AMERICAN GREETINGS CORP
Form 10-K/A
November 14, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended February 28, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 1-13859

American Greetings Corporation

(Exact name of registrant as specified in its charter)

Ohio	**34-0065325**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
One American Road, Cleveland, Ohio	**44144**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code: (216) 252-7300

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Class A Common Shares, Par Value $1.00	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Class B Common Shares, Par Value $1.00

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES þ NO ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO ¨

Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES þ NO ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) YES ¨ NO þ

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant s most recently completed second fiscal quarter, August 27, 2010 $729,061,401 (affiliates, for this purpose, have been deemed to be directors, executive officers and certain significant shareholders).

Number of shares outstanding as of April 27, 2011: CLASS A COMMON 37,482,554 CLASS B COMMON 2,937,927

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Greetings Corporation Definitive Proxy Statement for the Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission within 120 days after the close of the registrant s fiscal year (incorporated into Part III).

EXPLANATORY NOTE

This Amendment No. 1 amends the Annual Report on Form 10-K for the fiscal year ended February 28, 2011 (this Form 10-K/A) of American Greetings Corporation (the Corporation). The Consolidated Financial Statements of the Corporation previously reported on Form 10-K for the fiscal year ended February 28, 2011, have been amended and restated in order to reflect certain adjustments to the Corporation s financial statements for each of the fiscal years ended February 28, 2011, 2010 and 2009, with respect to the impact of an understatement of a deferred tax asset that occurred in the fiscal year ended February 29, 2004. The impact of the restatement is more fully described in Note 1A to the Consolidated Financial Statements contained in this Amendment No. 1. The restatements to the affected financial statements were non-cash in nature. All referenced amounts in this Form 10-K/A for prior periods and prior-period comparisons reflect the balances and amounts on a restated basis, as applicable.

This Form 10-K/A amends and restates in their entirety Items 6, 8 and 9A of Part II and Item 15 of Part IV of the original Form 10-K filed with the SEC on April 29, 2011, and no other information included in the original Form 10-K is amended hereby. This Amendment No. 1 continues to speak as of the date of the filing of the original Form 10-K, and the Corporation has not updated the disclosures contained herein to reflect any events that occurred at a later date.

Item 6. Selected Financial Data
Thousands of dollars except share and per share amounts (Restated)

	2011	2010(1)	2009	2008	2007(2)
Summary of Operations					
Net sales	$ 1,560,213	$ 1,598,292	$ 1,646,399	$ 1,730,784	$ 1,744,798
Total revenue	1,592,568	1,635,858	1,690,738	1,776,451	1,794,290
Goodwill and other intangible asset impairments	-	-	290,166	-	2,196
Interest expense	25,389	26,311	22,854	20,006	34,986
Income (loss) from continuing operations	87,018	81,574	(227,759)	83,320	39,938
(Loss) income from discontinued operations, net of tax	-	-	-	(317)	2,440
Net income (loss)	87,018	81,574	(227,759)	83,003	42,378
Earnings (loss) per share:					
Income (loss) from continuing operations	2.18	2.07	(4.89)	1.54	0.69
(Loss) income from discontinued operations, net of tax	-	-	-	(0.01)	0.04
Earnings (loss) per share	2.18	2.07	(4.89)	1.53	0.73
Earnings (loss) per share assuming dilution	2.11	2.03	(4.89)	1.52	0.71
Cash dividends declared per share	0.56	0.36	0.60	0.40	0.32
Fiscal year end market price per share	21.65	19.07	3.73	18.82	23.38
Average number of shares outstanding	39,982,784	39,467,811	46,543,780	54,236,961	57,951,952
Financial Position					
Inventories	179,730	163,956	194,945	207,629	174,426
Working capital	373,226	325,551	244,663	260,500	448,888
Total assets	1,547,249	1,544,498	1,462,895	1,823,979	1,799,595
Property, plant and equipment additions	36,346	26,550	55,733	56,623	41,716
Long-term debt	232,688	328,723	389,473	220,618	223,915
Shareholders equity(3)	763,758	650,911	544,035	958,257	1,027,421
Shareholders equity per share	18.90	16.49	13.42	19.65	18.64
Net return on average shareholders equity from continuing operations	12.3%	13.7%	(30.3)%	8.4%	3.5%

(1) During 2010, the Corporation incurred a loss of $29.3 million on the disposition of the Retail Operations segment. The Corporation also recorded a gain of $34.2 million related to the party goods transaction and a charge of approximately $15.8 million for asset impairments and severance associated with a facility closure. Also in 2010, the Corporation recognized a cost of $18.2 million in connection with the shutdown of its distribution operations in Mexico. See Notes 2 and 3 to the Corporation s 2011 financial statements.

(2) During 2007, as a result of retailer consolidation, wherein multiple long-term supply agreements were terminated and a new agreement was negotiated with a new legal entity with substantially different terms and sales commitments, a gain of $20.0 million was recorded. Also, in 2007, the Corporation sold substantially all of the assets associated with its candle product lines and recorded a loss of approximately $16.0 million.

(3) The Corporation adopted accounting guidance for convertible debt instruments in 2010. This guidance requires an issuer of certain convertible instruments that may be settled in cash or other assets on conversion to separately account for the liability and equity components of the instrument in a manner that reflects the issuer s nonconvertible debt borrowing rate. The impact on shareholders equity of retrospectively applying this guidance related to the Corporation s 7.00% convertible subordinated notes issued in 2002 and settled in 2007 would have been $35 million for 2007. The convertible subordinated notes were not outstanding in the four years ended February 28, 2011.

1

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements and Supplementary Financial Data	**Page Number**
Report of Independent Registered Public Accounting Firm	3
Consolidated Statement of Operations Years ended February 28, 2011, 2010 and 2009	4
Consolidated Statement of Financial Position February 28, 2011 and 2010	5
Consolidated Statement of Cash Flows Years ended February 28, 2011, 2010 and 2009	6
Consolidated Statement of Shareholders Equity Years ended February 28, 2011, 2010 and 2009	7
Notes to Consolidated Financial Statements Years ended February 28, 2011, 2010 and 2009	8
Supplementary Financial Data:	
Quarterly Results of Operations (Unaudited)	47

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

of American Greetings Corporation

We have audited the accompanying consolidated statement of financial position of American Greetings Corporation as of February 28, 2011 and February 28, 2010, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended February 28, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Corporation s management. Our responsibility is to express an opinion on these financial statements and schedule 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial position of American Greetings Corporation at February 28, 2011 and February 28, 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 28, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1A to the consolidated financial statements each of the three years in the period ended February 28, 2011 have been restated to correct for an error in accounting for income taxes.

As discussed in Note 1 to the consolidated financial statements, in 2010 the Corporation changed its method of accounting for business combinations.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), American Greetings Corporation s internal control over financial reporting as of February 28, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 29, 2011, except for the effects of the material weakness described in the sixth paragraph as to which the date is November 14, 2011, expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

April 29, 2011, except for Note 1A, as to which the date is November 14, 2011.

CONSOLIDATED STATEMENT OF OPERATIONS

Years ended February 28, 2011, 2010 and 2009

Thousands of dollars except share and per share amounts

	2011	2010	2009
Net sales	$ 1,560,213	$ 1,598,292	$ 1,646,399
Other revenue	32,355	37,566	44,339
Total revenue	1,592,568	1,635,858	1,690,738
Material, labor and other production costs	682,368	713,075	809,956
Selling, distribution and marketing expenses	478,227	507,960	618,899
Administrative and general expenses	260,476	276,031	226,317
Goodwill and other intangible asset impairments			290,166
Other operating income net	(3,205)	(310)	(1,396)
Operating income (loss)	174,702	139,102	(253,204)
Interest expense	25,389	26,311	22,854
Interest income	(853)	(1,676)	(3,282)
Other non-operating (income) expense- net	(5,841)	(6,487)	2,157
Income (loss) before income tax expense (benefit)	156,007	120,954	(274,933)
Income tax expense (benefit)	68,989	39,380	(47,174)
Net income (loss)	$ 87,018	$ 81,574	$ (227,759)
Earnings (loss) per share basic	$ 2.18	$ 2.07	$ (4.89)
Earnings (loss) per share assuming dilution	$ 2.11	$ 2.03	$ (4.89)
Average number of shares outstanding	39,982,784	39,467,811	46,543,780
Average number of shares outstanding assuming dilution	41,244,903	40,159,651	46,543,780
Dividends declared per share	$ 0.56	$ 0.36	$ 0.60

See notes to consolidated financial statements.

4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

February 28, 2011 and 2010

Thousands of dollars except share and per share amounts

	2011	2010 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 215,838	$ 137,949
Trade accounts receivable, net	119,779	135,758
Inventories	179,730	163,956
Deferred and refundable income taxes	64,898	93,280
Assets held for sale	7,154	15,147
Prepaid expenses and other	128,372	148,048
Total current assets	715,771	694,138
GOODWILL	28,903	31,106
OTHER ASSETS	436,137	428,161
DEFERRED AND REFUNDABLE INCOME TAXES	124,789	148,210
PROPERTY, PLANT AND EQUIPMENT NET	241,649	242,883
	$ 1,547,249	$ 1,544,498
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Debt due within one year	$	$ 1,000
Accounts payable	87,105	95,434
Accrued liabilities	69,824	78,245
Accrued compensation and benefits	72,379	85,092
Income taxes payable	10,951	13,901
Other current liabilities	102,286	94,915
Total current liabilities	342,545	368,587
LONG-TERM DEBT	232,688	328,723
OTHER LIABILITIES	176,522	168,098
DEFERRED INCOME TAXES AND NONCURRENT INCOME TAXES PAYABLE	31,736	28,179
SHAREHOLDERS EQUITY		
Common shares par value $1 per share:		
Class A 82,181,659 shares issued less 44,711,736 treasury shares in 2011 and 80,884,505 shares issued less 44,627,298 treasury shares in 2010	37,470	36,257
Class B 6,066,092 shares issued less 3,128,841 treasury shares in 2011 and 6,066,092 shares issued less 2,843,069 treasury shares in 2010	2,937	3,223
Capital in excess of par value	492,048	461,076
Treasury stock	(952,206)	(946,724)
Accumulated other comprehensive loss	(2,346)	(29,815)
Retained earnings	1,185,855	1,126,894
Total shareholders equity	763,758	650,911
	$ 1,547,249	$ 1,544,498

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended February 28, 2011, 2010 and 2009

Thousands of dollars

	2011	2010	2009
OPERATING ACTIVITIES:			
Net income (loss)	$ 87,018	$ 81,574	$ (227,759)
Adjustments to reconcile net income (loss) to cash flows from operating activities:			
Goodwill and other intangible asset impairments			290,166
Stock-based compensation	13,017	5,870	4,506
Net gain on dispositions	(254)	(6,507)	
Net (gain) loss on disposal of fixed assets	(3,463)	59	1,215
Depreciation and intangible assets amortization	41,048	45,165	50,016
Deferred income taxes	28,642	25,268	(29,438)
Fixed asset impairments	119	13,005	5,465
Other non-cash charges	3,663	12,419	3,764
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Trade accounts receivable	15,296	(56,105)	(6,504)
Inventories	(13,097)	14,923	2,877
Other current assets	(1,922)	16,936	17,309
Income taxes	19,947	18,863	(5,934)
Deferred costs net	14,262	18,405	27,596
Accounts payable and other liabilities	(31,015)	(633)	(68,154)
Other net	6,538	8,248	7,915
Total Cash Flows From Operating Activities	179,799	197,490	73,040
INVESTING ACTIVITIES:			
Property, plant and equipment additions	(36,346)	(26,550)	(55,733)
Cash payments for business acquisitions, net of cash acquired	(500)	(19,300)	(37,882)
Proceeds from sale of fixed assets	14,242	1,124	433
Proceeds from escrow related to party goods transaction	25,151		
Other net	5,663	4,713	(44,153)
Total Cash Flows From Investing Activities	8,210	(40,013)	(137,335)
FINANCING ACTIVITIES:			
Net (decrease) increase in long-term debt	(98,250)	(62,350)	118,991
Net decrease in short-term debt	(1,000)		
Sale of stock under benefit plans	16,620	6,557	525
Excess tax benefit from share-based payment awards	4,512	148	
Purchase of treasury shares	(13,521)	(11,848)	(73,983)
Dividends to shareholders	(22,354)	(19,049)	(22,566)
Debt issuance costs	(3,199)		
Total Cash Flows From Financing Activities	(117,192)	(86,542)	22,967
EFFECT OF EXCHANGE RATE CHANGES ON CASH	7,072	6,798	(21,956)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,889	77,733	(63,284)
Cash and Cash Equivalents at Beginning of Year	137,949	60,216	123,500
Cash and Cash Equivalents at End of Year	$ 215,838	$ 137,949	$ 60,216

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

Years ended February 28, 2011, 2010 and 2009

Thousands of dollars except per share amounts

	Common Shares		Capital in Excess of	Treasury	Accumulated Other Comprehensive Income	Retained	
	Class A	**Class B**	**Par Value**	**Stock**	**(Loss)**	**Earnings**	**Total**
BALANCE MARCH 1, 2008 (Restated)	$ 45,324	$ 3,434	$ 445,696	$ (872,949)	$ 21,244	$ 1,315,508	$ 958,257
Net loss						(227,759)	(227,759)
Other comprehensive loss:							
Foreign currency translation adjustment					(80,845)		(80,845)
Pension and postretirement adjustments recognized in accordance with ASC 715 (net of tax of $6,839)					(7,674)		(7,674)
Unrealized loss on available-for-sale securities (net of tax of $0)					(3)		(3)
Comprehensive loss							(316,281)
Cash dividends $0.60 per share						(27,491)	(27,491)
Sale of shares under benefit plans, including tax benefits	26		384				410
Purchase of treasury shares	(8,311)	(10)		(67,158)			(75,479)
Stock compensation expense			4,369				4,369
Stock grants and other	4	75	(1,364)	2,021		(486)	250
BALANCE FEBRUARY 28, 2009 (Restated)	37,043	3,499	449,085	(938,086)	(67,278)	1,059,772	544,035
Net income						81,574	81,574
Other comprehensive income:							
Foreign currency translation adjustment					22,467		22,467
Reclassification of currency translation adjustment for amounts recognized in income (net of tax of $0)					8,627		8,627
Pension and postretirement adjustments recognized in accordance with ASC 715 (net of tax of $5,837)					6,366		6,366
Unrealized gain on available-for-sale securities (net of tax of $0)					3		3
Comprehensive income							119,037
Cash dividends $0.36 per share						(14,124)	(14,124)
Sale of shares under benefit plans, including tax benefits	336		6,172				6,508
Purchase of treasury shares	(1,125)	(292)		(9,111)			(10,528)
Stock compensation expense			5,819				5,819
Stock grants and other	3	16		473		(328)	164
BALANCE FEBRUARY 28, 2010 (Restated)	36,257	3,223	461,076	(946,724)	(29,815)	1,126,894	650,911
Net income						87,018	87,018
Other comprehensive income:							
Foreign currency translation adjustment					15,165		15,165
Pension and postretirement adjustments recognized in accordance with ASC 715 (net of tax of $8,083)					12,303		12,303
Unrealized gain on available-for-sale securities (net of tax of $0)					1		1

Comprehensive income							114,487
Cash dividends $0.56 per share						(22,354)	(22,354)
Sale of shares under benefit plans, including tax benefits	1,213	257	17,951	7,366		(5,652)	21,135
Purchase of treasury shares		(547)		(12,974)			(13,521)
Stock compensation expense			13,017				13,017
Stock grants and other		4	4	126		(51)	83
BALANCE FEBRUARY 28, 2011 (Restated)	$ 37,470	$ 2,937	$ 492,048	$ (952,206)	$ (2,346)	$ 1,185,855	$ 763,758

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended February 28, 2011, 2010 and 2009

Thousands of dollars except per share amounts

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Consolidation: The consolidated financial statements include the accounts of American Greetings Corporation and its subsidiaries (American Greetings or the Corporation). All significant intercompany accounts and transactions are eliminated. The Corporation s fiscal year ends on February 28 or 29. References to a particular year refer to the fiscal year ending in February of that year. For example, 2011 refers to the year ended February 28, 2011.

