EBIT, as adjusted by the factors described above under Key Management Annual Incentive Plan General, was \$244.4 million, or approximately 131% of the maximum adjusted Corporate EBIT target, resulting in the maximum number of shares being credited to the named executive officers as set forth below:

Name	Total Performance Share Grant	Target EBIT Goal Unadjusted/Adjusted (\$ in millions)	Number of	Actual	Number	
			Available for Each of 2010 and 2011 (#)	Number of Shares Credited in 2011 (#)	of Shares Available for 2012 (#)	
Zev Weiss	80,000 Class B Shares	<i>Maximum</i> <i>Threshold</i>	\$150/\$186.6	40,000	40,000	0
			\$130/\$166.6	20,000		
Stephen Smith	36,000 Class A Shares	<i>Maximum</i> <i>Threshold</i>	\$150/\$186.6	18,000	18,000	0
			\$130/\$166.6	9,000		
Jeffrey Weiss	68,000 Class B Shares	<i>Maximum</i> <i>Threshold</i>	\$150/\$186.6	34,000	34,000	0
			\$130/\$166.6	17,000		
John W. Beeder	48,000 Class A Shares	<i>Maximum</i> <i>Threshold</i>	\$150/\$186.6	24,000	24,000	0
			\$130/\$166.6	12,000		
Michael Goulder	48,000 Class B Shares	<i>Maximum</i> <i>Threshold</i>	\$150/\$186.6	24,000	24,000	0
			\$130/\$166.6	12,000		

Because the maximum number of shares that could be earned with respect to performance in each of fiscal 2010 and 2011 were earned, all of the shares granted in April 2009 have been credited to the account of the applicable named executive officer. No remaining shares are available to be earned based on performance during fiscal 2012.



***Benefits***

To offer competitive compensation packages, we provide our executive officers a Supplemental Executive Retirement Plan, a Retirement Profit Sharing and Savings Plan, and an Executive Deferred Compensation Plan. The Supplemental Executive Retirement Plan is designed to provide benefits that are competitive with those offered by other comparable companies, while requiring a meaningful tenure as an officer before becoming eligible to receive benefits. Although all of our employees meeting the requisite service requirements are entitled to participate in the Retirement Profit Sharing and Savings Plan, for officers at the Vice President level and above, which includes all of the named executive officers, we offer a benefit that permits those officers to contribute more than the statutory maximum (\$16,500 for 2010) under the 401(k)

**Table of Contents**

savings component of the plan, and receive a corresponding match on the additional contributions (40% of the first 6% of eligible compensation deferred). Similarly, for our executives at the Vice President level and above, which includes our named executive officers, we offer a benefit under which participants in the profit sharing component of the plan will receive an additional profit sharing contribution based on a portion of the executive's base salary that exceeds the statutory compensation limit. Both of these benefits are intended to enable officers to take full advantage of the ability to earn profit sharing contributions toward the executive's retirement, and to save on a tax deferred basis and receive matching contributions, notwithstanding the limits imposed by the Internal Revenue Code on compensation that can be taken into account for purposes of determining contributions to a qualified retirement plan, such as our Retirement Profit Sharing and Savings Plan. As reflected in note 6 to the Fiscal 2011 Summary Compensation Table as well as in the Fiscal 2011 Nonqualified Deferred Compensation Table below, based on the company's financial performance in fiscal 2011, during fiscal 2012, we made profit sharing and matching contributions to our employees, together with the associated maximizer and restoration benefit, to the named executive officers.

Executive officers, including the named executive officers, are also eligible to participate in our Executive Deferred Compensation Plan, where officers are entitled to defer compensation on a tax deferred basis. The cost of the benefit provided under the deferred compensation program is de minimis. Consequently, we generally do not consider the value of the deferred compensation program in calculating the total compensation provided to our named executive officers. These plans are described in more detail in the narrative accompanying the disclosure tables in the Fiscal 2011 Information Concerning Executive Officers section below.

