AMERICAN GREETINGS CORP
Form 11-K
June 28, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

(Mark One):

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended December 31, 2011.

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from _________ to _________

Commission file number: 0-1502

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

AMERICAN GREETINGS RETIREMENT

PROFIT SHARING AND SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

AMERICAN GREETINGS CORPORATION

ONE AMERICAN ROAD

CLEVELAND, OHIO 44144

REQUIRED INFORMATION

The following financial statements are being furnished for the American Greetings Retirement Profit Sharing and Savings Plan (the Plan):

1. Audited statement of net assets available for benefits as of December 31, 2011 and 2010.

2. Audited statement of changes in net assets available for benefits for the years ended December 31, 2011 and 2010.

EXHIBITS

Exhibit No.	
23	Consent of Independent Registered Public Accounting Firm

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN GREETINGS RETIREMENT

PROFIT SHARING AND SAVINGS PLAN

June 28, 2012

By: /s/ Stephen J. Smith
Name: Stephen J. Smith
Title: As Senior Vice President and

Chief Financial Officer of American

Greetings Corporation

American Greetings

Retirement Profit Sharing and Savings Plan

Audited Financial Statements

and Supplemental Schedule

Years Ended December 31, 2011 and 2010

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Report of Independent Registered Public Accounting Firm

The Benefits Advisory Committee of the American Greetings

Retirement Profit Sharing and Savings Plan

Cleveland, Ohio

We have audited the accompanying statement of net assets available for benefits for the American Greetings Retirement Profit Sharing and Savings Plan as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the American Greetings Retirement Profit Sharing and Savings Plan as of December 31, 2011 and 2010, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming and opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole

/s/ SS&G Financial Services, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Cleveland, Ohio

June 28, 2012

American Greetings

Retirement Profit Sharing and Savings Plan

Statement of Net Assets Available for Benefits

	December 31,	
	2011	**2010**
Assets		
Investments, at fair value	**$ 679,027,466**	$ 699,473,845
Receivables:		
Employer contribution	**15,236,242**	14,684,769
Participant contributions	**71,269**	68,457
Notes receivable from participants	**5,505,793**	4,873,037
Total receivables	**20,813,304**	19,626,263
Net assets available for benefits	**$ 699,840,770**	$ 719,100,108

See notes to financial statements.

American Greetings

Retirement Profit Sharing and Savings Plan

Statement of Changes in Net Assets Available for Benefits

	Years Ended December 31, 2011	2010
Additions		
Investment income:		
Net (depreciation) appreciation in fair value of investments	**$ (19,902,618)**	$ 52,856,517
Interest and dividends	**19,319,622**	15,242,744
Interest income from participant loans	**199,258**	244,735
Contributions:		
Participants	**18,758,630**	19,046,805
Employer	**15,236,242**	14,592,356
Rollovers	**522,341**	1,051,909
Asset transfers in		16,123,784
Total additions	**34,133,475**	119,158,850
Deductions		
Benefits paid directly to participants	**53,340,526**	55,824,455
Administrative expenses and other deductions	**52,287**	68,750
Total deductions	**53,392,813**	55,893,205
Net (decrease) increase	**(19,259,338)**	63,265,645
Net assets available for benefits at beginning of year	**719,100,108**	655,834,463
Net assets available for benefits at end of year	**$ 699,840,770**	$ 719,100,108

See notes to financial statements.

American Greetings

Retirement Profit Sharing and Savings Plan

Notes to Financial Statements

1. Description of Plan

The following description of the American Greetings Retirement Profit Sharing and Savings Plan (the Plan) provides only general information. Participants should refer to the Plan Document for a more complete description of the Plan s provisions.