The Corporation s investments in less than majority-owned companies in which it has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method except when they qualify as variable interest entities (VIE) and the Corporation is the primary beneficiary, in which case the investments are consolidated in accordance with Accounting Standards Codification (ASC) Topic 810, Consolidation. Investments that do not meet the above criteria are accounted for under the cost method.

The Corporation holds an approximately 15% equity interest in Schurman Fine Papers (Schurman), which is a VIE as defined in ASC Topic 810, Consolidation. Schurman owns and operates approximately 430 specialty card and gift retail stores in the United States and Canada. The stores are primarily located in malls and strip shopping centers. During the current period, the Corporation assessed the variable interests in Schurman and determined that a third party holder of variable interests has the controlling financial interest in the VIE and thus, the third party, not the Corporation, is the primary beneficiary. In completing this assessment, the Corporation identified the activities that it considers most significant to the future economic success of the VIE and determined that it does not have the power to direct those activities. As such, Schurman is not consolidated in the Corporation s results. The Corporation s maximum exposure to loss as it relates to Schurman as of February 28, 2011 includes:

- the investment in the equity of Schurman of $1,935;

- the Liquidity Guaranty of Schurman s indebtedness of $12,000 and the Bridge Guaranty of Schurman s indebtedness of $12,000, see Note 11 for further information;

- normal course of business trade accounts receivable due from Schurman, the balance of which fluctuates throughout the year due to the seasonal nature of the business;

- the operating leases currently subleased to Schurman, the aggregate lease payments for the remaining life of which was $35,985 and $50,854 as of February 28, 2011 and 2010, respectively.

The Corporation and Schurman are also party to a Subordinated Credit Facility that provides Schurman with up to $10,000 of subordinated financing for an initial term of nineteen months, subject to up to three automatic one-year renewal periods (or partial-year, in the case of the last renewal), unless either party provides the appropriate written notice prior to the expiration of the applicable term. Schurman can only borrow under the facility if it does not have other sources of financing available, and borrowings under the Subordinated Credit Facility may only be used for specified purposes. Borrowings under the Subordinated Credit Facility are subordinate to borrowings under the Senior Credit Facility, and the Subordinated Credit Facility includes affirmative and negative covenants and events of default customary for such financings. In addition, availability under the Subordinated Credit Facility is limited as long as the Bridge Guaranty is in place to the difference between $10,000 and the current maximum amount of the Bridge Guaranty. Because the Bridge Guaranty remained at $12,000 as of February 28, 2011, there were no loans outstanding, or available under the Subordinated Credit Facility, as of February 28, 2011.

In accordance with its terms, on April 1, 2011, the Bridge Guaranty was terminated. As a result of the termination of the Bridge Guaranty, beginning on April 2, 2011, Schurman may now borrow up to $10,000 under the Subordinated Credit Facility. Because the Liquidity Guaranty described above remains in place but Schurman

is now able to borrow under the Subordinated Credit Facility, the Corporation s net exposure under guaranties and available financing to Schurman decreased by $2,000 due to the termination of the Bridge Guaranty.

In addition to the investment in the equity of Schurman, the Corporation holds an investment in the common stock of AAH Holdings Corporation (AAH). These two investments, totaling $12,546, are accounted for under the cost method. The Corporation is not aware of any events or changes in circumstances that had occurred during 2011 that the Corporation believes are reasonably likely to have had a significant adverse effect on the carrying amount of these investments. See Note 2 for further information.

Reclassifications: Certain amounts in the prior year financial statements have been reclassified to conform to the 2011 presentation.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates, including those related to sales returns, allowance for doubtful accounts, customer allowances and discounts, recoverability of intangibles and other long-lived assets, deferred tax asset valuation allowances, deferred costs and various other allowances and accruals, based on currently available information. Changes in facts and circumstances may alter such estimates and affect the results of operations and the financial position in future periods.

Cash Equivalents: The Corporation considers all highly liquid instruments purchased with an original maturity of less than three months to be cash equivalents.

Allowance for Doubtful Accounts: The Corporation evaluates the collectibility of its accounts receivable based on a combination of factors. In circumstances where the Corporation is aware of a customer s inability to meet its financial obligations, a specific allowance for bad debts against amounts due is recorded to reduce the receivable to the amount the Corporation reasonably expects will be collected. In addition, the Corporation recognizes allowances for bad debts based on estimates developed by using standard quantitative measures incorporating historical write-offs. See Note 6 for further information.

Customer Allowances and Discounts: The Corporation offers certain of its customers allowances and discounts including cooperative advertising, rebates, marketing allowances and various other allowances and discounts. These amounts are recorded as reductions of gross accounts receivable or included in accrued liabilities and are recognized as reductions of net sales when earned. These amounts are earned by the customer as product is purchased from the Corporation and are recorded based on the terms of individual customer contracts. See Note 6 for further information.

Concentration of Credit Risks: The Corporation sells primarily to customers in the retail trade, including those in the mass merchandise, drug store, discount retailer, supermarket and other channels of distribution. These customers are located throughout the United States, Canada, the United Kingdom, Australia, New Zealand and Mexico. Net sales to the Corporation s five largest customers accounted for approximately 42%, 39% and 36% of total revenue in 2011, 2010 and 2009, respectively. Net sales to Wal-Mart Stores, Inc. and its subsidiaries accounted for approximately 15%, 14% and 15% of total revenue in 2011, 2010 and 2009, respectively. Net sales to Target Corporation accounted for approximately 14% and 13% of total revenue in 2011 and 2010, respectively, and less than 10% in 2009.

The Corporation conducts business based on periodic evaluations of its customers financial condition and generally does not require collateral to secure their obligation to the Corporation. While the competitiveness of the retail industry presents an inherent uncertainty, the Corporation does not believe a significant risk of loss exists from a concentration of credit.

Inventories: Finished products, work in process and raw materials inventories are carried at the lower of cost or market. The last-in, first-out (LIFO) cost method is used for certain domestic inventories, which approximate 80% of the total pre-LIFO consolidated inventories at February 28, 2011 and 2010, respectively. International inventories and the remaining domestic inventories principally use the first-in, first-out (FIFO) method except for display material and factory supplies which are carried at average cost. The Corporation allocates fixed

production overhead to inventory based on the normal capacity of the production facilities. Abnormal amounts of idle facility expense, freight, handling costs and wasted material are treated as a current period expense. See Note 7 for further information.

Deferred Costs: In the normal course of its business, the Corporation enters into agreements with certain customers for the supply of greeting cards and related products. The Corporation classifies the total contractual amount of the incentive consideration committed to the customer but not yet earned as a deferred cost asset at the inception of an agreement, or any future amendments. Deferred costs estimated to be earned by the customer and charged to operations during the next twelve months are classified as Prepaid expenses and other on the Consolidated Statement of Financial Position and the remaining amounts to be charged beyond the next twelve months are classified as Other assets. Such costs are capitalized as assets reflecting the probable future economic benefits obtained as a result of the transactions. Future economic benefit is further defined as cash inflow to the Corporation. The Corporation, by incurring these costs, is ensuring the probability of future cash flows through sales to customers. The amortization of such deferred costs over the stated term of the agreement or the minimum purchase volume commitment properly matches the cost of obtaining business over the periods to be benefited. The Corporation maintains an allowance for deferred costs based on estimates developed using standard quantitative measures incorporating historical write-offs. In instances where the Corporation is aware of a particular customer s inability to meet its performance obligation, a specific allowance is recorded to reduce the deferred cost asset to an estimate of its future value based upon expected recoverability. See Note 10 for further discussion.

Deferred Film Production Costs: The Corporation is engaged in the production of film-based entertainment, which is generally exploited in the DVD, theatrical release or broadcast format. This entertainment is related to Strawberry Shortcake, Care Bears and other properties developed by the Corporation and is used to support the Corporation s merchandise licensing strategy.

Film production costs are accounted for pursuant to ASC Topic 926 (ASC 926), Entertainment Films, and are stated at the lower of cost or net realizable value based on anticipated total revenue (ultimate revenue). Film production costs are generally capitalized. These costs are then recognized ratably based on the ratio of the current period s revenue to estimated remaining ultimate revenues. Ultimate revenues are calculated in accordance with ASC 926 and require estimates and the exercise of judgment. Accordingly, these estimates are periodically updated to include the actual results achieved or new information as to anticipated revenue performance of each title.

Production expense totaled $4,736 and $4,360 in 2011 and 2010, respectively, with no significant amounts related to changes in ultimate revenue estimates. These production costs are included in Material, labor and other production costs on the Consolidated Statement of Operations. Amortization of production costs totaling $3,380, $2,209 and $10,513 in 2011, 2010 and 2009, respectively, are included in Other net on the Consolidated Statement of Cash Flows. The balance of deferred film production costs was $9,246 and $11,479 at February 28, 2011 and 2010, respectively, and are included in Other assets on the Consolidated Statement of Financial Position. The Corporation expects to recognize amortization of approximately $2,000 of production costs during the next twelve months.

Investment in Life Insurance: The Corporation s investment in corporate-owned life insurance policies is recorded in Other assets net of policy loans and related interest payable on the Consolidated Statement of Financial Position. The net balance was $21,760 and $18,330 as of February 28, 2011 and 2010, respectively. The net life insurance expense, including interest expense, is included in Administrative and general expenses on the Consolidated Statement of Operations. The related interest expense, which approximates amounts paid, was $12,122, $12,207 and $11,101 in 2011, 2010 and 2009, respectively.

Goodwill and Other Intangible Assets: Goodwill represents the excess of purchase price over the estimated fair value of net assets acquired in business combinations and is not amortized in accordance with ASC Topic 350 (ASC 350), Intangibles Goodwill and Other. This topic addresses the amortization of intangible assets with defined lives and the impairment testing and recognition for goodwill and indefinite-lived intangible assets. The Corporation is required to evaluate the carrying value of its goodwill and indefinite-lived intangible assets for potential impairment on an annual basis or more frequently if indicators arise.

While the Corporation may use a variety of methods to estimate fair value for impairment testing, its primary methods are discounted cash flows and a market based analysis. The required annual impairment tests are completed during the fourth quarter. Intangible assets with defined lives are amortized over their estimated lives. See Note 9 for further discussion.

Property and Depreciation: Property, plant and equipment are carried at cost. Depreciation and amortization of buildings, equipment and fixtures are computed principally by the straight-line method over the useful lives of the various assets. The cost of buildings is depreciated over 40 years; computer hardware and software over 3 to 7 years; machinery and equipment over 3 to 15 years; and furniture and fixtures over 8 to 20 years. Leasehold improvements are amortized over the lesser of the lease term or the estimated life of the leasehold improvement. Property, plant and equipment are reviewed for impairment in accordance with ASC Topic 360 (ASC 360), Property, Plant and Equipment. ASC 360 also provides a single accounting model for the disposal of long-lived assets. In accordance with ASC 360, assets held for sale are stated at the lower of their fair values less cost to sell or carrying amounts and depreciation is no longer recognized. See Note 8 for further information.

Operating Leases: Rent expense for operating leases, which may have escalating rentals over the term of the lease, is recorded on a straight-line basis over the initial lease term. The initial lease term includes the build-out period of leases, where no rent payments are typically due under the terms of the lease. The difference between rent expense and rent paid is recorded as deferred rent. Construction allowances received from landlords are recorded as a deferred rent credit and amortized to rent expense over the initial term of the lease. The Corporation records lease rent expense net of any related sublease income. See Note 13 for further information.

Pension and Other Postretirement Benefits: The Corporation has several defined benefit pension plans and a defined benefit health care plan that provides postretirement medical benefits to full-time United States employees who meet certain requirements. In accordance with ASC Topic 715 (ASC 715), Compensation-Retirement Benefits, the Corporation recognizes the plans funded status in its statement of financial position, measures the plans assets and obligations as of the end of its fiscal year and recognizes the changes in a defined benefit postretirement plan s funded status in comprehensive income in the year in which the changes occur. See Note 12 for further information.

Revenue Recognition: Sales are recognized when title and the risk of loss have been transferred to the customer.

Seasonal cards and certain other seasonal products are generally sold with the right of return on unsold merchandise. The Corporation provides for estimated returns of these products when those sales are recognized. These estimates are based on historical sales returns, the amount of current year sales and other known factors. Accrual rates utilized for establishing estimated returns reserves have approximated actual returns experience.

Products sold without a right of return may be subject to sales credit issued at the Corporation s discretion for damaged, obsolete and outdated products. The Corporation maintains an estimated reserve for these sales credits based on historical information.

For retailers with a scan-based trading (SBT) arrangement, the Corporation owns the product delivered to its retail customers until the product is sold by the retailer to the ultimate consumer, at which time the Corporation recognizes revenue for both everyday and seasonal products. When a SBT arrangement with a retailer is finalized, the Corporation reverses previous sales transactions based on retailer inventory turn rates and the estimated timing of the store conversions. Legal ownership of the inventory at the retailer s stores reverts back to the Corporation at the time of the conversion and the amount of sales reversal is finalized based on the actual inventory at the time of conversion.

Prior to April 17, 2009, sales at the Corporation owned retail locations were recognized upon the sale of product to the consumer.

Subscription revenue, primarily for the AG Interactive segment, represents fees paid by customers for access to particular services for the term of the subscription. Subscription revenue is generally billed in advance and is recognized ratably over the subscription periods.

The Corporation has agreements for licensing the Care Bears and Strawberry Shortcake characters and other intellectual property. These license agreements provide for royalty revenue to the Corporation based on a percentage of net sales and are subject to certain guaranteed minimum royalties. These license agreements may include the receipt of upfront advances, which are recorded as deferred revenue and earned during the period of the agreement. Certain of these agreements are managed by outside agents. All payments flow through the agents prior to being remitted to the Corporation. Typically, the Corporation receives quarterly payments from the agents. Royalty revenue is generally recognized upon receipt and recorded in Other revenue. Expenses associated with the servicing of these agreements are summarized as follows:

	2011	2010	2009
Material, labor and other production costs	$ 11,806	$ 9,410	$ 24,615
Selling, distribution and marketing expenses	14,046	17,970	29,146
Administrative and general expenses	1,697	2,050	2,421
	$ 27,549	$ 29,430	$ 56,182

Deferred revenue, included in Other current liabilities and Other liabilities on the Consolidated Statement of Financial Position, totaled $39,396 and $40,156 at February 28, 2011 and 2010, respectively. The amounts relate primarily to subscription revenue in the Corporation s AG Interactive segment and the licensing activities included in non-reportable segments.

Sales Taxes: Sales taxes are not included in net sales as the Corporation is a conduit for collecting and remitting taxes to the appropriate taxing authorities.

Translation of Foreign Currencies: Asset and liability accounts are translated into United States dollars using exchange rates in effect at the date of the Consolidated Statement of Financial Position; revenue and expense accounts are translated at average exchange rates during the related period. Translation adjustments are reflected as a component of shareholders equity within other comprehensive income. Upon sale, or upon complete or substantially complete liquidation of an investment in a foreign entity, that component of shareholders equity is reclassified as part of the gain or loss on sale or liquidation of the investment. Gains and losses resulting from foreign currency transactions, including intercompany transactions that are not considered permanent investments, are included in other non-operating expense (income) as incurred.

