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AMERICAN GREETINGS CORP
Form 424B3
February 06, 2002

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED OCTOBER 22, 2001)

FILED PURSUANT TO RULE 424(B)(3)
REGISTRATION NO. 333-68526

AMERICAN GREETINGS CORPORATION

175,000,000 PRINCIPAL AMOUNT OF 7.00% CONVERTIBLE
SUBORDINATED NOTES DUE JULY 15, 2006

AND

12,590,655 CLASS A COMMON SHARES ISSUABLE
UPON CONVERSION OF THE NOTES

This Prospectus Supplement (the "Supplement") supplements the Prospectus dated October 22, 2001 contained in the Registration Statement on Form S-3 (Commission File No. 333-68526) and relates to the resale by the Selling Securityholders named herein under the heading "Selling Securityholders" (the "Selling Securityholders") of (i) up to \$4,850,000 aggregate principal amount of 7.00% Convertible Subordinated Notes due 2006 (the "Notes") of American Greetings Corporation (the "Company"), originally issued in a private placement on June 29, 2001 and July 20, 2001 and (ii) up to 348,939 Class A Common Shares (the "Class A Common Shares") of the Company (and such indeterminate number of additional shares as may be issued pursuant to antidilution adjustments). This Supplement should be read in conjunction with the Prospectus, dated October 22, 2001 (the "Prospectus"), to be delivered with this Supplement. All capitalized terms used but not defined in this Supplement shall have the meanings given them in the Prospectus.

The Class A Common Shares of the Company are traded on the New York Stock Exchange under the symbol "AM." On February 4, 2002, the last reported sale price for the Class A Common Shares was \$12.27 per share.

The Notes are not listed on any securities exchange or included in any automated quotation system. The Notes are currently designated for trading in the Private Offerings, Resale and Trading through Automatic Linkages (PORTAL) Market of the National Association of Securities Dealers, Inc.

The Notes are unsecured obligation of the Company, are subordinate in right of payment to all current and future senior debt of the Company. As of November 30, 2001, the Company had \$840 million of senior debt outstanding and its subsidiaries had \$275 million of outstanding debt and other liabilities (including trade payables). The Indenture permits the incurrence of additional indebtedness or other liabilities by the Company or its subsidiaries in the future.

The date of this Prospectus Supplement is February 6, 2002.

SELLING SECURITYHOLDERS

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The following table sets forth information concerning the aggregate principal amount of Notes beneficially owned by each Selling Securityholder, as of January 30, 2002, and the number of Class A Common Shares issuable upon conversion of Notes held thereby, which may be offered from time to time pursuant to this Supplement. Other than their ownership of the Company's securities, none of the Selling Securityholders has had any material relationship with the Company within the past three years, other than an affiliate of Goldman Sachs & Company which, during such period, has acted as an Initial Purchaser of the Notes and the Company's 11.75% Senior Subordinated Notes due 2008 and as a financial advisor for the Company. The table below has been prepared on the basis of information furnished to the Company by or on behalf of the Selling Securityholders. The information below supplements the information contained in the Prospectus under the caption "Selling Securityholders." Because any or all of the Notes or Class A Common Shares listed below may be offered for sale by the Selling Securityholders from time to time, no estimate can be given as to the percentage of Notes or Class A Common Shares that will be held by the Selling Securityholders upon termination of sales pursuant to this Supplement.

| NAME (1) | PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED THAT MAY BE SOLD | PERCENTAGE OF NOTES OUTSTANDING | UNDERLYING CLASS A COMMON SHARES THAT MAY MAY BE SOLD (2) |
|---------------------------|---|---------------------------------------|---|
| Goldman Sachs and Company | 2,250,000 | 1.29 | 161,879 |
| HFR CA Select Fund | 400,000 | * | 28,778 |
| Zazove Income Fund, L.P. | 2,200,000 | 1.26 | 158,282 |

* Less than 1%

- (1) The Selling Securityholders and the amount of Notes held by them are set forth herein as of January 30, 2002 and will be updated as required.
- (2) Assumes conversion of the full amount of Notes held by such holder at the initial rate of 71.9466 Class A Common Shares per \$1,000 principal amount of Notes. The conversion rate and the number of Class A Common Shares issuable upon conversion of the Notes is subject to adjustment under certain circumstances. See "Description of Notes -- Conversion Rights" in the Prospectus. Accordingly, the number of Class A Common Shares issuable upon conversion of the Notes may increase or decrease from time to time. Under the terms of the Indenture, fractional shares will not be issued upon conversion of the Notes; cash will be paid in lieu of fractional shares, if any.
- (3) Based upon 63,745,405 Class A Common Shares outstanding as of November 30, 2001, treating as outstanding the total number of Class A Common Shares shown as being issuable upon the assumed conversion by the named Selling Securityholder of the full amount of such Selling Securityholder's Notes

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but not assuming the conversion of the Notes of any other Selling Securityholder.