Our executive officers also participate in other benefit plans provided by American Greetings, including medical, dental and life insurance. Except as described below under *Perquisites and Other Benefits*, their participation is generally on the same terms as other employees.

***Perquisites and Other Benefits***

We provide our executive officers with certain personal benefits and perquisites. The value of personal benefits and perquisites, and the related incremental cost to American Greetings, has historically not been significant. The primary personal benefits and perquisites for our executive officers are:

*Company-provided car* for both business and personal use, where we also pay the operating costs, including maintenance and insurance.

*Company products* providing executive officers with free company products from our company store for personal use (all non-officer employees may purchase company products at a significant discount from the retail cost).

*Executive life insurance* providing the executive officers with a universal life insurance policy of three times their annual base salary, and reimbursing them for the payment of taxes on income attributed to the executive for the value of universal life insurance premiums paid by us. Upon termination of employment, each officer may assume his or her insurance policy, including premium payment obligations, in which case such officer will be entitled to any cash surrender value attributable to the policy, which has historically been de minimis.

*Accidental death and dismemberment insurance* providing each executive officer with a supplemental accidental death and dismemberment policy in an amount equal to \$275,000.

*Business travel accident insurance* providing each executive officer with a business travel accident policy of the lesser of (1) three times his or her annual salary or (2) \$3 million subject to a minimum of \$250,000 for the officer, and in certain instances, \$75,000 for the officer's spouse and \$25,000 for each of the officer's dependent

children.

In connection with hiring new executive officers who must relocate, we provide financial assistance associated with such relocation, including paying for moving expenses as well as for the executive officer's temporary housing. In connection with his transition to Cleveland, Ohio, during fiscal 2011, we reimbursed

## **Table of Contents**

Mr. Beeder for the cost of his and his wife's commuting between his home and Cleveland, Ohio, as well as temporary housing (including rent and utilities).

### **Severance and Change in Control Agreements**

We do not offer separate change in control agreements for our officers. However, each of Messrs. Beeder and Goulder has provisions in his employment agreement that provide for certain compensation and other benefits if he separates employment upon or following a change in control. In addition, when we retained Mr. Smith as our Vice President and Treasurer in April 2003, we agreed to provide him certain severance benefits if terminated by us without cause. We also have a general severance policy under which executive officers are entitled to severance benefits if they are terminated involuntarily. These arrangements for our named executive officers are described in more detail in the section below entitled Potential Payments Upon Termination or Change in Control.

To attract the highest caliber of officers, from time to time we have found it necessary to offer severance arrangements that compensate our officers upon a change in control or their termination by us for reasons other than cause. Additionally, when offering arrangements entitling our officers to compensation upon separation following a change in control, we have considered the nature of the position, the need to fill the position and the ability to attract the senior executive officer. These severance arrangements following a change in control have been structured with a double trigger, meaning the severance is only paid if (1) we undergo a transaction that is deemed a change in control and (2) the officer is terminated or constructively terminated. We believe this double trigger requirement maximizes shareholder value because it ensures the officer does not receive an unintended windfall by receiving a severance payment while maintaining his salaried position. We believe these arrangements are reasonable means to protect the officers in the event of a change in control and align their interests with our shareholders because providing change in control benefits should eliminate, or at least reduce, the reluctance of senior management to pursue potential change in control transactions that may be in the best interests of shareholders. Relative to the overall value of American Greetings, we believe that these potential change in control and severance benefits are minor.

### **Tax Deductibility of Executive Compensation**

Limitations on deductibility of compensation may occur under Section 162(m) of the Internal Revenue Code, which generally limits the tax deductibility of compensation paid by a public company to its Chief Executive Officer and certain other highly compensated executive officers to \$1 million in the year the compensation becomes taxable to the executive officer. There is an exception to the limit on deductibility for performance-based compensation that meets certain requirements.