Shipping and Handling Fees: The Corporation classifies shipping and handling fees as part of Selling, distribution and marketing expenses. Shipping and handling costs were $119,391, $119,989 and $130,271 in 2011, 2010 and 2009, respectively.

Advertising Expenses: Advertising costs are expensed as incurred. Advertising expenses were $17,434, $16,985 and $19,784 in 2011, 2010 and 2009, respectively.

Income Taxes: Income tax expense includes both current and deferred taxes. Current tax expense represents the amount of income taxes paid or payable (or refundable) for the year, including interest and penalties. Deferred income taxes, net of appropriate valuation allowances, are recognized for the estimated future tax effects attributable to tax carryforwards and the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts realized for income tax purposes. The effect of a change to the deferred tax assets or liabilities as a result of new tax law, including tax rate changes, is recognized in the period that the tax law is enacted. Valuation allowances are recorded against deferred tax assets when it is more likely than not that such assets will not be realized. When an uncertain tax position meets the more likely than not recognition threshold, the position is measured to determine the amount of benefit to recognize in the financial statements. See Note 17 for further discussion.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2009-17 (ASU 2009-17), (Consolidations Topic 810), Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. ASU 2009-17 requires an ongoing reassessment of

determining whether a variable interest gives a company a controlling financial interest in a VIE. It also requires an entity to qualitatively, rather than quantitatively, determine whether a company is the primary beneficiary of a VIE. Under the new standard, the primary beneficiary of a VIE is a party that has the controlling financial interest in the VIE and has both the power to direct the activities that most significantly impact the VIE s economic success and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. ASU 2009-17 is effective for interim and annual reporting periods beginning after November 15, 2009. The Corporation s adoption of this standard on March 1, 2010 did not have a material effect on its financial statements. See Note 2 for further information.

In January 2010, the FASB issued 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 becomes effective for interim and annual periods beginning after December 15, 2010. On March 1, 2010, the Corporation adopted this standard, except for the requirement to separately disclose purchases, sales, issuances, and settlements in the Level 3 rollforward, which becomes effective in 2012. The Corporation s adoption of this standard did not have a material effect on its financial statements. Also, the Corporation does not expect that the adoption of the enhanced disclosures for Level 3 fair value measurements will have a material effect on its financial statements. See Note 14 for further information.

NOTE 1A RESTATEMENT

The Corporation is restating its previously issued consolidated financial statements for the fiscal years ended February 28, 2011, 2010 and 2009 to correct an error in its accounting for income taxes that arose in the fiscal year ended February 29, 2004.

The Corporation identified an understatement of a deferred tax asset in connection with a review of certain calculations used in determining the tax basis of its inventory. During this review, it was discovered that the deferred tax asset related to this matter as reflected on the Corporation s consolidated statement of financial position did not appropriately reflect certain differences between the basis of the Corporation s inventory used for financial reporting purposes and the basis of the Corporation s inventory used for tax purposes. The amount of the understatement of the deferred tax asset was $14.8 million. The Corporation determined that the difference occurred as a result of an adjustment to the deferred tax asset in the fiscal year ended February 29, 2004, which resulted in the understatement of net income, deferred and refundable income taxes, current assets, total assets and total shareholders equity by $14.8 million for the fiscal year ended February 29, 2004. The effect of the restatement had no impact on reported cash flows or any results of operations in the subsequent periods.

To correct the understatement of the deferred tax asset described above, the Corporation has recorded an increase in a deferred tax asset of $14.8 million with a corresponding increase to retained earnings as of March 1, 2008. The correction of the error also has the effect of increasing current assets, total assets, retained earnings and total shareholders equity. Accordingly, the restatement corrects the following line items in the Corporation s consolidated financial statements as reported:

Date	As Previously Reported	As Restated
	(Thousands of dollars)	
As of February 28, 2011		
Deferred and refundable income taxes	$ 50,051	$ 64,898
Total current assets	700,924	715,771
Total assets	1,532,402	1,547,249
Retained earnings	1,171,008	1,185,855
Total shareholders equity	748,911	763,758
As of February 28, 2010		
Deferred and refundable income taxes	$ 78,433	$ 93,280
Total current assets	679,291	694,138
Total assets	1,529,651	1,544,498
Retained earnings	1,112,047	1,126,894
Total shareholders equity	636,064	650,911
As of February 28, 2009		
Retained earnings	$ 1,044,926	$ 1,059,772
Total shareholders equity	529,189	544,035
As of March 1, 2008		
Retained earnings	$ 1,300,662	$ 1,315,508
Total shareholders equity	943,411	958,257

NOTE 2 ACQUISITIONS AND DISPOSITIONS

Papyrus Brand & Wholesale Business Acquisition / Retail Operations Disposition

Continuing the strategy of focusing on growing its core greeting card business, on April 17, 2009, the Corporation sold all rights, title and interest in certain of the assets of the Corporation s Retail Operations segment to Schurman for $6,000 in cash and Schurman s assumption of certain liabilities related to the Retail Operations segment. The Corporation sold all 341 of its card and gift retail store assets to Schurman, which operates stores under the American Greetings, Carlton Cards and Papyrus brands. Under the terms of the transaction, the Corporation remains subject to certain of its store leases on a contingent basis by subleasing the stores to Schurman. See Note 13 for further information. Pursuant to the terms of the agreement, the Corporation also purchased from Schurman its Papyrus trademark and its wholesale business division, which supplies Papyrus brand greeting cards primarily to leading specialty, mass merchandise, grocery and drug store channels, in exchange for $18,065 in cash and the Corporation s assumption of certain liabilities related to Schurman s wholesale business. In addition, the Corporation agreed to provide Schurman limited credit support through the provision of a limited guaranty (Liquidity Guaranty) and a limited bridge guaranty (Bridge Guaranty) in favor of the lenders under Schurman s senior revolving credit facility (the Senior Credit Facility). See Note 11 for further information. The Corporation also purchased shares representing approximately 15% of the issued and outstanding equity interests in Schurman for $1,935, which is included in Other assets on the Consolidated Statement of Financial Position. The net cash paid of $14,000 related to this transaction, which has been accounted for in accordance with ASC 805, is included in Cash payments for business acquisitions, net of cash acquired on the Consolidated Statement of Cash Flows.

The purchase accounting for this acquisition was completed during the fourth quarter of 2010. The fair value of the consideration given has been allocated to the assets acquired and the liabilities assumed based upon their fair values at the date of acquisition. The following represents the final purchase price allocation:

Purchase price (in millions):	
Cash paid	$20.0
Fair value of Retail Operations	6.0
Cash acquired	(6.0)
	$20.0
Allocation (in millions):	
Current assets	$9.9
Property, plant and equipment	0.1
Other assets	5.4
Intangible assets	4.7
Goodwill	0.8
Liabilities assumed	(0.9)
	$20.0

The financial results of this acquisition are included in the Corporation s consolidated results from the date of acquisition. Pro forma results of operations have not been presented because the effect of this acquisition was not deemed material.

Recycled Paper Greetings Acquisition

During the second quarter of 2009, the Corporation paid $44,153 to acquire, at a substantial discount, the first lien debt securities of Recycled Paper Greetings, Inc., now known as Papyrus-Recycled Greetings, Inc. The principal amount of the securities was $67,100. The cash paid for this investment is included in Other-net investing activities on the Consolidated Statement of Cash Flows. This investment was written down to fair market value during the fourth quarter of 2009. A loss of $2,740 was recorded as a result.

During the fourth quarter of 2009, the Corporation acquired all of the issued and outstanding capital stock of RPG Holdings, Inc. and its subsidiary, Recycled Paper Greetings, Inc. (together RPG). RPG is a Chicago-based creator and designer of humorous and alternative greeting cards. RPG s cards are distributed primarily through mass merchandise retailers, drug stores and specialty retail stores. The acquisition was completed pursuant to a petition and pre-packaged plan of reorganization filed on January 2, 2009, by RPG under the U.S. Bankruptcy Code and an agreement dated December 30, 2008, between the Corporation and RPG.

On February 24, 2009, the Corporation acquired all of the issued and outstanding capital stock of RPG in exchange for: (a) approximately $17,700 in cash, which includes $4,500 of U.S. Bankruptcy Court approved professional fees and other amounts owed by RPG that were paid by the Corporation; (b) the $67,100 in principal amount of first lien debt securities held by American Greetings; (c) approximately $22,000 in aggregate principal amount of American Greetings 7.375% senior notes due June 1, 2016, issued under American Greetings existing senior notes indenture; and (d) approximately $32,700 in aggregate principal amount of American Greetings 7.375% notes due June 1, 2016, issued under American Greetings new indenture. Also in connection with the acquisition, approximately $6,500 of debtor-in-possession financing (the DIP) owed by RPG to American Greetings under the debtor-in-possession credit agreement put in place in the fourth quarter of 2009 was extinguished. The Corporation also incurred approximately $4,000 in transaction costs associated with this acquisition.

The purchase accounting for the RPG acquisition was completed during the third quarter of 2010. The fair value of the consideration given has been allocated to the assets acquired and the liabilities assumed based upon their fair values at the date of the acquisition. The following represents the final purchase price allocation:

Purchase price (in millions):	
Cash paid in 2009	$ 22.9
Cash paid in 2010	5.3
Fair market value of first lien debt securities	41.4
Fair market value of long-term debt issued	28.4
Cash acquired	(0.6)
	$ 97.4

Allocation (in millions):	
Current assets	$ 17.6
Property, plant and equipment	1.5
Other assets (including deferred tax assets)	24.2
Intangible assets	36.4
Goodwill	28.2
Liabilities assumed	(10.5)
	$ 97.4

Included in the liabilities assumed in the table above is $4,258 of accrued severance based on a management-approved detailed integration plan including the shutdown of RPG s manufacturing and distribution facility as well as the elimination of certain redundant back office operations. The financial results of this acquisition are included in the Corporation s consolidated results from the date of acquisition.

At the date of acquisition, there were two components of tax-deductible goodwill specifically related to the operations of RPG. The first component of tax-deductible goodwill of approximately $28,170 is related to goodwill for financial reporting purposes, and this asset will generate deferred income taxes in the future as the asset is amortized for income tax purposes. The second component of tax-deductible goodwill of approximately $89,806 is the amount of tax deductible goodwill in excess of goodwill for financial reporting purposes. In accordance with ASC 740, the tax benefits associated with this excess will be applied to first reduce the amount of goodwill, and then other intangible assets for financial reporting purposes in the future, if and when such tax benefits are realized for income tax purposes. See Note 9 for additional information.

Card Connection Acquisition

In March 2008, the Corporation acquired a card publisher and franchised distributor of greeting cards in the United Kingdom (U.K.). Cash paid, net of cash acquired, was approximately $15,600 and is reflected in investing activities on the Consolidated Statement of Cash Flows. In connection with this acquisition, intangible assets and goodwill of $5,800 and $6,100, respectively, were recorded. Approximately $8,400 of current assets and fixed assets were recorded and liabilities of approximately $4,700 were assumed. The purchase agreement provided for a contingent payment of up to 2 million U.K. Pounds Sterling to be paid based on the company s operating results over an accumulated three-year period from the date of acquisition. The right to receive the contingent payment has subsequently been terminated with no additional payment required by the Corporation. The financial results of this acquisition are included in the Corporation s consolidated results from the date of acquisition. Pro forma results of operations have not been presented because the effect of this acquisition was not deemed material.

Carlton Mexico Shutdown

On September 3, 2009, the Corporation made the determination to wind down the operations of Carlton México, S.A. de C.V. (Carlton Mexico), its subsidiary that distributes and merchandises greeting cards, gift wrap and

related products for retail customers throughout Mexico. Going forward, the Corporation will continue to make products available to its Mexican customers by selling to a third party distributor. The wind down resulted in the closure of Carlton Mexico s facility in Mexico City, Mexico, and the elimination of approximately 170 positions.

In connection with the closure of this facility, the North American Social Expression Products segment recorded charges of $6,935, including asset impairments, severance charges and other shut-down costs. Additionally, during 2010, in accordance with ASC 830, Foreign Currency Matters, the Corporation recognized foreign currency translation adjustments totaling $11,300 in Other operating income net on the Consolidated Statement of Operations. This amount represents foreign currency adjustments attributable to Carlton Mexico that, prior to the liquidation, had been accumulated in the foreign currency translation adjustment component of equity.

Party Goods Transaction

On December 21, 2009, the Corporation entered into an Asset Purchase Agreement under which it sold certain assets, equipment and processes used in the manufacture and distribution of party goods to Amscan Holdings, Inc. (Amscan) for a purchase price of $24,880 (the Party Goods Transaction). Amscan is a leading designer, manufacturer and distributor of party goods, and owns or franchises party good stores throughout the United States. Amscan and certain of its subsidiaries have historically purchased party goods, greeting cards and other social expression products from the Corporation. Under the terms of the Party Goods Transaction, the Corporation will no longer manufacture party goods, but will purchase party goods from Amscan. As a result of the Party Goods Transaction, on December 22, 2009, the Corporation announced its intention to wind down and close its party goods manufacturing and distribution facility in Kalamazoo, Michigan (Kalamazoo facility). The phase-out of manufacturing at the Kalamazoo facility, which commenced in early March 2010, was completed by May 2010 and the distribution activities at the Kalamazoo facility concluded as of December 2010.

In connection with the Party Goods Transaction, the Corporation also entered into various other agreements with Amscan and/or its affiliates, including a supply and distribution agreement dated December 21, 2009, with a purchase commitment of $22,500 equally spread over five years. During 2011, the Corporation purchased party goods of $6,435 under this agreement. As a result of entering into the supply and distribution agreement and agreeing that Amscan will no longer be required to purchase party goods from the Corporation, the Corporation also received a warrant valued at $16,274 to purchase 740.74 shares of the common stock of AAH, Amscan s ultimate parent corporation at one cent per share. On December 2, 2010, the Corporation received a cash distribution from AAH totaling $6,963, which was in part a return of capital that reduced the investment by $5,663 to $10,611. On February 10, 2011, the Corporation exercised the warrant and now owns 740.74 shares of AAH. The investment in AAH is included in Other assets on the Consolidated Statement of Financial Position.

Through this relationship, each company will sell both DesignWare and Amscan branded party goods. The Corporation will purchase its party goods products from Amscan and will continue to distribute party goods to various channels, including to its mass merchandise, drug, grocery and specialty retail customers. Amscan will have exclusive rights to manufacture and distribute party goods into various channels, including the party store channel.

During the fourth quarter of 2010, the Corporation recorded a gain on the Party Goods Transaction of $34,178, which is included in Other operating income net on the Consolidated Statement of Operations. See Note 3 for further information. In addition, the Corporation recorded $13,005 of asset impairment charges related to the Kalamazoo facility closure and incurred $2,798 in employee termination costs.