General

The Plan is a defined contribution plan covering substantially all nonunion, non-merchandisers group classes employees and certain union employees of American Greetings Corporation (the Corporation and Plan Sponsor) and its domestic subsidiaries. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

The Corporation, at its discretion, may make a profit sharing contribution in an amount to be determined by the Corporation. Historically, the Corporation annually contributed 8% of its consolidated domestic pretax profits, excluding gains and losses from capital assets, intercompany dividends and foreign currency transactions, to the Plan. The Corporation made contributions of $9,413,356 and $9,767,421, which were recorded as contribution receivables for 2011 and 2010, respectively. The profit sharing contributions were based on the Corporation s pretax profits for its fiscal years ended February 29, 2012 and February 28, 2011, respectively.

Participants may contribute 1% to 50% of pretax annual compensation (401(k) contributions) or after-tax annual compensation (Roth contributions) to the Plan, as defined in the Plan. The Corporation may restrict individual contributions below 50% in order to meet certain governmental limitations. The Corporation, at its discretion, may annually contribute 40% of up to the first 6% of annual compensation that a participant contributes to the Plan. The Corporation s matching contribution, which was recorded as a contribution receivable, was $5,222,886 and $4,917,348 for 2011 and 2010, respectively. All contributions are invested in accordance with the participants investment elections.

Participants direct the investment of their accounts, together with their share of the Corporation s annual contributions, to any of the investment options offered under the Plan.

Participant Accounts and Vesting

Each participant s account is credited with the participant s 401(k) contributions, Roth contributions and allocations of (a) the Corporation s profit sharing contribution and 401(k) matching contribution and (b) Plan earnings, and is charged with allocations of administrative expenses. Allocations are based on participant compensation, participant elections or account balances, as defined. Individuals who have retired or terminated employment with the Corporation do not participate in the Corporation s future contributions to the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant s account. Participants are immediately vested in both their and the Corporation s contributions, plus actual earnings thereon.

American Greetings

Retirement Profit Sharing and Savings Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Participant Loans

Participants may borrow against their elected deferred 401(k) contribution, Roth contribution or rollover contribution accounts, a minimum of $1,000 up to a maximum equal to the lesser of $50,000 (or less if a participant had an outstanding Plan loan in the prior twelve months) or 50% of their account balance. Loan terms range from 12 to 54 months for general purpose loans and 12 to 240 months for loans used for the purchase of a participant s primary residence. The loans are secured by the balance in the participant s account and bear interest at a rate of prime plus one percent at the time of the loan origination. Principal and interest are paid ratably, primarily through monthly payroll deductions.

Payment of Benefits

At the time of a participant s retirement or termination of service, the participant may elect to receive an immediate lump sum distribution, installment payments to be paid monthly, quarterly or annually, or rollover their distribution to an individual retirement account or other eligible plan.

Plan Termination

Although it has not expressed any intent to do so, the Corporation has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, the assets of the Plan will be distributed to the participants on the basis of individual account balances at the date of termination.

2. Summary of Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Investment Valuation and Income Recognition

The Plan s investments are stated at fair value. The shares of registered investment companies are valued at quoted market prices, which represent the net asset values of shares held by the Plan at year-end. The common shares of the Corporation are valued at the last reported sales price of the Corporation s Class A common shares on the last business day of the Plan year.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest.

American Greetings

Retirement Profit Sharing and Savings Plan

Notes to Financial Statements (continued)

2. Summary of Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06 (ASU 2010-06), Improving Disclosures about Fair Value Measurements. ASU 2010-06 provides amendments to ASC Topic 820, Fair Value Measurements and Disclosures, that require separate disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements in addition to the presentation of purchases, sales, issuances, and settlements for Level 3 fair value measurements. ASU 2010-06 also provides amendments to subtopic 820-10 that clarify existing disclosures about the level of disaggregation, and inputs and valuation techniques. The new disclosure requirements are effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements of Level 3 fair value measurements, which become effective for interim and annual periods beginning after December 15, 2010. The adoption of this update did not have a material effect on the Plan s financial statements.