Although tax deductibility of compensation is preferred, it is not a primary objective of our compensation programs. We believe that achieving our compensation objectives set forth above is more important than the benefit of tax deductibility, and we reserve the right to maintain flexibility in how we compensate our executive officers that may result in limiting the deductibility of amounts of compensation from time to time.

**Table of Contents**

**COMPENSATION COMMITTEE REPORT**

The Compensation and Management Development Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in American Greetings Annual Report on Form 10-K for the year ended February 28, 2011.

**The Compensation and Management Development Committee**

Scott S. Cowen (Chairman)  
Jeffrey D. Dunn

Jerry Sue Thornton  
Charles A. Ratner

Except for the American Greetings Annual Report on Form 10-K for the year ended February 28, 2011 or as expressly set forth by specific reference in any future filing, the foregoing Report of the Compensation and Management Development Committee shall not be incorporated by reference into any previous or future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

**Table of Contents**

**RISKS RELATED TO COMPENSATION POLICIES AND PRACTICES**

In April 2011, we conducted a risk assessment of our compensation policies and practices for our employees, including those relating to our executive compensation programs. Mercer, the Compensation Committee's outside consultant, assisted us in conducting the assessment. Our risk assessment included a detailed qualitative and quantitative analysis of our compensation and benefit programs to which employees at all levels of the organization may participate, including our executive officers. We also considered how our compensation programs compare, from a design perspective, to compensation programs maintained by other companies. Based on our assessment, we believe that our compensation and benefit programs have been appropriately designed to attract and retain talent and properly incentivize employees. Although our programs are generally designed to pay-for-performance and provide incentive-based compensation, the programs contain various mitigating factors to ensure our employees, including our named executive officers, are not encouraged to take unnecessary risks in managing our business. These factors include:

Oversight of programs (or components of programs) by committees of the Board, including the Compensation Committee;

Discretion provided to the Board and the Compensation Committee (including negative discretion) to set targets, monitor performance and determine final payouts;

Oversight of programs (or components of programs) by a broad-based group of functions within the organization, including Human Resources, Finance, Audit and Legal and at multiple levels within the organization (both corporate and business unit/region);

A mixture of programs that provide focus on both short- and long-term goals and that provide a mixture of cash and equity compensation;

Customary caps on the maximum payouts available under certain programs, including the Key Management Annual Incentive Plan;

Incentives focused primarily on the use of reportable and broad-based financial metrics (such as EBIT, Total Revenue, and EPS), including a mixture of consolidated and business-specific goals, with no one factor receiving an excessive weighting;

Service-based vesting conditions with respect to equity grants; and

The significant long-term ownership interests in the company held by certain of our key executive officers.

We discussed our findings of our risk assessment with the Compensation Committee. We believe that our compensation policies and practices do not encourage excessive or unnecessary risk taking and are not reasonably likely to have a material adverse effect on American Greetings.

Table of Contents**FISCAL 2011 INFORMATION CONCERNING EXECUTIVE OFFICERS****Summary Compensation**

The table below summarizes the total compensation for the named executive officers for the fiscal year ended February 28, 2011 (and prior fiscal years, as applicable). Amounts listed under the Non-Equity Incentive Plan Compensation column below were determined by the Compensation Committee at its April 2011 meeting and, to the extent not deferred by the executive, were paid out shortly thereafter.