During 2010, the above transactions and activities generated significant gains, losses and expenses and are reflected on the Consolidated Statement of Operations as follows:

(In millions)	Party Goods Transaction	Mexico Shutdown	Retail Disposition	Total
Net sales	$	$ 0.7	$	$ 0.7
Material, labor and other production costs	15.6	4.4	1.0	21.0
Selling, distribution and marketing expenses	0.2	1.0		1.2
Administrative and general expenses		0.6		0.6
Other operating (income) expense net	(34.2)	11.5	28.2	5.5
	$ (18.4)	$ 18.2	$ 29.2	$ 29.0

These gains, losses and expenses are reflected in the Corporation s reportable segments as follows:

(In millions)	
North American Social Expression Products	$ (0.2)
Retail Operations	29.2
	$ 29.0

NOTE 3 OTHER INCOME AND EXPENSE

	2011	2010	2009
Loss on disposition of retail stores	$	$ 28,333	$
Gain on disposition of calendar product lines		(547)	
Gain on disposition of candy product lines		(115)	
Gain on disposition of party goods product lines	(254)	(34,178)	
Loss on recognition of foreign currency translation adjustments		8,627	
Miscellaneous	(2,951)	(2,430)	(1,396)
Other operating income net	$ (3,205)	$ (310)	$ (1,396)

In April 2009, the Corporation sold the rights, title and interest in certain of the assets of its retail store operations to Schurman and recognized a loss on disposition of $28,333. See Note 2 for further information.

The Corporation sold its calendar product lines in July 2009 and its candy product lines in October 2009, which resulted in gains totaling $547 and $115, respectively. Proceeds received from the sales of the calendar and candy product lines of $3,063 and $1,650, respectively, are included in Other-net investing activities on the Consolidated Statement of Cash Flows.

Pursuant to the Party Goods Transaction, in December 2009, the Corporation sold certain assets, equipment and processes of the party goods product lines and recorded a gain of $34,178. An additional gain of $254 was recorded in 2011 as amounts previously estimated were finalized. Cash proceeds of $24,880, which were held in escrow and recorded as a receivable at February 28, 2010, were received in 2011 and are included in Proceeds from escrow related to party goods transaction on the Consolidated Statement of Cash Flows. See Note 2 for further information.

During the fourth quarter of 2010, it was determined that the wind down of Carlton Mexico was substantially complete. In accordance with ASC 830, the currency translation adjustments were removed from the foreign currency translation adjustment component of equity and a loss was recognized totaling $11,300. The Corporation also recorded a loss totaling $601 and a gain of $3,274 for foreign currency translation adjustments realized in relation to two other entities determined to be liquidated in accordance with ASC 830.

	2011	2010	2009
Foreign exchange loss (gain)	$ 224	$ (4,746)	$ 483
Rental income	(1,232)	(1,194)	(1,432)
(Gain) loss on asset disposal	(3,463)	59	1,215
Miscellaneous	(1,370)	(606)	1,891
Other non-operating (income) expense net	$ (5,841)	$ (6,487)	$ 2,157

The Corporation sold the land and building associated with its Mexican operation within the North American Social Expression Products segment in August 2010 and a manufacturing facility within the International Social Expression Products segment in January 2011, and recorded gains upon disposal of approximately $1,000 and $2,819, respectively. Both assets were previously included in Assets held for sale at net book values on the Consolidated Statement of Financial Position as of February 28, 2010. The cash proceeds received from the sale of the Mexican assets and the manufacturing facility of $2,000 and $9,952, respectively, are included in Proceeds from sale of fixed assets on the Consolidated Statement of Cash Flows.

Miscellaneous includes, among other things, income/loss from debt and equity securities. In 2011, miscellaneous included $1,300 of dividend income related to the Corporation s investment in AAH. In 2009, miscellaneous included a loss of $2,740 related to the Corporation s investment in the first lien debt securities of RPG prior to the acquisition of the capital stock of RPG in February 2009. See Note 2 for further information.

NOTE 4 EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of earnings (loss) per share and earnings (loss) per share-assuming dilution:

	2011	2010	2009
Numerator (thousands):			
Net income (loss)	$ 87,018	$ 81,574	$ (227,759)
Denominator (thousands):			
Weighted average shares outstanding	39,983	39,468	46,544
Effect of dilutive securities:			
Stock options and other	1,262	692	
Weighted average shares outstanding assuming dilution	41,245	40,160	46,544
Earnings (loss) per share	$ 2.18	$ 2.07	$ (4.89)
Earnings (loss) per share assuming dilution	$ 2.11	$ 2.03	$ (4.89)

Approximately 3.1 million and 5.7 million stock options, in 2011 and 2010, respectively, were excluded from the computation of earnings per share-assuming dilution because the options exercise prices were greater than the average market price of the common shares during the respective years. For 2009, all options outstanding (totaling approximately 6.7 million) were excluded from the computation of earnings per share-assuming dilution, as the effect would have been antidilutive due to the net loss in the period. Had the Corporation reported income for the year, approximately 6.0 million stock options outstanding during the period would have been excluded from the computation of earnings per share-assuming dilution because the options exercise prices were greater than the average market price of the common shares during the year.

NOTE 5 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The balance of accumulated other comprehensive income consisted of the following components:

	February 28, 2011	February 28, 2010
Foreign currency translation adjustments	$ 26,021	$ 10,856
Pension and postretirement benefits adjustments, net of tax (See Note 12)	(28,369)	(40,672)
Unrealized investment gain, net of tax	2	1
	$ (2,346)	$ (29,815)

NOTE 6 CUSTOMER ALLOWANCES AND DISCOUNTS

Trade accounts receivable are reported net of certain allowances and discounts. The most significant of these are as follows:

	February 28, 2011	February 28, 2010
Allowance for seasonal sales returns	$ 34,058	$ 36,443
Allowance for outdated products	8,264	10,438
Allowance for doubtful accounts	5,374	2,963
Allowance for cooperative advertising and marketing funds	25,631	24,061
Allowance for rebates	24,920	29,338
	$ 98,247	$ 103,243

Certain customer allowances and discounts are settled in cash. These accounts, primarily rebates, which are classified as Accrued liabilities on the Consolidated Statement of Financial Position, totaled $11,913 and $15,326 as of February 28, 2011 and 2010, respectively.

NOTE 7 INVENTORIES

	February 28, 2011	February 28, 2010
Raw materials	$ 21,248	$ 18,609
Work in process	6,476	6,622
Finished products	212,056	194,283
	239,780	219,514
Less LIFO reserve	78,358	75,491
	161,422	144,023
Display material and factory supplies	18,308	19,933
	$ 179,730	$ 163,956

There were no material LIFO liquidations in 2011 and 2009. During 2010, inventory quantities declined resulting in the liquidation of LIFO inventory layers carried at lower costs compared with current year purchases. The income statement effect of such liquidation on material, labor and other production costs was approximately $13,000. Inventory held on location for retailers with SBT arrangements, which is included in finished products, totaled approximately $42,000 and $38,000 as of February 28, 2011 and 2010, respectively.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	February 28, 2011	February 28, 2010
Land	$ 10,552	$ 10,147
Buildings	176,879	175,086
Equipment and fixtures	662,121	651,012
	849,552	836,245
Less accumulated depreciation	607,903	593,362
	$ 241,649	$ 242,883

During 2011, the Corporation disposed of approximately $27,000 of property, plant and equipment that included accumulated depreciation of approximately $24,000. During 2010, the Corporation disposed of approximately $118,000 with accumulated depreciation of approximately $102,000, including the fixed assets that were part of the Retail Operations segment and the party goods product lines, which were sold during 2010.

During the fourth quarter of 2010, primarily due to the sale of the party goods product lines, impairment charges of $12,206 were recorded in Material, labor and other production costs on the Consolidated Statement of Operations.

Depreciation expense totaled $36,465, $39,640 and $42,843 in 2011, 2010 and 2009, respectively.

NOTE 9 GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with ASC 350, the Corporation is required to evaluate the carrying value of its goodwill for potential impairment on an annual basis or an interim basis if there are indicators of potential impairment. During 2011 and 2010, the Corporation completed the required annual impairment test of goodwill in the fourth quarter and based on the results of the testing, no impairment charges were recorded.

During the third quarter of 2009, indicators emerged within the AG Interactive segment and one reporting unit located in the United Kingdom within the International Social Expression Products segment (the UK Reporting Unit) that led the Corporation s management to conclude that a goodwill impairment test was required to be performed during the third quarter. Within the AG Interactive segment, there were three primary indicators: (1) a substantial decline in advertising revenues; (2) the e-commerce businesses not growing as anticipated; and (3) the Corporation s belief that the segment s current long-term cash flow forecasts may be unattainable based on the lengthening and deepening economic deterioration. The following three primary indicators emerged within the UK Reporting Unit: (1) the recent bankruptcy of a major customer; (2) a major customer implementing buying freezes, including on the Corporation s everyday products; and (3) the Corporation s belief that current long-term cash flow forecasts may be unattainable based on the lengthening and deepening economic deterioration.

Under ASC 350, the test for, and measurement of, impairment of goodwill consists of two steps. In the first step, the initial test for potential impairment, the Corporation compares the fair value of each reporting unit to its carrying amount. Fair values were determined using a combination of an income approach and a market based approach which were validated by a market capitalization reconciliation. Based on this evaluation, it was determined that the fair values of the AG Interactive segment and UK Reporting Unit were less than their carrying values, thus indicating potential impairment. In the second step, the measurement of the impairment, the Corporation hypothetically applies purchase accounting to the reporting units using the fair values from the first step. As a result, the Corporation recorded goodwill charges of $150,208, which included all the goodwill for the AG Interactive segment, and $82,110, which included all of the goodwill for the UK Reporting Unit. The amounts recorded in the third quarter were estimates. The AG Interactive segment impairment was adjusted down by $655 in the fourth quarter due to final purchase accounting adjustments for a final impairment total of $149,553. The required annual impairment test of goodwill was completed as of the beginning of the fourth quarter of 2009 and based on the results of the testing, no additional impairment charges were recorded.

However, based on the continued significant deterioration of the global economic environment during the fourth quarter of 2009 and the closing share price of the Corporation s Class A common shares at February 28, 2009,

that resulted in the Corporation s fair value of equity being below the carrying value of equity, an additional interim impairment analysis was performed at the end of the fourth quarter following the same steps as described above. Based on this analysis, it was determined that the fair values of the North American Greeting Card Division (NAGCD) and the Corporation s fixtures business, which are both also the reporting units for ASC 350 purposes, were less than their carrying values. As a result, the Corporation recorded goodwill impairment charges of $47,850, which included all the goodwill for NAGCD, and $82, which included all the goodwill for the Corporation s fixtures business. NAGCD is included in the North American Social Expression Products segment and the fixtures business is included in non-reportable segments.

A summary of the changes in the carrying amount of the Corporation s goodwill during the years ended February 28, 2011 and 2010 by segment, is as follows:

	North American Social Expression Products	International Social Expression Products	Total
Balance at February 28, 2009	$ 22,465	$ 4,406	$ 26,871
Acquisition related	6,510		6,510
Adjustment related to income taxes	(2,501)		(2,501)
Currency translation		226	226
Balance at February 28, 2010	26,474	4,632	31,106
Adjustment related to income taxes	(2,509)		(2,509)
Currency translation		306	306
Balance at February 28, 2011	$ 23,965	$ 4,938	$ 28,903

The above adjustment related to income taxes for 2011 is a $2,509 reduction related to second component goodwill, as defined by ASC 740, which results in a reduction of goodwill for financial reporting purposes when amortized for tax purposes. See Note 2 for further discussion.

At February 28, 2011 and 2010, intangible assets, net of accumulated amortization, were $43,049 and $45,828, respectively. The following table presents information about these intangible assets, which are included in Other assets on the Consolidated Statement of Financial Position:

	February 28, 2011			February 28, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with indefinite useful lives:						
Tradenames	$ 6,200	$	$ 6,200	$ 6,200	$	$ 6,200
Subtotal	6,200		6,200	6,200		6,200
Intangible assets with finite useful lives:						
Patents	4,616	(3,558)	1,058	4,194	(3,417)	777
Trademarks	10,901	(9,097)	1,804	10,071	(8,496)	1,575
Artist relationships	19,230	(3,201)	16,029	19,180	(1,598)	17,582
Customer relationships	24,886	(11,672)	13,214	24,669	(10,544)	14,125
Other	18,586	(13,842)	4,744	17,633	(12,064)	5,569
Subtotal	78,219	(41,370)	36,849	75,747	(36,119)	39,628
Total	$ 84,419	$ (41,370)	$ 43,049	$ 81,947	$ (36,119)	$ 45,828

The Corporation completed the required annual impairment test of indefinite-lived intangible assets in the fourth quarter of 2011 and 2010 and based on the results of the testing, no impairment charges were recorded for continuing operations.

In conjunction with the goodwill impairment analysis performed in the third quarter of 2009 for the AG Interactive segment and the UK Reporting Unit discussed above, intangible assets were also tested for impairment in accordance with ASC 360. Based on this testing, the Corporation recorded an impairment charge of $10,571 in the AG Interactive segment. The impairment charge was determined using a discounted cash flows analysis and related primarily to customer relationships, developed technology and trademarks.

Amortization expense for intangible assets totaled $4,583, $5,533 and $7,173 in 2011, 2010 and 2009, respectively. Estimated annual amortization expense for the next five years will approximate $4,748 in 2012, $4,681 in 2013, $4,007 in 2014, $3,121 in 2015 and $2,845 in 2016.

NOTE 10 DEFERRED COSTS

In the normal course of its business, the Corporation enters into agreements with certain customers for the supply of greeting cards and related products. Under these agreements, the customer may receive from the Corporation a combination of cash payments, credits, discounts, allowances and other incentive considerations to be earned by the customer as product is purchased from the Corporation over the stated term of the agreement or the minimum purchase volume commitment. In the event an agreement is not completed because a minimum purchase volume commitment is not met, in most instances, the Corporation has a claim for unearned advances under the agreement. The agreements may or may not specify the Corporation as the sole supplier of social expression products to the customer.

A portion of the total consideration may not be paid by the Corporation at the time the agreement is consummated. All future payment commitments are classified as liabilities at inception until paid. The payments that are expected to be made in the next twelve months are classified as Other current liabilities on the Consolidated Statement of Financial Position and the remaining payment commitments beyond the next twelve months are classified as Other liabilities. The Corporation maintains an allowance for deferred costs related to supply agreements of $10,700 and $12,400 at February 28, 2011 and 2010, respectively. This allowance is included in Other assets on the Consolidated Statement of Financial Position.

Deferred costs and future payment commitments were as follows:

	February 28, 2011	February 28, 2010
Prepaid expenses and other	$ 88,352	$ 82,914
Other assets	327,311	310,555
Deferred cost assets	415,663	393,469
Other current liabilities	(64,116)	(53,701)
Other liabilities	(76,301)	(51,803)
Deferred cost liabilities	(140,417)	(105,504)
Net deferred costs	$ 275,246	$ 287,965

A summary of the changes in the carrying amount of the Corporation s net deferred costs during the years ended February 28, 2011, 2010 and 2009 is as follows:

Balance at February 29, 2008	$ 338,124
Payments	105,952
Amortization	(133,548)
Currency translation and other	(7,521)
Balance at February 28, 2009	303,007
Payments	84,345
Amortization	(102,750)
Currency translation and other	3,363
Balance at February 28, 2010	287,965
Payments	83,919
Amortization	(98,181)
Currency translation and other	1,543
Balance at February 28, 2011	$ 275,246

NOTE 11 LONG AND SHORT-TERM DEBT

7.375% Notes

On May 24, 2006, the Corporation issued $200,000 of 7.375% senior unsecured notes, due on June 1, 2016 (the Original Senior Notes). The proceeds from this issuance were used to repurchase a portion of the Corporation s 6.10% senior notes, due on August 1, 2028, of which $277,310 were tendered in the Corporation s tender offer and consent solicitation, that was completed on May 25, 2006.

