

AMERICAN GREETINGS CORP

Form DEF 14A

May 13, 2011

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**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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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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**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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**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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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

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(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.



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### **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.

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### **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

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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

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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

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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

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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.

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**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.

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**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.

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**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.