In September 2010, the FASB issued ASU No. 2010-25 (ASU 2010-25), Reporting Loans to Participants Defined Contribution Pension Plans. ASU 2010-25 requires participant loans in an entity s defined contribution pension plan to be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. ASU 2010-25 should be applied retrospectively to all prior periods presented, effective for fiscal years ending after December 15, 2010. The adoption of this update did not have a material effect on the Plan s financial statements.

In May 2011, the FASB issued ASU No. 2011-04 (ASU 2011-04), Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. ASU 2011-04 is intended to improve comparability of fair value measurements presented and disclosed in financial statements prepared with U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements including (1) the application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity s shareholders equity, and (3) quantitative information required for fair value measurements categorized within Level 3. ASU 2011-04 also provides guidance on measuring the fair value of financial instruments managed within a portfolio and application of premiums and discounts in a fair value measurement. In addition, ASU 2011-04 requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value

American Greetings

Retirement Profit Sharing and Savings Plan

Notes to Financial Statements (continued)

2. Summary of Accounting Policies (continued)

to changes in unobservable inputs and any interrelationships between those inputs. The amendments in this guidance are to be applied prospectively, and are effective for interim and annual periods beginning after December 15, 2011. The Corporation does not expect that the adoption of this update will have a material effect on the Plan s financial statements.

Subsequent Events

The Plan s management evaluated subsequent events for potential recognition and disclosure through the date the financial statements were issued.

3. Investments

The Plan s investments are held by Vanguard Fiduciary Trust Company, Trustee of the Plan. The fair value of individual investments that represent 5% or more of the fair value of the Plan s net assets are as follows:

	December 31,	
	2011	**2010**
JPMorgan Core Bond Fund; Select Class	**$ 125,951,002**	$ 121,368,373
Vanguard 500 Index Fund Signal Shares	**92,040,168**	95,942,192
Vanguard Prime Money Market Fund	**71,700,897**	64,304,155
Vanguard PRIMECAP Fund Investor Shares	**147,857,992**	167,450,079
Vanguard Wellington Fund Investor Shares	**48,601,621**	51,396,689

During the years ended December 31, 2011 and 2010, the Plan s investments (including investments purchased, sold, as well as held during the year) (depreciated) appreciated in fair value as determined by quoted market prices as follows:

	2011	**2010**
Registered investment companies	**$ (11,387,492)**	$ 52,381,021
Common shares of American Greetings Corporation	**(8,515,126)**	475,496
Net (depreciation) appreciation in fair value of investments	**$ (19,902,618)**	$ 52,856,517

American Greetings

Retirement Profit Sharing and Savings Plan

Notes to Financial Statements (continued)

4. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service (the IRS) dated December 9, 2004, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended and restated. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan administrator believes the Plan is being operated, in all material respects, in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended and restated, is qualified and the related trust is tax exempt.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and believes that as of December 31, 2011, there were no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

5. Transactions with Parties in Interest

The Plan held 1,032,663 Class A common shares of the Corporation at December 31, 2011, with a fair value of $12,918,615 (954,366 Class A common shares at December 31, 2010, with a fair value of $21,148,751). Dividend income on the Corporation s common shares of $542,824 and $545,911 was recognized in 2011 and 2010, respectively.

The Plan invests in shares of mutual funds managed by an affiliate of the Trustee. Accounting, legal and certain other administrative fees are paid by the Corporation. All other expenses of the Plan are paid by the Plan. Investment advisory fees for portfolio management of Vanguard Funds are paid directly from individual fund earnings.

6. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the statement of net assets available for benefits.

American Greetings

Retirement Profit Sharing and Savings Plan

Notes to Financial Statements (continued)

7. Fair Value Measurements

Assets and liabilities measured at fair value are classified using the fair value hierarchy based upon the transparency of inputs as of the measurement date. The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement. The three levels are defined as follows:

Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Valuation is based upon unobservable inputs that are significant to the fair value measurement.