On February 24, 2009, the Corporation issued $22,000 of additional 7.375% senior unsecured notes described above (Additional Senior Notes) and $32,686 of new 7.375% unsecured notes due on June 1, 2016 (New Notes , together with the Original Senior Notes, and the Additional Senior Notes, the Notes) in conjunction with the acquisition of RPG. The original issue discount from the issuance of these notes of $26,249 was recorded as a reduction of the underlying debt issuances and is being amortized over the life of the debt using the effective interest method. Including the original issue discount, the New Notes and the Additional Senior Notes have an effective annualized interest rate of approximately 20.3%. See Note 2 for further information on the acquisition of RPG. Except as described below, the terms of the New Notes and the Additional Senior Notes are the same.

The Notes will mature on June 1, 2016 and bear interest at a fixed rate of 7.375% per annum, commencing June 1, 2009. The Notes constitute general, unsecured obligations of the Corporation. The Notes rank equally with the Corporation s other senior unsecured indebtedness and senior in right of payment to all of the Corporation s obligations that are, by their terms, expressly subordinated in right of payment to the Notes, as applicable. The Original Senior Notes and the Additional Senior Notes are effectively subordinated to all of the Corporation s secured indebtedness, including borrowings under its revolving credit facility described below, to the extent of the value of the assets securing such indebtedness. The New Notes are contractually subordinated to amounts outstanding under the credit agreement, and are effectively subordinated to any other secured indebtedness that the Corporation may issue from time to time to the extent of the value of the assets securing such indebtedness.

The Notes generally contain comparable covenants as described below for the Corporation s credit agreement. The New Notes, however, also provide that if the Corporation incurs more than an additional $10,000 of indebtedness (other than indebtedness under the revolving credit facility described below or certain other permitted indebtedness), such indebtedness must be (a) pari passu in right of payment to the New Notes and expressly subordinated in right of payment to the credit agreement at least to the same extent as the New Notes, or (b) expressly subordinated in right of payment to the New Notes. Alternatively, the Corporation can redeem the New Notes in whole, but not in part, at a purchase price equal to 100% of the principal amount thereof plus accrued but unpaid interest, if any, or have the subordination provisions removed from the New Notes.

The total fair value of the Corporation s publicly traded debt, based on quoted market prices, was $237,453 (at a carrying value of $232,688) and $224,709 (at a carrying value of $230,468) at February 28, 2011 and 2010, respectively.

Credit Facility

On April 4, 2006, the Corporation entered into a $650,000 secured credit agreement (the Original Credit Agreement). The credit agreement included a $350,000 revolving credit facility and a $300,000 delay draw term loan. The Corporation could request one or more term loans until April 4, 2007. The revolving credit facility was scheduled to mature on April 4, 2011 and any outstanding term loans were scheduled to mature on April 4, 2013. Each term loan was to amortize in equal quarterly installments equal to 0.25% of the amount of such term loan, beginning on April 4, 2007, with the balance payable on April 4, 2013.

On February 26, 2007, the credit agreement dated April 4, 2006 was amended. The amendment decreased the size of the term loan facility to $100,000 and extended the period during which the Corporation may borrow on the term loan.

On February 23, 2009, the Corporation drew down $100,000 in principal amount under the term loan.

On June 11, 2010, the Corporation further amended and restated its Original Credit Agreement by entering into an Amended and Restated Credit Agreement (the Amended and Restated Credit Agreement). Pursuant to the terms of the Amended and Restated Credit Agreement, the Corporation may continue to borrow, repay and re-borrow up to $350,000 under the revolving credit facility, with the ability to increase the size of the facility to up to $400,000, subject to customary conditions. The Amended and Restated Credit Agreement also continues to provide for a $25,000 sub-limit for the issuance of swing line loans and a $100,000 sub-limit for the issuance of letters of credit. The proceeds of the borrowings under the Amended and Restated Credit Agreement may be used to provide working capital and for other general corporate purposes.

The obligations under the Amended and Restated Credit Agreement are guaranteed by the Corporation s material domestic subsidiaries and are secured by substantially all of the personal property of the Corporation and each of its material domestic subsidiaries, including a pledge of all of the capital stock in substantially all of the Corporation s domestic subsidiaries and 65% of the capital stock of the Corporation s material first tier international subsidiaries. The Amended and Restated Credit Agreement, including revolving loans thereunder, will mature on June 11, 2015. In connection with the Amended and Restated Credit Agreement, the term loan was terminated and the Corporation repaid the full $99,000 outstanding under the term loan using cash on hand.

Revolving loans that are denominated in U.S. dollars will bear interest at either the U.S. base rate or the London Inter-Bank Offer Rate (LIBOR), at the Corporation s election, plus a margin determined according to the Corporation s leverage ratio. Swing line loans will bear interest at a quoted rate agreed upon by the Corporation and the swing line lender. In addition to interest, the Corporation is required to pay commitment fees on the unused portion of the revolving credit facility. The commitment fee rate is initially 0.50% per annum and is subject to adjustment thereafter based on the Corporation s leverage ratio.

The Amended and Restated Credit Agreement contains certain restrictive covenants that are customary for similar credit arrangements, including covenants relating to limitations on liens, dispositions, issuance of debt, investments, payment of dividends, repurchases of capital stock, acquisitions and transactions with affiliates. There are also financial performance covenants that require the Corporation to maintain a maximum leverage ratio and a minimum interest coverage ratio. The credit agreement also requires the Corporation to make certain mandatory prepayments of outstanding indebtedness using the net cash proceeds received from certain dispositions, events of loss and additional indebtedness that the Corporation may incur from time to time.

Receivables Purchase Agreement

The Corporation is also party to an amended and restated receivables purchase agreement that originally had available financing of up to $150,000. The agreement was set to expire on October 23, 2009. Under the amended and restated receivables purchase agreement, the Corporation and certain of its subsidiaries sell accounts receivable to AGC Funding, which in turn sells undivided interests in eligible accounts receivable to third party

financial institutions as part of a process that provides funding to the Corporation similar to a revolving credit facility. Funding under the facility may be used for working capital, general corporate purposes and the issuance of letters of credit. This arrangement is accounted for as a financing transaction.

On March 28, 2008, the amended and restated receivables purchase agreement was amended to decrease the amount of available financing from $150,000 to $90,000.

On September 23, 2009, the amended and restated receivables purchase agreement was further amended. The amendment decreased the amount of available financing under the agreement from $90,000 to $80,000 and allows certain receivables to be excluded from the program in connection with the exercise of rights under insurance and other products that may be obtained from time to time by the Corporation or other originators that are designed to mitigate credit risks associated with the collection of accounts receivable. The amendment also extended the maturity date to September 21, 2012; provided, however, that in addition to customary termination provisions, the receivables purchase agreement will terminate upon termination of the liquidity commitments obtained by the purchaser groups from third party liquidity providers. Such commitments may be made available to the purchaser groups for 364-day periods only (initial 364-day period began on September 23, 2009), and there can be no assurances that the third party liquidity providers will renew or extend their commitments under the receivables purchase agreement. If that is the case, the receivables purchase agreement will terminate and the Corporation will not receive the benefit of the entire three-year term of the agreement. On September 22, 2010, the liquidity commitments were renewed for an additional 364-day period.

The interest rate under the accounts receivable securitization facility is based on (i) commercial paper interest rates, (ii) LIBOR rates plus an applicable margin or (iii) a rate that is the higher of the prime rate as announced by the applicable purchaser financial institution or the federal funds rate plus 0.50%. AGC Funding pays an annual commitment fee of 60 basis points on the unfunded portion of the accounts receivable securitization facility, together with customary administrative fees on outstanding letters of credit that have been issued and on outstanding amounts funded under the facility.

The amended and restated receivables purchase agreement contains representations, warranties, covenants and indemnities customary for facilities of this type, including the obligation of the Corporation to maintain the same consolidated leverage ratio as it is required to maintain under its secured credit facility.

There were no balances outstanding under the amended and restated receivables purchase agreement as of February 28, 2011 or 2010.

At February 28, 2011, the Corporation was in compliance with its financial covenants under the borrowing agreements described above.

As of February 28, 2011, there were no balances outstanding under the Corporation s revolving credit facility or receivables purchase agreement, neither of which is publicly traded debt. The total fair value of the Corporation s non-publicly traded debt, term loan and revolving credit facility, based on comparable publicly traded debt prices, was $99,250 (at a carrying value of $99,250) at February 28, 2010.

There was no debt due within one year as of February 28, 2011. Debt due within one year as of February 28, 2010 was $1,000.

Long-term debt and their related calendar year due dates, net of unamortized discounts, were as follows:

	February 28, 2011	February 28, 2010
7.375% senior notes, due 2016	$ 213,077	$ 212,184
7.375% notes, due 2016	19,430	18,103
Term loan facility	-	98,250
6.10% senior notes, due 2028	181	181
Other	-	5
	$ 232,688	$ 328,723

The Corporation also provides financing for certain transactions with some of its vendors, which includes a combination of various guaranties and letters of credit. At February 28, 2011, the Corporation had credit arrangements to support the letters of credit in the amount of $134,014 with $44,730 of credit outstanding.

Aggregate maturities of long-term debt, by fiscal year, are as follows:

2012	$	-
2013		-
2014		-
2015		-
2016		-
Thereafter		254,867
	$	254,867

Interest paid in cash on short-term and long-term debt was $21,637 in 2011, $23,294 in 2010 and $21,721 in 2009.

Guaranties

In April 2009, the Corporation sold certain of the assets of its Retail Operations segment to Schurman and purchased from Schurman its Papyrus trademark and its Papyrus wholesale business division. As part of the transaction, the Corporation agreed to provide Schurman limited credit support through the provision of a Liquidity Guaranty and a Bridge Guaranty in favor of the lenders under Schurman s Senior Credit Facility.

Pursuant to the terms of the Liquidity Guaranty, the Corporation has guaranteed the repayment of up to $12,000 of Schurman s borrowings under the Senior Credit Facility to help ensure that Schurman has sufficient borrowing availability under this facility. The Liquidity Guaranty is required to be backed by a letter of credit for the term of the Liquidity Guaranty, which is currently anticipated to end in January 2014. Pursuant to the terms of the Bridge Guaranty, the Corporation has guaranteed the repayment of up to $12,000 of Schurman s borrowings under the Senior Credit Facility until Schurman is able to include the inventory and other assets of the acquired retail stores in its borrowing base. The Bridge Guaranty is required to be backed by a letter of credit. The letters of credit required to back both guaranties are included within the $44,730 outstanding letters of credit mentioned above. The Bridge Guaranty is scheduled to expire in January 2014; however, upon the Corporation s request, the Bridge Guaranty may be reduced as Schurman is able to include such inventory and other assets in its borrowing base. Pursuant to such a request, on April 1, 2011, the Bridge Guaranty was terminated and the associated letter of credit was released. See Note 1 for further information. The Corporation s obligations under the Liquidity Guaranty and the Bridge Guaranty generally may not be triggered unless Schurman s lenders under its Senior Credit Facility have substantially completed the liquidation of the collateral under Schurman s Senior Credit Facility, or 91 days after the liquidation is started, whichever is earlier, and will be limited to the deficiency, if any, between the amount owed and the amount collected in connection with the liquidation. There was no triggering event or liquidation of collateral as of February 28, 2011 requiring the use of the guaranties.

NOTE 12 RETIREMENT AND POSTRETIREMENT BENEFIT PLANS

The Corporation has a discretionary profit-sharing plan with a contributory 401(k) provision covering most of its United States employees. Corporate contributions to the profit-sharing plan were $9,759 and $9,338 for 2011 and 2010, respectively. In addition, the Corporation matches a portion of 401(k) employee contributions. The Corporation s matching contributions were $4,875 and $4,787 for 2011 and 2010, respectively. Based on the 2009 operating results, the Corporation elected not to make profit-sharing or 401(k) matching contributions for 2009.

The Corporation also participates in a multi-employer pension plan covering certain domestic employees who are part of a collective bargaining agreement. Total pension expense for the multi-employer plan, representing contributions to the plan, was $467, $417 and $511 in 2011, 2010 and 2009, respectively.

The Corporation has nonqualified deferred compensation plans that provide certain officers and directors with the opportunity to defer receipt of compensation and director fees, respectively, including compensation received

in the form of the Corporation s common shares. The Corporation funds these deferred compensation liabilities by making contributions to a rabbi trust. In accordance with ASC Topic 710-10-25, Compensation Recognition Deferred Compensation Rabbi Trust, both the trust assets and the related obligation associated with deferrals of the Corporation s common shares are recorded in equity at cost and offset each other. There were approximately 0.2 million common shares in the trust at February 28, 2011 with a cost of $3,368 compared to approximately 0.2 million common shares with a cost of $2,856 at February 28, 2010.

In 2001, in connection with its acquisition of Gibson Greetings, Inc. (Gibson), the Corporation assumed the obligations and assets of Gibson s defined benefit pension plan (the Gibson Retirement Plan) that covered substantially all Gibson employees who met certain eligibility requirements. Benefits earned under the Gibson Retirement Plan have been frozen and participants no longer accrue benefits after December 31, 2000. The Gibson Retirement Plan has a measurement date of February 28 or 29. No contributions were made to the plan in either 2011 or 2010. The Gibson Retirement Plan was under-funded at February 28, 2011 and 2010.

The Corporation also has an unfunded nonqualified defined benefit pension plan (the Supplemental Executive Retirement Plan) covering certain management employees. The Supplemental Executive Retirement Plan has a measurement date of February 28 or 29.

The Corporation also has several defined benefit pension plans at its Canadian subsidiary. These include a defined benefit pension plan covering most Canadian salaried employees, which was closed to new participants effective January 1, 2006, but eligible members continue to accrue benefits and an hourly plan in which benefits earned have been frozen and participants no longer accrue benefits after March 1, 2000. There are also two unfunded plans, one that covers a supplemental executive retirement pension relating to an employment agreement and one that pays supplemental pensions to certain former hourly employees pursuant to a prior collective bargaining agreement. All plans have a measurement date of February 28 or 29. During 2010, the Corporation settled a portion of its obligation under the Canadian hourly plan. The Corporation made a contribution to the plan, which was used to purchase annuities for the affected participants. As a result, a settlement expense of $126 was recorded.

The Corporation sponsors a defined benefit health care plan that provides postretirement medical benefits to full-time United States employees who meet certain age, service and other requirements. The plan is contributory, with retiree contributions adjusted periodically, and contains other cost-sharing features such as deductibles and coinsurance. The Corporation maintains a trust for the payment of retiree health care benefits. This trust is funded at the discretion of management. The plan has a measurement date of February 28 or 29. The Corporation made changes to its postretirement health care plan in the current year by reducing the employer subsidy by the Corporation for certain groups as well as removing the death coverage for the spouses of active employees and removing the disability coverage for disabled employees unless the employee was already eligible for retiree medical coverage at the time of death or disability, respectively.