**Fiscal 2011 Summary Compensation Table**

Name and Principal Position	Year	Salary (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(4)</sup>	Change in Pension Value and Nonqualified Deferred	All Other Compensation (\$) <sup>(6)</sup>	Total (\$)
						Earnings (\$) <sup>(5)</sup>		
Michael Weiss	2011	\$ 944,495	\$ 368,769	\$ 630,278	\$ 1,716,715	\$ 125,212	\$ 96,240	\$ 3,881,717
Chief Executive Officer	2010	\$ 921,460	\$ 674,302	\$ 233,126	\$ 921,459	\$ 449,453	\$ 71,183	\$ 3,270,993
	2009	\$ 916,986	\$ 628,637	\$ 325,006		\$ 67,380	\$ 36,518	\$ 1,974,527
Stephen J. Smith	2011	\$ 418,276	\$ 76,853	\$ 133,803	\$ 502,902	\$ 43,009	\$ 51,823	\$ 1,226,664
Senior Vice President	2010	\$ 386,101	\$ 260,310	\$ 64,086	\$ 513,514	\$ 85,503	\$ 52,870	\$ 1,362,384
Chief Financial Officer	2009	\$ 381,334		\$ 69,002	\$ 26,693	\$ 27,609	\$ 24,569	\$ 529,207
Michael Weiss	2011	\$ 739,300	\$ 277,315	\$ 472,709	\$ 1,209,376	\$ 65,681	\$ 57,183	\$ 2,821,564
President and Chief	2010	\$ 721,268	\$ 563,572	\$ 174,845	\$ 649,141	\$ 382,573	\$ 60,947	\$ 2,552,346
Operating Officer	2009	\$ 717,767	\$ 471,478	\$ 243,800		\$ 30,662	\$ 30,352	\$ 1,494,059
W. Beeder	2011	\$ 483,334	\$ 131,270	\$ 231,377	\$ 741,473	\$ 71,798	\$ 89,821	\$ 1,749,073
Senior Vice President	2010	\$ 440,000	\$ 347,081	\$ 88,657	\$ 704,000	\$ 22,323	\$ 125,692	\$ 1,727,753
Executive Sales and								
Marketing Officer								
Michael L. Goulder	2011	\$ 489,678	\$ 105,016	\$ 185,103	\$ 672,857	\$ 60,371	\$ 49,490	\$ 1,562,515
Senior Vice President	2010	\$ 477,735	\$ 347,081	\$ 88,657	\$ 687,938	\$ 119,115	\$ 45,595	\$ 1,766,111
Executive Supply Chain Officer	2009	\$ 473,943		\$ 137,220		\$ 30,662	\$ 26,247	\$ 668,072

(1) The amounts included in this column for fiscal 2011 reflect the base salaries actually paid to or earned by the named executive officers during fiscal 2011. As described in the Compensation Discussion and Analysis section under Base Salaries, increases in base salaries are effective on May 1.

(2) The amounts for fiscal 2011 reflect the aggregate grant date fair value of stock awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 Compensation Stock Compensation ( Topic 718 ), excluding the impact of estimated forfeitures. For fiscal 2011, the amounts represent

RSUs granted to each of the named executive officers in April 2010 as described in the Compensation Discussion and Analysis section under the heading Analysis of Compensation Elements Paid to Named Executive Officers Long-Term Incentive Compensation RSUs and Stock Options. Assumptions used in calculating the amounts are included in footnote 15 to our audited financial statements for fiscal 2011, included in our Annual Report on Form 10-K filed with the SEC on April 29, 2011. While these amounts reflect the aggregate grant date fair value computed in accordance with Topic 718, they may not correspond to the actual value that will be recognized by the named executive officers. The actual amount, if any, realized will depend on the number of shares, if any, vested and the market price of our common shares at that time. For additional information regarding grants of restricted stock units, see Analysis of Compensation Elements Paid to Named Executive Officers Long-Term Incentive Compensation.

- (3) The amounts for fiscal 2011 reflect the aggregate grant date fair value of stock option awards computed in accordance with Topic 718, excluding the impact of estimated forfeitures. Assumptions used in calculating amounts for fiscal 2011 are included in footnote 15 to our audited financial statements for fiscal 2011, included in our Annual Report on Form 10-K filed with the SEC on April 29, 2011. While these amounts reflect the aggregate grant date fair value computed in accordance with Topic 718, they may not correspond to the actual value that will be recognized by the named executive officers. The actual amount, if any, realized



**Table of Contents**

upon the exercise of stock options will depend upon the market price of our common shares relative to the exercise price per share of the stock option at the time of exercise. For additional information regarding such grants, see Analysis of Compensation Elements Paid to Named Executive Officers Long-Term Incentive Compensation RSUs and Stock Options.