The following table summarizes the assets measured at fair value on a recurring basis as of the measurement dates, December 31, 2011 and 2010, and the basis for that measurement, by level within the fair value hierarchy:

At December 31, 2011:	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market fund	**$ 71,700,897**	**$**	**$**	**$ 71,700,897**
Bond fund	**125,951,002**			**125,951,002**
Balanced funds	**154,463,765**			**154,463,765**
Stock funds				
International growth	**23,162,274**			**23,162,274**
Market index	**114,732,719**			**114,732,719**
Large cap	**28,240,202**			**28,240,202**
Prime cap growth	**147,857,992**			**147,857,992**
American Greetings stock		**12,918,615**		**12,918,615**
Total investments	**$ 666,108,851**	**$ 12,918,615**	**$**	**$ 679,027,466**

At December 31, 2010:	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market fund	$ 64,304,155	$	$	$ 64,304,155
Bond fund	121,368,373			121,368,373
Balanced funds	145,914,637			145,914,637
Stock funds				
International growth	28,857,617			28,857,617
Market index	121,992,640			121,992,640
Large cap	28,437,593			28,437,593
Prime cap growth	167,450,079			167,450,079
American Greetings stock		21,148,751		21,148,751
Total investments	$ 678,325,094	$ 21,148,751	$	$ 699,473,845

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American Greetings

Retirement Profit Sharing and Savings Plan

Notes to Financial Statements (continued)

7. Fair Value Measurements (continued)

The Plan s valuation methodology used to measure the fair values of the mutual funds were derived from quoted market prices as substantially all of these instruments have active markets.

The American Greetings Stock Fund is valued at the net asset value of units held by the Plan at year-end.

8. Reconciliation of Financial Statements to Form 5500

Upon an event of default on a participant loan, to the extent a distribution to the participant is not permissible under the Plan, the amount due to the Plan on account of the defaulted loan will be treated as a deemed distribution. A loan that is a deemed distribution is treated as a distribution on Form 5500 and removed from Plan assets on Form 5500. However, in the Plan financial statements, and in accordance with the Plan, such deemed distributions remain part of the participant s account balance until a distributable event occurs for the participant.

The following schedules reconcile participant loans and net assets available for benefits per the financial statements at December 31, 2011 and 2010 to Form 5500:

	December 31,	
	2011	**2010**
Participant loans per the financial statements	**$ 5,505,793**	$ 4,873,037
Less: Certain deemed distributions of participant loans	**(32,981)**	(37,030)
Participant loans per Form 5500	**$ 5,472,812**	$ 4,836,007
Net assets available for benefits per the financial statements	**$ 699,840,770**	$ 719,100,108
Less: Certain deemed distributions of participant loans	**(32,981)**	(37,030)
Net assets available for benefits per Form 5500	**$ 699,807,789**	$ 719,063,078

The following is a reconciliation of the decrease in net assets per the financial statements for the year ended December 31, 2011 to Form 5500 net loss:

Net decrease per the financial statements	**$ (19,259,338)**
Less: Certain deemed distributions of participant loans	**4,049**
Net decrease per Form 5500	**$ (19,255,289)**

American Greetings

Retirement Profit Sharing and Savings Plan

Notes to Financial Statements (continued)

9. Plan Merger

During the year ended December 31, 2009, the Corporation acquired Recycled Paper Greetings, Inc. (RPG). Effective with the January 1, 2010 amendment, the Recycled Paper Greetings, Inc. Employees Retirement Savings Plan and Trust was merged into the Plan. As a result of this merger, an individual who was an employee of RPG on December 31, 2009 and still an employee on January 1, 2010, became a participant in the Plan. During the years ended December 31, 2010 and 2009, $16,123,784 and $1,032,455, respectively, were transferred to the Plan from the Recycled Paper Greetings, Inc. Employees Retirement Savings Plan and Trust. The total amount of transfer was $17,156,239.