The following table sets forth summarized information on the defined benefit pension plans and postretirement benefits plan:

	Pension Plans		Postretirement Benefits	
	2011	2010	2011	2010
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 162,845	$ 140,116	$ 110,921	$ 120,113
Service cost	957	730	2,290	2,365
Interest cost	8,757	9,279	6,014	7,359
Participant contributions	28	32	4,165	4,591
Retiree drug subsidy payments	-	-	1,670	-
Plan amendments	198	53	(7,263)	-
Actuarial loss (gain)	5,825	22,034	(18,639)	(14,649)
Benefit payments	(10,567)	(10,080)	(8,123)	(8,858)
Settlements	52	(3,512)	-	-
Currency exchange rate changes	2,065	4,193	-	-
Benefit obligation at end of year	170,160	162,845	91,035	110,921
Change in plan assets:				
Fair value of plan assets at beginning of year	102,092	86,489	66,928	61,898
Actual return on plan assets	11,311	21,691	7,130	11,180
Employer contributions	3,187	4,001	(3,165)	(1,883)
Participant contributions	28	32	4,165	4,591
Benefit payments	(10,567)	(10,080)	(8,123)	(8,858)
Settlements	52	(3,512)	-	-
Currency exchange rate changes	1,778	3,471	-	-
Fair value of plan assets at end of year	107,881	102,092	66,935	66,928
Funded status at end of year	$ (62,279)	$ (60,753)	$ (24,100)	$ (43,993)

Amounts recognized on the Consolidated Statement of Financial Position consist of the following:

	Pension Plans		Postretirement Benefits	
	2011	2010	2011	2010
Accrued compensation and benefits	$ (2,347)	$ (2,335)	$ -	$ -
Other liabilities	(59,932)	(58,418)	(24,101)	(43,993)
Net amount recognized	$ (62,279)	$ (60,753)	$ (24,101)	$ (43,993)
Amounts recognized in accumulated other comprehensive income:				
Net actuarial loss	$ 56,938	$ 55,275	$ 1,268	$ 23,611
Net prior service cost (credit)	847	828	(11,316)	(11,766)
Net transition obligation	43	46	-	-
Accumulated other comprehensive income	$ 57,828	$ 56,149	$ (10,048)	$ 11,845

For the defined benefit pension plans, the estimated net loss, prior service cost and transition obligation that will be amortized from accumulated other comprehensive income into periodic benefit cost over the next fiscal year are approximately $2,392, $180 and $6, respectively. For the postretirement benefit plan, the estimated net loss and prior service credit that will be amortized from accumulated other comprehensive income into periodic benefit cost over the next fiscal year are approximately $0 and ($2,500), respectively.

29

The following table presents significant weighted-average assumptions to determine benefit obligations and net periodic benefit cost:

	Pension Plans		Postretirement Benefits	
	2011	2010	2011	2010
Weighted average discount rate used to determine:				
Benefit obligations at measurement date				
US	5.25%	5.50-5.75%	5.50%	5.75%
International	5.15%	5.50%	N/A	N/A
Net periodic benefit cost				
US	5.50-5.75%	6.75%	5.75%	6.75%
International	5.50%	7.50%	N/A	N/A
Expected long-term return on plan assets:				
US	7.00%	7.00%	7.00%	7.00%
International	5.50%	6.00%	N/A	N/A
Rate of compensation increase:				
US	Up to 6.50%	Up to 6.50%	N/A	N/A
International	Up to 3.00%	Up to 3.50%	N/A	N/A
Health care cost trend rates:				
For year ending February 28 or 29	N/A	N/A	8.50%	9.00%
For year following February 28 or 29	N/A	N/A	10.00%	8.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	5.00%	5.00%
Year the rate reaches the ultimate trend rate	N/A	N/A	2021	2017

For 2011, the net periodic pension cost for the pension plans was based on long-term asset rates of return as noted above. In developing these expected long-term rate of return assumptions, consideration was given to expected returns based on the current investment policy and historical return for the asset classes.

For 2011, the Corporation assumed a long-term asset rate of return of 7% to calculate the expected return for the postretirement benefit plan. In developing the 7% expected long-term rate of return assumption, consideration was given to various factors, including a review of asset class return expectations based on historical compounded returns for such asset classes.

	2011	2010
Effect of a 1% increase in health care cost trend rate on:		
Service cost plus interest cost	$ 915	$ 1,036
Accumulated postretirement benefit obligation	7,571	10,262
Effect of a 1% decrease in health care cost trend rate on:		
Service cost plus interest cost	(739)	(841)
Accumulated postretirement benefit obligation	(6,030)	(8,373)

The following table presents selected pension plan information:

	2011	2010
For all pension plans:		
Accumulated benefit obligation	$ 164,823	$ 158,351
For pension plans that are not fully funded:		
Projected benefit obligation	170,160	162,845
Accumulated benefit obligation	164,823	158,351
Fair value of plan assets	107,881	102,092

A summary of the components of net periodic benefit cost for the pension plans is as follows:

	2011	2010	2009
Components of net periodic benefit cost:			
Service cost	$ 957	$ 730	$ 954
Interest cost	8,757	9,279	9,128
Expected return on plan assets	(6,588)	(5,637)	(8,049)
Amortization of transition obligation	6	6	6
Amortization of prior service cost	178	261	260
Amortization of actuarial loss	133	1,942	459
Settlements	(3)	126	-
Net periodic benefit cost	3,440	6,707	2,758
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Actuarial loss	1,175	6,069	27,681
Prior service cost	198	53	-
Amortization of prior service cost	(178)	(261)	(260)
Amortization of actuarial loss	(133)	(1,942)	(459)
Amortization of transition obligation	(6)	(6)	(6)
Settlements	3	(126)	-
Total recognized in net periodic benefit cost and other comprehensive income	$ 4,499	$ 10,494	$ 29,714

A summary of the components of net periodic benefit cost for the postretirement benefit plan is as follows:

	2011	2010	2009
Components of net periodic benefit cost:			
Service cost	$ 2,290	$ 2,365	$ 3,495
Interest cost	6,014	7,359	8,682
Expected return on plan assets	(4,503)	(4,107)	(5,100)
Amortization of prior service credit	(7,712)	(7,418)	(7,418)
Amortization of actuarial loss	1,078	2,386	4,224
Net periodic benefit cost	(2,833)	585	3,883
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Actuarial gain	(21,265)	(21,723)	(14,739)
Prior service credit added during the year	(7,263)	-	-
Amortization of actuarial loss	(1,078)	(2,386)	(4,224)
Amortization of prior service credit	7,712	7,418	7,418
Total recognized in net periodic benefit cost and other comprehensive income	$ (24,727)	$ (16,106)	$ (7,662)

At February 28, 2011 and 2010, the assets of the plans are held in trust and allocated as follows:

	Pension Plans		Postretirement Benefits		
	2011	2010	2011	2010	Target Allocation
Equity securities:					
US	51%	46%	43%	37%	15% - 35%
International	31%	31%	N/A	N/A	N/A
Debt securities:					
US	48%	53%	54%	59%	55% - 75%
International	67%	67%	N/A	N/A	N/A
Cash and cash equivalents:					
US	1%	1%	3%	4%	0% - 20%
International	2%	2%	N/A	N/A	N/A

As of February 28, 2011, the investment policy for the U.S. pension plans targets an approximately even distribution between equity securities and debt securities with a minimal level of cash maintained in order to meet obligations as they come due. The investment policy for the international pension plans targets an approximately 30/60/10 distribution between equity securities, debt securities and cash and cash equivalents.

The investment policy for the postretirement benefit plan targets a distribution among equity securities, debt securities and cash and cash equivalents as noted above. All investments are actively managed, with debt securities averaging 2.5 years to maturity with a credit rating of A or better. This policy is subject to review and change.

The following table summarizes the fair value of the defined benefit pension plan assets at February 28, 2011:

	Fair value at February 28, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
U.S. plans:			
Short-term investments	$ 689	$ 689	$ -
Equity securities	42,776	-	42,776
Fixed-income funds	40,717	-	40,717
International plans:			
Short-term investments	639	639	-
Equity securities	7,191	-	7,191
Fixed-income funds	15,869	-	15,869
Total:	$ 107,881	$ 1,328	$ 106,553

The following table summarizes the fair value of the defined benefit pension plan assets at February 28, 2010:

	Fair value at February 28, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
U.S. plans:			
Short-term investments	$ 683	$ 683	$ -
Equity securities	38,079	-	38,079
Fixed-income funds	43,073	-	43,073
International plans:			
Short-term investments	241	241	-
Equity securities	6,487	-	6,487
Fixed-income funds	13,529	-	13,529

Total:	$ 102,092	$ 924	$ 101,168

32

The following table summarizes the fair value of the postretirement benefit plan assets at February 28, 2011:

	Fair value at February 28, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Short-term investments	$ 1,176	$ 1,176	$ -
Equity securities	29,229	29,229	-
Fixed-income funds	36,530	-	36,530
Total:	$ 66,935	$ 30,405	$ 36,530

The following table summarizes the fair value of the postretirement benefit plan assets at February 28, 2010:

	Fair value at February 28, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Short-term investments	$ 2,565	$ 2,565	$ -
Equity securities	25,035	25,035	-
Fixed-income funds	39,328	-	39,328
Total:	$ 66,928	$ 27,600	$ 39,328

Short-term investments: Short-term investments are valued at the closing price on the active market based on exchange rate to the United States dollar.

Equity securities: The fair value of common / collective trust funds are determined based on the quoted prices of the underlying investments. Common stock is valued at the closing price reported on the active market on which the individual securities are traded.

Fixed-income funds: The fair value of common / collective trust funds are determined based on the quoted prices of the underlying investments. Fixed income funds, which primarily consist of corporate and government bonds, are valued using evaluated prices, such as dealer quotes, available trade information, spreads, bids and offers, prepayment speeds, U.S. Treasury curves and interest rate movements, provided by a pricing vendor.

Although the Corporation does not anticipate that contributions to the Gibson Retirement Plan will be required in 2012, it may make contributions in excess of the legally required minimum contribution level. Any voluntary contributions by the Corporation are not expected to exceed deductible limits in accordance with Internal Revenue Service (IRS) regulations.

Based on historic patterns and currently scheduled benefit payments, the Corporation expects to contribute $2,196 to the Supplemental Executive Retirement Plan in 2012. The plan is a nonqualified and unfunded plan, and annual contributions, which are equal to benefit payments, are made from the Corporation s general funds.

In addition, the Corporation does not anticipate contributing to the postretirement benefit plan in 2012.

The benefits expected to be paid out are as follows:

		Postretirement Benefits	
	Pension Plans	Excluding Effect of Medicare Part D Subsidy	Including Effect of Medicare Part D Subsidy
2012	$ 11,131	$ 5,289	$ 4,529

2013	11,334	5,609	4,792
2014	11,392	5,826	4,874
2015	11,317	6,085	5,030
2016	11,784	6,305	6,059
2017 2021	57,969	33,717	32,433

NOTE 13 LONG-TERM LEASES AND COMMITMENTS

The Corporation is committed under noncancelable operating leases for commercial properties (certain of which have been subleased) and equipment, terms of which are generally less than 10 years. Rental expense under operating leases for the years ended February 28, 2011, 2010 and 2009 is as follows:

	2011	2010	2009
Gross rentals	$ 33,452	$ 47,473	$ 48,332
Sublease rentals	(16,387)	(24,891)	(460)
Net rental expense	$ 17,065	$ 22,582	$ 47,872

At February 28, 2011, future minimum rental payments for noncancelable operating leases, net of aggregate future minimum noncancelable sublease rentals, are as follows:

Gross rentals:	
2012	$ 16,195
2013	11,599
2014	8,075
2015	6,143
2016	4,831
Later years	10,525
	57,368
Sublease rentals	(36,052)
Net rentals	$ 21,316

The majority of the sublease rentals in the table above are being paid by Schurman. These amounts relate to retail stores acquired by Schurman that are being subleased to Schurman. See Note 2 for additional information. The failure of Schurman to operate the retail stores successfully could have a material adverse effect on the Corporation, because if Schurman is not able to comply with its obligations under the subleases, the Corporation remains contractually obligated, as primary lessee, under those leases.

NOTE 14 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 financial assets measured at fair value as of the measurement date, February 28, 2011, and the basis for that measurement, by level within the fair value hierarchy:

	Balance as of February 28, 2011	Quoted prices in active markets for identical assets and liabilities (Level 1)	Quoted prices in active markets for similar assets and liabilities (Level 2)	Significant unobservable inputs (Level 3)
Assets measured on a recurring basis:				
Active employees medical plan trust assets	$ 3,223	$ 3,223	$ -	$ -
Deferred compensation plan assets(1)	6,871	6,871	-	-
Total	$ 10,094	$ 10,094	$ -	$ -
Assets measured on a non-recurring basis:				
Assets held for sale	$ 5,282	$ -	$ 5,282	$ -
Total	$ 5,282	$ -	$ 5,282	$ -

The following table summarizes the financial assets measured at fair value as of the measurement date, February 28, 2010, and the basis for that measurement, by level within the fair value hierarchy:

	Balance as of February 28, 2010	Quoted prices in active markets for identical assets and liabilities (Level 1)	Quoted prices in active markets for similar assets and liabilities (Level 2)	Significant unobservable inputs (Level 3)
Assets measured on a recurring basis:				
Active employees medical plan trust assets	$ 4,087	$ 4,087	$ -	$ -
Deferred compensation plan assets(1)	4,785	4,785	-	-
Total	$ 8,872	$ 8,872	$ -	$ -
Assets measured on a non-recurring basis:				
Assets held for sale	$ 5,557	$ -	$ 5,557	$ -
Total	$ 5,557	$ -	$ 5,557	$ -

(1) There is an offsetting liability for the obligation to its employees on the Corporation s books.

The fair value of the investments in the active employees medical plan trust was considered a Level 1 valuation as it is based on the quoted market value per share of each individual security investment in an active market.

The deferred compensation plan is comprised of mutual fund assets and the Corporation s common shares. The fair value of the mutual fund assets was considered a Level 1 valuation as it is based on each fund s quoted market value per share in an active market. The fair value of the Corporation s common shares was considered a Level 1 valuation as it is based on the quoted market value per share of the Class A common shares in an active market. Although the Corporation is under no obligation to fund employees nonqualified accounts, the fair value of the related non-qualified deferred compensation liability is based on the fair value of the mutual fund assets and the Corporation s common shares.

Certain assets are measured at fair value on a nonrecurring basis and are subject to fair value adjustments only in certain circumstances. In accordance with ASC 360, during the fourth quarter of 2010, assets held for sale relating to the Corporation s party goods product lines with a carrying value of $13,936 were written down to

fair value of $5,875, less cost to sell of $318, or $5,557. This resulted in an impairment charge of $8,379, which was recorded in Material, labor and other production costs on the Consolidated Statement of Operations. The assets held for sale included land and buildings related to the Kalamazoo facility within the North American Social Expression Products segment. During the fourth quarter of 2011, these assets were subsequently re-measured, at fair value less cost to sell, and an additional impairment charge of $275 was recorded. The fair value of the assets held for sale was considered a Level 2 valuation as it was based on observable selling prices for similar assets that were sold within the past twelve to eighteen months. In addition, land, buildings and certain equipment associated with a distribution facility in the International Social Expression Products segment have been reclassified to Assets held for sale on the Consolidated Statement of Financial Position, for all periods presented, as the location met the criteria to be classified as such during 2011. Bids from third parties for the purchase of these assets exceed current book value, therefore no adjustments to the carrying values were required in 2011. The assets included in Assets held for sale are expected to sell within one year.

NOTE 15 COMMON SHARES AND STOCK BASED COMPENSATION

At February 28, 2011 and 2010, common shares authorized consisted of 187,600,000 Class A and 15,832,968 Class B common shares.

Class A common shares have one vote per share and Class B common shares have ten votes per share. There is no public market for the Class B common shares of the Corporation. Pursuant to the Corporation s Amended and Restated Articles of Incorporation, a holder of Class B common shares may not transfer such Class B common shares (except to permitted transferees, a group that generally includes members of the holder s extended family, family trusts and charities) unless such holder first offers such shares to the Corporation for purchase at the most recent closing price for the Corporation s Class A common shares. While it is the Corporation s general policy to repurchase Class B common shares whenever they are offered by a holder, if the Corporation does not purchase such Class B common shares, the holder must convert such shares, on a share for share basis, into Class A common shares prior to any transfer, other than to a permitted transferee.