- (4) The amounts in this column for fiscal 2011 reflect the cash awards to the named individuals under the Key Management Annual Incentive Plan, which is discussed in further detail in Analysis of Compensation Elements Paid to Named Executive Officers Key Management Annual Incentive Plan.
- (5) The amounts in this column for fiscal 2011 reflect the actuarial change in the present value of the named executive officer's benefits under our Supplemental Executive Retirement Plan during the respective fiscal year. The amounts include benefits that the named executive officer may not currently be entitled to receive because such amounts are not vested. Other than the Supplemental Executive Retirement Plan, none of the named executive officers participate in any defined benefit or actuarial pension plan. See the Pension Benefits in Fiscal 2011 section below for additional information with respect to fiscal 2011, including the present value assumptions used in this calculation.
- (6) The following table describes each component of the amount included under the All Other Compensation column with respect to fiscal 2011:

Name	Tax	Matching and Profit Sharing	Maximizer and Restoration	Value of Life Insurance	Other
	Payments (a)	Contributions (b)	Benefits (c)	Premiums (d)	Benefits (e)
Zev Weiss	\$ 7,833	\$ 14,458	\$ 42,118	\$ 10,706	\$ 21,126
Stephen J. Smith	\$ 3,821	\$ 14,458	\$ 10,693	\$ 8,042	\$ 14,809
Jeffrey Weiss	\$ 4,463	\$ 14,458	\$ 15,782	\$ 9,377	\$ 13,103
John W. Beeder	\$ 5,122	\$ 14,458	\$ 12,385	\$ 7,031	\$ 50,825
Michael L. Goulder	\$ 3,897	\$ 14,458	\$ 11,771	\$ 8,200	\$ 11,164

- (a) Reflects amounts reimbursed for the payment of taxes on income attributed to the officer for the value of universal life insurance premiums paid by American Greetings.
- (b) This column reports (i) company matching contributions with respect to fiscal 2011 to the named executive officer's 401(k) savings account under our Retirement Profit Sharing and Savings Plan of 40% of the first 6% of pay up to the limitations imposed under the Internal Revenue Code; and (ii) profit sharing contributions with respect to fiscal 2011 under our Retirement Profit Sharing and Savings Plan as a percentage of compensation.
- (c) This column reports the maximizer and restoration benefits contributed by us with respect to fiscal 2011 to the named executive officer's account under the Executive Deferred Compensation Plan. Refer to the discussion of the maximizer and restoration benefits under the Nonqualified Deferred Compensation for Fiscal 2011 section below.
- (d)

This column represents premiums paid by American Greetings with respect to universal life insurance policies for the benefit of the named executive officer. Upon termination of employment, each officer may assume his insurance policy, including premium payment obligations, in which case such officer will be entitled to any cash surrender value attributable to the policy, which has historically been de minimis.

- (e) This column includes the aggregate incremental cost to American Greetings of the following perquisites or benefits for each named executive officer during fiscal 2011, none of which, except as described below, individually exceeded the greater of \$25,000 or 10% of the total perquisites provided to the named executive officer: company car, free company products, and accidental death and dismemberment insurance. From time to time, the named executive officers have used company tickets for sporting events and other entertainment venues with a guest or family member. There was no incremental cost to us for these tickets. With respect to Mr. John Beeder, the amount also includes \$38,610 paid to him in fiscal

**Table of Contents**

2011 to reimburse Mr. Beeder for the cost for him and his wife to commute between his home and Cleveland, Ohio, as well as temporary housing (including rent and utilities).