10. Accrual for Employer Contribution

As the result of an IRS examination of the Plan for the year ended December 31, 2005, the IRS determined that the Plan Sponsor failed to follow certain provisions of the Plan document. The Plan Sponsor corrected the errors in accordance with the provision of the IRS Employee Plans Compliance Resolution System (EPCRS). In 2009, the estimated amount for the correction of $416,643, which included earnings, was recorded as an employer contribution receivable by the Plan and was also accrued by the Plan Sponsor. The amount for the correction totaling $408,212 was finalized and paid in July 2010.

11. Voluntary Correction Program

The Corporation has identified the following operational errors relating to the Plan: (i) the failure to correctly apply the Plan s definition of compensation in determining the level of participant deferrals and Company profit sharing and matching contributions, (ii) the failure to use correct loan interest rate and certain failures in loan administration, (iii) the improper inclusion of certain employees who did not satisfy the Plan s eligibility requirements, and (iv) the failure to implement automatic enrollment and escalator provisions for certain employees. To correct these operational errors, the Corporation made a Voluntary Corrections Program (VCP) submission to the IRS on September 7, 2011. Based upon the advice of legal counsel, the Corporation expects that the IRS will accept the Corporation s VCP submission, and the Corporation is committed to take such corrective actions as may be required by the IRS in response to such submission. The estimated amount of the corrective payments is $600,000 and is included in employer contribution receivable at December 31, 2011.

American Greetings

Retirement Profit Sharing and Savings Plan

Notes to Financial Statements

American Greetings

Retirement Profit Sharing and Savings Plan

EIN #34-0065325 Plan #001

Schedule H, Line 4i Schedule of Assets

(Held at End of Year)

December 31, 2011

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment Including Maturity Date, Rate of Interest, Par, or Maturity Value	Current Value
Value of interest in registered investment companies		
JPMorgan Core Bond Fund; Select Class	10,646,746 shares	$ 125,951,002
*Vanguard 500 Index Fund Signal Shares	962,260 shares	92,040,168
*Vanguard PRIMECAP Fund Investor Shares	2,394,849 shares	147,857,992
*Vanguard Wellington Fund Investor Shares	1,550,786 shares	48,601,621
*Vanguard Prime Money Market Fund	71,700,897 shares	71,700,897
*Vanguard Target Retirement 2005 Fund	140,296 shares	1,680,746
*Vanguard Target Retirement 2010 Fund	199,785 shares	4,481,174
*Vanguard Target Retirement 2015 Fund	1,160,613 shares	14,275,537
*Vanguard Target Retirement 2020 Fund	405,056 shares	8,785,670
*Vanguard Target Retirement 2025 Fund	1,273,064 shares	15,620,497
*Vanguard Target Retirement 2030 Fund	322,375 shares	6,744,095
*Vanguard Target Retirement 2035 Fund	637,110 shares	7,970,246
*Vanguard Target Retirement 2040 Fund	224,221 shares	4,596,534
*Vanguard Target Retirement 2045 Fund	539,345 shares	6,941,371
*Vanguard Target Retirement 2050 Fund	117,916 shares	2,406,658
*Vanguard Target Retirement 2055 Fund	5,423 shares	118,548
*Vanguard Target Retirement Income	513,706 shares	5,923,032
*Vanguard Windsor II Fund Investor Shares	1,095,431 shares	28,240,202
*Vanguard Wellesley Income Fund Investor Shares	1,147,756 shares	26,318,036
*Vanguard International Growth Fund Investor Shares	1,416,653 shares	23,162,274
*Vanguard Extended Market Index Fund Signal Shares	671,179 shares	22,692,551
Total value of interest in registered investment companies		666,108,851
Employer-related investments		
*American Greetings Corp. Class A Common Shares	1,032,663 shares	12,918,615
Total employer-related investments		12,918,615
***Loans to participants**	4.25% to 10.5%, various maturity dates	5,505,793

	$ 684,533,259

*Indicates party in interest to the Plan.

See accompanying notes to financial statements