Total stock-based compensation expense, recognized in Administrative and general expenses on the Consolidated Statement of Operations, was $13,017 ($10,204 net of tax), which reduced earnings per share and earnings per share assuming dilution by $0.26 and $0.25 per share, respectively, during the year ended February 28, 2011. During 2010, total stock-based compensation expense was $5,819 ($3,648 net of tax), which reduced both earnings per share and earnings per share assuming dilution by $0.09 per share. During 2009, total stock-based compensation expense was $4,369 ($2,738 net of tax), which reduced both earnings per share and earnings per share assuming dilution by $0.06 per share.

Under the Corporation s stock option plans, options to purchase common shares are granted to directors, officers and other key employees at the then-current market price. In general, subject to continuing service, options become exercisable commencing twelve months after the date of grant in annual installments and expire over a period of not more than ten years from the date of grant. The Corporation generally issues new shares when options to purchase Class A common shares are exercised and treasury shares when options to purchase Class B common shares are exercised.

Stock option transactions and prices are summarized as follows:

	Number of Class A Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at February 28, 2010	5,305,132	$ 19.00		
Granted	587,394	24.52		
Exercised	(1,010,493)	23.92		
Cancelled	(348,102)	21.70		
Outstanding at February 28, 2011	4,533,931	$ 16.01	6.0	$ 14,260
Exercisable at February 28, 2011	3,557,127	$ 20.96	5.5	$ 8,291

	Number of Class B Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at February 28, 2010	1,210,520	$ 20.19		
Granted	118,375	24.69		
Exercised	(162,500)	24.91		
Outstanding at February 28, 2011	1,166,395	$ 19.96	5.7	$ 2,578
Exercisable at February 28, 2011	865,187	$ 22.96	5.2	$ 639

The fair value of the options granted is estimated using the Black-Scholes option-pricing model with the following assumptions:

	2011	2010	2009
Risk-free interest rate	1.4%	1.3%	2.5%
Dividend yield	2.3%	6.0%	2.7%
Expected stock volatility	0.81	0.71	0.31
Expected life in years	2.3	2.4	2.4

The weighted average fair value per share of options granted during 2011, 2010 and 2009 was $10.43, $2.83 and $3.13, respectively. The total intrinsic value of options exercised was $9,377, $1,985 and $116 in 2011, 2010 and 2009, respectively.

During 2009, approximately 60,000 performance shares were awarded to certain executive officers under the American Greetings 2007 Omnibus Incentive Compensation Plan (the Plan). The performance shares represent the right to receive Class B common shares, at no cost to the officer, upon achievement of management objectives over a performance period of up to two years. The number of performance shares actually earned is based on the percentage of the officer s target incentive award, if any, that the officer achieves during the performance period under the Corporation s Key Management Annual Incentive Plan. The Corporation recognizes compensation expense related to performance shares ratably over the estimated period during which the shares could be earned. During 2009, the target incentive awards were not earned as operating targets were not reached and thus, no compensation expense related to the performance shares was recognized. During 2010, the management objectives were met and the executives earned all 59,864 performance shares.

In 2010, the shareholders approved an amendment to the Plan reserving an additional 1,600,000 Class A common shares and 400,000 Class B common shares for issuance under the Plan. In connection with this amendment, in April 2009, performance shares were awarded to certain of the Corporation s employees, including executive officers under the Plan. The performance shares represent the right to receive Class A common shares or Class B common shares, at no cost to the employee, upon achievement of management objectives over up to three annual performance periods and the satisfaction of a service-based vesting period.

The number of performance shares actually credited to a participant is based on achieving a corporate consolidated earnings before interest and taxes (EBIT) goal at the end of each of the three annual performance periods. Each of the three annual performance periods are subject to the same EBIT goals, which were established as of the date of grant. At the end of each performance period, provided that the performance objectives are met, the shares are then subject to a vesting requirement of two years of continuing service. The Corporation recognizes compensation expense related to performance shares ratably over the estimated combined performance and vesting period. During 2010, the required performance objectives for the first year performance period were satisfied and 709,000 performance shares were credited to participants. During 2011, the required performance objectives for the second year performance period were satisfied and 742,000 performance shares were credited to participants.

The following table summarizes the activity related to performance shares during 2011:

	Number of Class A Performance Shares	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2010	615,000		
Credited	648,000		
Vested	(286,483)		
Forfeited	(227,017)		
Unvested at February 28, 2011	749,500	1.3	$ 16,227

	Number of Class B Performance Shares		
Unvested at February 28, 2010	153,864		
Credited	94,000		
Vested	(106,864)		
Forfeited	-		
Unvested at February 28, 2011	141,000	1.3	$ 3,053

The fair value of the performance shares is estimated using the Black-Scholes option-pricing model with the following assumptions:

	2011	2010
Risk-free interest rate	1.62%	1.54%
Dividend yield	4.38%	4.48%
Expected stock volatility	0.76	0.78
Expected life in years	2.5	2.3

The fair value per share of the performance shares in 2011 and 2010 was $10.20 and $9.67, respectively.

During 2011, the Company awarded restricted share units to officers and other key employees. The restricted share units represent the right to receive Class A common shares or Class B common shares, at no cost to the employee, upon the satisfaction of a two-year continuous service-based vesting period. The Corporation recognizes compensation expense related to restricted share units ratably over the vesting period.

The following table summarizes the activity related to restricted stock units during 2011:

	Number of Class A Restricted Stock Units	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2010	-		
Granted	124,920		
Vested	-		
Forfeited	(13,921)		
Unvested at February 28, 2011	110,999	0.7	$ 2,403

	Number of Class B Restricted Stock Units		
Unvested at February 28, 2010	-		
Granted	29,675		
Vested	-		
Forfeited	-		
Unvested at February 28, 2011	29,675	1.1	$ 642

The fair value of the restricted stock units is estimated using the Black-Scholes option-pricing model with the following assumptions:

	2011
Risk-free interest rate	1.09%
Dividend yield	2.3%
Expected stock volatility	0.90
Expected life in years	1.6

The fair value per share of the restricted share units in 2011 was $23.65 at the date of the grant.

The risk-free interest rate was based upon the U.S. Treasury yield curve at the time of the grant. Dividend yield was estimated using the Corporation s annual dividend in the year when the award was granted. Historical information was the primary basis for the estimates of expected stock volatility and expected life of the award.

As of February 28, 2011, the Corporation had unrecognized compensation expense of approximately $3,157, $4,659, and $1,326 before taxes, related to stock options, performance shares and restricted stock units, respectively.

The unrecognized compensation expense is expected to be recognized over an average period of approximately one year. Cash received from stock options exercised for the years ended February 28, 2011, 2010 and 2009, was $18,842, $5,834, and $366, respectively. The actual tax benefit realized from the exercise of share-based payment arrangements totaled $6,510, $762, and $45 for the years ended February 28, 2011, 2010 and 2009, respectively.

The number of shares available for future grant at February 28, 2011 is 924,164 Class A common shares and 134,054 Class B common shares.

NOTE 16 BUSINESS SEGMENT INFORMATION

The Corporation is organized and managed according to a number of factors, including product categories, geographic locations and channels of distribution.

The North American Social Expression Products and International Social Expression Products segments primarily design, manufacture and sell greeting cards and other related products through various channels of distribution with mass merchandise retailers as the primary channel. As permitted under ASC Topic 280, Segment Reporting, certain operating divisions have been aggregated into both the North American Social Expression Products and International Social Expression Products segments. The aggregated operating divisions have similar economic characteristics, products, production processes, types of customers and distribution methods. Approximately 54%, 51% and 54% of the North American Social Expression Products segment s revenue in 2011, 2010 and 2009, respectively, is attributable to its top five customers. Approximately 44%, 45% and 39% of the International Social Expression Products segment s revenue in 2011, 2010 and 2009, respectively, is attributable to its top three customers.

At February 28, 2009, the Corporation owned and operated 341 card and gift retail stores in the United States and Canada through its Retail Operations segment. The stores were primarily located in malls and strip shopping centers. The stores sold products purchased from the North American Social Expression Products segment as well as products purchased from other vendors. During the first quarter of 2010, the Corporation sold all of its card and gift retail store assets to Schurman, which operates stores under the American Greetings, Carlton Cards and Papyrus brands. See Note 2 for further information.

AG Interactive distributes social expression products, including electronic greetings, personalized printable greeting cards and a broad range of graphics and digital services and products, through a variety of electronic channels, including Web sites, Internet portals, instant messaging services and electronic mobile devices.

The Corporation s non-reportable operating segments primarily include licensing activities and the design, manufacture and sale of display fixtures.

The Corporation s senior management evaluates segment performance based on earnings before foreign currency exchange gains or losses, interest income, interest expense, centrally-managed costs and income taxes. The accounting policies of the reportable segments are the same as those described in Note 1 Significant Accounting Policies, except those that are related to LIFO or applicable to only corporate items.

Prior to the sale of the Retail Operations segment, intersegment sales from the North American Social Expression Products segment to the Retail Operations segment were recorded at estimated arm s-length prices. Intersegment sales and profits were eliminated in consolidation. All inventories resulting from intersegment sales were carried at cost. Accordingly, the Retail Operations segment recorded full profit upon its sales to consumers.

The reporting and evaluation of segment assets include net accounts receivable, inventory on a FIFO basis, display materials and factory supplies, prepaid expenses, other assets and net property, plant and equipment. Unallocated and intersegment items include primarily cash, taxes and LIFO.

Segment results are internally reported and evaluated at consistent exchange rates between years to eliminate the impact of foreign currency fluctuations. An exchange rate adjustment is included in the reconciliation of the segment results to the consolidated results; this adjustment represents the impact on the segment results of the difference between the exchange rates used for segment reporting and evaluation and the actual exchange rates for the periods presented.

Centrally incurred and managed costs are not allocated back to the operating segments. The unallocated items include interest expense on centrally-incurred debt, domestic profit-sharing expense, settlement charges and stock-based compensation expense. In addition, the costs associated with corporate operations including the senior management, corporate finance, legal and human resource functions, among other costs, are included in the unallocated items. In 2010, unallocated items included the negotiated settlement of a lawsuit totaling $24,000, all of which was paid as of February 28, 2010.

Operating Segment Information

	Total Revenue			Segment Earnings (Loss)		
	2011	2010	2009	2011	2010	2009
North American Social Expression Products	$ 1,173,599	$ 1,231,624	$ 1,139,203	$ 210,154	$ 236,125	$ 106,311
Intersegment items		(5,104)	(52,805)		(3,511)	(38,899)
Exchange rate adjustment	17,884	8,659	9,050	8,170	3,800	2,539
Net	1,191,483	1,235,179	1,095,448	218,324	236,414	69,951
International Social Expression Products	256,507	250,026	245,331	19,536	16,693	(68,545)
Exchange rate adjustment	5,205	4,006	25,396	36	153	(9,124)
Net	261,712	254,032	270,727	19,572	16,846	(77,669)
Retail Operations		11,727	170,066		(34,830)	(19,727)
Exchange rate adjustment		112	8,746		(285)	496
Net		11,839	178,812		(35,115)	(19,231)
AG Interactive	78,407	80,320	82,623	14,103	11,319	(159,670)
Exchange rate adjustment	(201)	126	790	(112)	100	(2,021)
Net	78,206	80,446	83,413	13,991	11,419	(161,691)
Non-reportable segments	61,167	53,975	62,338	9,477	7,634	(7,627)
Unallocated		387		(106,259)	(116,476)	(80,193)
Exchange rate adjustment				902	232	1,527
Net		387		(105,357)	(116,244)	(78,666)
	$ 1,592,568	$ 1,635,858	$ 1,690,738	$ 156,007	$ 120,954	$ (274,933)

	Depreciation and Amortization			Capital Expenditures		
	2011	2010	2009	2011	2010	2009
North American Social Expression Products	$ 30,045	$ 32,504	$ 28,174	$ 28,880	$ 22,144	$ 43,460
Exchange rate adjustment	20	11	22		8	52
Net	30,065	32,515	28,196	28,880	22,152	43,512
International Social Expression Products	4,409	4,585	5,120	3,495	1,273	1,226
Exchange rate adjustment	22	74	578	7	20	107
Net	4,431	4,659	5,698	3,502	1,293	1,333
Retail Operations		395	4,653		29	4,330
Exchange rate adjustment		18	268		(2)	228
Net		413	4,921		27	4,558
AG Interactive	4,150	5,105	8,633	2,762	2,610	3,916
Exchange rate adjustment	(7)	17	330		1	2
Net	4,143	5,122	8,963	2,762	2,611	3,918
Non-reportable segments	1,701	1,820	1,628	1,130	260	2,218
Unallocated	708	636	610	72	207	194
	$ 41,048	$ 45,165	$ 50,016	$ 36,346	$ 26,550	$ 55,733

	Assets	
	2011	2010
		(Restated)
North American Social Expression Products	$ 956,169	$ 961,057
Exchange rate adjustment	4,876	2,273
Net	961,045	963,330
International Social Expression Products	117,928	136,551
Exchange rate adjustment	6,934	(1,539)
Net	124,862	135,012
Retail Operations	2,080	1,738
Exchange rate adjustment	-	-
Net	2,080	1,738
AG Interactive	17,983	20,352
Exchange rate adjustment	56	(77)
Net	18,039	20,275
Non-reportable segments	39,204	39,026
Unallocated and intersegment items	386,818	378,200
Exchange rate adjustment	15,201	6,917
Net	402,019	385,117
	$ 1,547,249	$ 1,544,498

Geographical Information

	Total Revenue			Fixed Assets - Net	
	2011	2010	2009	2011	2010
United States	$ 1,205,915	$ 1,266,876	$ 1,235,828	$ 218,354	$ 220,626
United Kingdom	216,309	209,059	222,918	21,099	20,041
Other international	170,344	159,923	231,992	2,196	2,216
	$ 1,592,568	$ 1,635,858	$ 1,690,738	$ 241,649	$ 242,883

Product Information

	Total Revenue		
	2011	2010	2009
Everyday greeting cards	$ 753,027	$ 764,199	$ 704,380
Seasonal greeting cards	377,282	368,781	356,762
Gift packaging	222,541	221,167	240,452
Other revenue	32,355	37,566	44,339
All other products	207,363	244,145	344,805
	$ 1,592,568	$ 1,635,858	$ 1,690,738

The All other products classification includes, among other things, giftware, party goods, calendars, custom display fixtures, stickers, online greeting cards and other digital products.

42

Termination Benefits and Facility Closings

Termination benefits are primarily considered part of an ongoing benefit arrangement, accounted for in accordance with ASC Topic 712, Compensation Nonretirement Postemployment Benefits, and are recorded when payment of the benefits is probable and can be reasonably estimated.

The Corporation recorded severance charges of $6,944, $10,814 and $15,688 in 2011, 2010 and 2009, respectively, related to headcount reductions and facility closures at several locations. During 2010, severance charges totaling $1,397 and $2,798 were recorded in the North American Social Expression Products segment related to the planned facility closures in Mexico City, Mexico and Kalamazoo, Michigan, respectively. See Note 2 for further information. The expense of $15,688 recorded in 2009 included enhanced benefits provided to certain domestic employees that were severed in connection with the headcount reductions announced in the fourth quarter of 2009. These one-time termination benefits were accounted for in accordance with ASC Topic 420, Exit or Disposal Cost Obligations.