**Grants of Plan-Based Awards in Fiscal 2011**

The table below provides the following information about equity and non-equity awards granted to the named executive officers in fiscal 2011: (1) the grant date; (2) the date the grant was approved by our Compensation Committee; (3) the estimated possible payouts under non-equity incentive plan awards, which consist of potential payouts under our Key Management Annual Incentive Plan for the fiscal 2011 performance period; (4) all other stock awards, which consist of time-based restricted stock units awarded to the named executive officers; (5) all other option awards, which consist of the number of shares underlying time-based stock options awarded to the named executive officers; (6) the exercise price of the stock option awards, which reflects the closing price of American Greetings stock on the date of grant; and (7) the grant date fair value of each equity award computed under Topic 718.

**Fiscal 2011 Grants of Plan-Based Awards Table**

Name	Grant Date	Approval Date <sup>(1)</sup>	Estimated Possible Payouts Under Non-Equity Incentive			All Other Stock Awards: Number of Shares of Stock or Units <sup>(3)</sup>	All Other Option Awards: Number of Underlying Options <sup>(4)</sup>	Exercise or Base Price of Option Awards <sup>(6)</sup> (\$/Sh)	Grant Date Fair Value of Stock and Option Awards <sup>(5)</sup> (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)				
Zev Weiss	5/3/10	4/15/10	\$ 94,450	\$ 944,495	\$ 1,888,991	15,625			\$ 368,769
	5/3/10	4/15/10							62,500
Stephen J. Smith	5/3/10	4/15/10	\$ 29,279	\$ 292,793	\$ 585,587	3,220			\$ 76,853
	5/3/10	4/15/10							12,650
Jeffrey Weiss	5/3/10	4/15/10	\$ 66,537	\$ 665,370	\$ 1,330,739	11,750			\$ 277,315
	5/3/10	4/15/10							46,875
John W. Beeder	5/3/10	4/15/10	\$ 38,667	\$ 386,667	\$ 773,334	5,500			\$ 131,270
	5/3/10	4/15/10							21,875
Michael L. Goulder	5/3/10	4/15/10	\$ 39,174	\$ 391,743	\$ 783,485	4,400			\$ 105,016
	5/3/10	4/15/10							17,500

- (1) Reflects the date on which the option and RSU awards were approved by the Compensation Committee. The May 3, 2010 annual equity grants were set in advance to follow the filing of our Annual Report on Form 10-K. For a description of the stock option grant policy, refer to the description of our option grant program in the Compensation Discussion and Analysis section under Analysis of Compensation Elements Paid to Named Executive Officers Long-Term Incentive Compensation.
- (2) These columns show the potential value of the payout for each named executive officer under our Key Management Annual Incentive Plan at threshold, target and maximum levels. The award levels are based on a percentage of the individual's actual base salary earned during fiscal 2011. In accordance with the terms of the Key Management Annual Incentive Plan, we have assumed (a) the threshold award amount will be earned if the business unit and corporate performance measures are not achieved at 90% of the financial goals but the individual's performance exceeds his performance goals; (b) the target award amount will be earned if the Corporate EPS, Corporate EBIT and the Total Revenue performance measures are achieved at 100% of the financial goals and the individual meets his performance goals; and (c) the maximum award amount will be earned if the Corporate EPS and Corporate EBIT financial goals are achieved at 125%, the Total Revenue financial goal is achieved at not less than 97% and the individual

**Table of Contents**

significantly exceeds his performance goals. The Key Management Annual Incentive Plan, including the target levels, business measurements, and performance goals, is described in the Compensation Discussion and Analysis section under Analysis of Compensation Elements Paid to Named Executive Officers Key Management Annual Incentive Plan.

- (3) The amounts in this column reflect the annual RSU grant made to each named executive officer. The Class B RSU grants to Messrs. Zev and Jeffrey Weiss will vest in approximately equal increments on each of the first, second and third anniversary dates of grant. The Class A RSU grants to Messrs. Smith, Beeder and Goulder will vest in equal amounts on each of the first and second anniversaries of the date of grant. The annual RSU grants are described in the Compensation Discussion and Analysis section under Analysis of Compensation Elements Paid to Named Executive Officers Long-Term Incentive Compensation RSUs and Stock Options.