The following table summarizes the severance charges by segment:

	2011	2010	2009
North American Social Expression Products	$ 4,737	$ 8,517	$ 6,247
International Social Expression Products	773	263	4,119
Retail Operations	-	618	1,787
AG Interactive	900	802	1,626
Non-reportable	37	232	1,108
Unallocated	497	382	801
Total	$ 6,944	$ 10,814	$ 15,688

The remaining balance of the severance accrual was $8,002 and $14,030 at February 28, 2011 and 2010, respectively. The payments expected within the next twelve months are included in Accrued liabilities while the remaining payments beyond the next twelve months are included in Other liabilities on the Consolidated Statement of Financial Position.

NOTE 17 INCOME TAXES

Income (loss) from continuing operations before income taxes:

	2011	2010	2009
United States	$ 135,859	$ 129,115	$ (136,523)
International	20,148	(8,161)	(138,410)
	$ 156,007	$ 120,954	$ (274,933)

Income tax expense (benefit) from the Corporation s continuing operations has been provided as follows:

	2011	2010	2009
Current:			
Federal	$ 23,263	$ 7,730	$ (21,530)
International	8,980	2,079	2,918
State and local	8,104	4,303	876
	40,347	14,112	(17,736)
Deferred	28,642	25,268	(29,438)

	$ 68,989	$ 39,380	$ (47,174)

Reconciliation of the Corporation s income tax expense (benefit) from continuing operations from the U.S. statutory rate to the actual effective income tax rate is as follows:

	2011	2010	2009
Income tax expense (benefit) at statutory rate	$ 54,602	$ 42,334	$ (96,227)
State and local income taxes, net of federal tax benefit	5,568	1,431	(1,128)
Corporate-owned life insurance	(1,909)	(4,688)	(633)
Nondeductible goodwill	-	-	61,445
International items, net of foreign tax credits	697	(2,490)	(7,613)
Worthless stock deduction on international subsidiary	(53)	(6,043)	(9,460)
Charitable contributions carryforward expiration	-	-	2,434
Exchange loss of international liquidation	-	2,562	-
Valuation allowance	(1,067)	302	(2,000)
Accruals and settlements	8,866	6,313	486
Other	2,285	(341)	5,522
Income tax at effective tax rate	$ 68,989	$ 39,380	$ (47,174)

During 2011, estimated accruals and settlements increased because the Corporation received new information associated with anticipated settlements related to open years which are currently under examination.

During 2010, the Corporation determined it was eligible for a worthless stock deduction related to one of its international subsidiaries, which resulted in the recording of a benefit of $6,043.

During 2009, of the $290,166 of goodwill and other intangible assets impairment charge, $175,558 had no tax basis, and therefore, is permanently nondeductible. As a result, the prior year tax benefit was reduced by $61,445. Also, in 2009, $2,434 of a prior year net charitable contribution carryforward expired. Prior to 2009, the Corporation s taxable income projections for 2009 supported the utilization of that carryforward in 2009. During 2009, the Corporation determined it was eligible for a worthless stock deduction related to one of its international subsidiaries, which resulted in the recording of a benefit of $9,460.

Income taxes paid from continuing operations were $23,519 in 2011, $12,881 in 2010 and $19,555 in 2009.

Significant components of the Corporation s deferred tax assets and liabilities are as follows:

	February 28, 2011	February 28, 2010 (Restated)
Deferred tax assets:		
Employee benefit and incentive plans	$ 54,186	$ 59,859
Net operating loss carryforwards	29,850	37,722
Deferred capital loss	8,490	8,379
Deferred revenue	13,327	9,539
Net reserves not currently deductible	39,989	39,364
Charitable contributions carryforward	1,271	2,094
Foreign tax credit carryforward	26,638	35,948
Goodwill and other intangible assets	50,371	58,104
Inventory costing	-	1,562
Other	9,242	2,959
	233,364	255,530
Valuation allowance	(24,042)	(25,109)
Total deferred tax assets	209,322	230,421
Deferred tax liabilities:		
Property, plant and equipment	18,132	20,647
Inventory costing	2,453	-
Other	6,340	1,057
Total deferred tax liabilities	26,925	21,704
Net deferred tax assets	$ 182,397	$ 208,717

Net deferred tax assets are included on the Consolidated Statement of Financial Position in the following captions:

	February 28, 2011	February 28, 2010 (Restated)
Deferred and refundable income taxes (current)	$ 61,475	$ 66,776
Deferred and refundable income taxes (noncurrent)	121,806	143,770
Deferred income taxes and noncurrent income taxes payable	(884)	(1,829)
Net deferred tax assets	$ 182,397	$ 208,717

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases as well as from net operating loss and tax credit carryforwards, and are stated at tax rates expected to be in effect when taxes are actually paid or recovered. Deferred income tax assets represent amounts available to reduce income tax payments in future years.

The Corporation periodically reviews the need for valuation allowances against deferred tax assets and recognizes these deferred tax assets to the extent that realization is more likely than not. Based upon a review of earnings history and trends, forecasted earnings and the relevant expiration of carryforwards, the Corporation believes that the valuation allowances provided are appropriate. At February 28, 2011, the valuation allowance of $24,042 related principally to certain international and domestic net operating loss carryforwards and deferred capital losses.

At February 28, 2011, the Corporation had deferred tax assets of approximately $8,961 for international net operating loss carryforwards, of which $4,710 has no expiration dates and $4,251 has expiration dates ranging from 2014 through 2020. In addition, the Corporation had deferred tax assets related to domestic net operating loss, state net operating loss, charitable contribution and foreign tax credit (FTC) carryforwards of approximately $15,231, $8,612, $1,271 and $26,638, respectively. The federal net operating loss carryforwards

have expiration dates ranging from 2019 to 2027. The state net operating loss carryforwards have expiration dates ranging from 2012 to 2031. The charitable contribution carryforward has an expiration date of 2014. The FTC carryforwards have expiration dates ranging from 2015 to 2020.

Deferred taxes have not been provided on approximately $81,256 of undistributed earnings of international subsidiaries since substantially all of these earnings are necessary to meet their business requirements. It is not practicable to calculate the deferred taxes associated with these earnings; however, foreign tax credits would be available to reduce federal income taxes in the event of distribution.

At February 28, 2011, the Corporation had unrecognized tax benefits of $43,323 that, if recognized, would have a favorable effect on the Corporation s income tax expense of $32,811, compared to unrecognized tax benefits of $45,661 that, if recognized, would have a favorable effect on the Corporation s income tax expense of $33,765 at February 28, 2010. It is reasonably possible that the Corporation s unrecognized tax positions as of February 28, 2011 could decrease approximately $9,498 during 2012 due to anticipated settlements and resulting cash payments related to open years after 1996, which are currently under examination.

The following chart reconciles the Company s total gross unrecognized tax benefits for the years ended February 28, 2011, 2010 and 2009:

	2011	**2010**	**2009**
Balance at beginning of year	$ 45,661	$ 34,760	$ 27,523
Additions based on tax positions related to the current year	2,177	12,673	229
Reductions based on tax positions related to the current year	-	-	(408)
Additions for tax positions of prior years	1,239	4,656	18,744
Reductions for tax positions of prior years	(2,405)	(6,345)	(6,581)
Settlements	(2,972)	(83)	(4,747)
Statute lapse	(377)	-	-
Balance at end of year	$ 43,323	$ 45,661	$ 34,760

The Corporation recognizes interest and penalties accrued on unrecognized tax benefits and income taxes as a component of income tax expense. During the year ended February 28, 2011, the Corporation recognized a net expense of $16,621 for interest and penalties on unrecognized tax benefits and income taxes. As of February 28, 2011, the total amount of gross accrued interest and penalties related to unrecognized tax benefits and income taxes netted to a payable of $16,312. During the year ended February 28, 2010, the Corporation recognized a net benefit of $812 for interest expense and penalties related to unrecognized tax benefits and refundable income taxes. As of February 28, 2010, the total amount of gross accrued interest and penalties included on the Consolidated Statement of Financial Position related to unrecognized tax benefits and refundable income taxes netted to a refundable of $1,042.

The Corporation is subject to examination by the IRS and various U.S. state and local jurisdictions for tax years 1996 to the present. The Corporation is also subject to tax examination in various international tax jurisdictions, including Canada, the United Kingdom, Australia, Italy, Mexico and New Zealand for tax years 2006 to the present.

NOTE 18 SUBSEQUENT EVENTS

Continuing the strategy of focusing on growing its core greeting card business, on March 1, 2011, the Corporation s European subsidiary, UK Greetings Ltd., acquired Watermark Publishing Limited and its wholly owned subsidiary Watermark Packaging Limited (Watermark). Watermark is a privately held company located in Corby, England, and is considered a leader in the United Kingdom in the innovation and design of greeting cards. Under the terms of the transaction, the Corporation acquired 100% of the equity interests of Watermark in exchange of approximately $17,069 in cash, which was held in an escrow account as of February 28, 2011.

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Thousands of dollars except per share amounts

The following is a summary of the unaudited quarterly results of operations for the years ended February 28, 2011 and 2010:

	Quarter Ended			
Fiscal 2011	**May 28**	**Aug 27**	**Nov 26**	**Feb 28**
Net sales	$ 392,105	$ 333,339	$ 421,990	$ 412,779
Total revenue	396,308	342,819	430,138	423,303
Gross profit	234,092	187,626	222,813	233,314
Net income	30,839	8,532	32,163	15,484
Earnings per share	$ 0.78	$ 0.21	$ 0.80	$ 0.39
Earnings per share assuming dilution	0.75	0.21	0.78	0.37
Dividends declared per share	0.14	0.14	0.14	0.14

The fourth quarter of 2011 included a pretax charge of $5,503 related to scan-based trading implementations in the North American Social Expression Products segment.

	Quarter Ended			
Fiscal 2010	**May 29**	**Aug 28**	**Nov 27**	**Feb 28**
Net sales	$ 409,277	$ 348,639	$ 431,512	$ 408,864
Total revenue	412,922	356,350	440,166	426,420
Gross profit	242,108	195,391	226,515	221,203
Net income	9,961	23,122	29,695	18,796
Earnings per share	$ 0.25	$ 0.59	$ 0.75	$ 0.48
Earnings per share assuming dilution	0.25	0.59	0.75	0.46
Dividends declared per share	-	0.12	0.12	0.12

The first quarter of 2010 included a pre-tax loss on disposition of $28,333 in the Retail Operations segment. A pre-tax benefit of $6,993 was recorded during the second quarter due to higher than average death benefit income reported by our third party administrators, in relation to our corporate-owned life insurance programs. During the third quarter of 2010, the shut down of Carlton Mexico operations within the North American Social Expression Products segment resulted in pre-tax charges totaling $5,901.

The fourth quarter of 2010 included a pre-tax asset impairment charge totaling $13,005, a pre-tax gain of $34,178 related to the Party Goods Transaction, and a pre-tax severance charge of $6,555 in the North American Social Expression Products segment. Currency translation reclassification adjustments for amounts recognized in income were also recorded in the fourth quarter within the North American Social Expression Products segment and AG Interactive segment totaling pre-tax charge of $11,300 and pre-tax benefit of $3,274, respectively. The fourth quarter also included a pre-tax charge of $19,000 in relation to a legal settlement.

Quarterly earnings per share amounts do not add to the full year primarily due to share repurchases during the periods.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

American Greetings maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Commission s rules and forms and that such information is accumulated and communicated to the Corporation s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Prior to the filing of our original Annual Report on Form 10-K for the fiscal year ended February 28, 2011, American Greetings carried out a variety of procedures, under the supervision and with the participation of the Corporation s management, including its Chief Executive Officer and Chief Financial Officer, to evaluate the effectiveness of the design and operation of the Corporation s disclosure controls and procedures.

Based on the foregoing, the Chief Executive Officer and Chief Financial Officer of American Greetings had concluded that the Corporation s disclosure controls and procedures were effective as of February 28, 2011. Subsequently, during the third quarter of the fiscal year ending February 29, 2012, we identified a deficiency in controls relating to the accounting for income taxes resulting in the understatement of a deferred tax asset related to inventory. We have concluded that such deficiency represented a material weakness in internal control over financial reporting. As a result of this discovery, our Chief Executive Officer and Chief Financial Officer have now concluded that our disclosure controls and procedures were not effective as of February 28, 2011, the last day of the period covered by this Report.

Report of Management on Internal Control Over Financial Reporting

The management of American Greetings is responsible for establishing and maintaining adequate internal control over financial reporting for the Corporation. American Greetings internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Prior to the filing of our original Annual Report on Form 10-K for the fiscal year ended February 28, 2011, American Greetings management had assessed the effectiveness of the Corporation s internal control over financial reporting. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management had concluded that as of February 28, 2011, our internal control over financial reporting was effective based on those criteria. Subsequently, during the third quarter of the fiscal year ending February 29, 2012, we identified a material weakness in our internal control over financial reporting as of February 28, 2011 relating to accounting for income taxes. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis.

This material weakness resulted in an error in our accounting for income taxes and contributed to our restatement of previously issued financial statements more fully described in Note 1A to the Consolidated Financial Statements. Based on our assessment, management has now concluded that, as of February 28, 2011, our internal control over the accounting for income taxes was not effective due to the identification of a material weakness.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K/A and, as part of its audit, has issued an attestation report, included herein, on the effectiveness of our internal control over financial reporting.

Planned Remediation Efforts to Address Material Weakness

In order to remediate this material weakness discussed above and further strengthen the overall controls surrounding the Corporation s accounting for income taxes, we have taken or will take the following steps to improve the overall processes and controls in its tax function:

- place a senior accounting professional in a leadership position within the tax department and hire additional tax professionals to spread workloads and facilitate additional levels of review;
- review the tax department to ensure that the areas of responsibilities are properly matched to the staff competencies and that the lines of communication, processes, procedures and controls effective; and
- enhance the documentation of all related deferred tax items.

However, the material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

We intend that the remediation of the material weakness related to controls over the accounting for income taxes will be completed as of February 29, 2012. However, we cannot make any assurances that we will successfully remediate this material weakness within the anticipated timeframe and thus reduce to remote the likelihood that material misstatements concerning accounting for income taxes will not be prevented or detected in a timely manner.

Changes in Internal Control Over Financial Reporting

As previously reported, except for the material weakness described above, management did not identify any change in internal control over financial reporting occurring during the fourth quarter that materially affected, or was reasonably likely to materially affect, the Corporation s internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of American Greetings Corporation

We have audited American Greetings Corporation s internal control over financial reporting as of February 28, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). American Greetings Corporation s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Corporation s internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our report dated April 29, 2011, we expressed an unqualified opinion that American Greetings Corporation maintained, in all material respects, effective internal control over financial reporting as of February 28, 2011 based on the COSO criteria. Management has subsequently determined that a deficiency in controls relating to the accounting for income taxes existed as of the previous assessment date, and has further concluded that such deficiency represented a material weakness as of February 28, 2011. As a result, management has revised its assessment, as presented in Item 9A, Report of Management on Internal Control Over Financial Reporting , to conclude that the Company s internal control over financial reporting was not effective as of February 28, 2011. Accordingly, our present opinion on the effectiveness of the Corporation s internal control over financial reporting as of February 28, 2011, as expressed herein, is different from that expressed in our previous report.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management s assessment. Management has identified a material weakness in controls related to the Corporation s accounting for income taxes. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Corporation as of February 28, 2011 and February 28, 2010, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended February 28, 2011. This material weakness was considered in determining the nature, timing, and extent of audit

tests applied in our audit of the consolidated financial statements as of and for the year ended February 28, 2011, and this report does not affect our report dated April 29, 2011, except for Note 1A, as to which the date is November 14, 2011, on these consolidated financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, American Greetings Corporation has not maintained effective internal control over financial reporting as of February 28, 2011, based on the COSO criteria.

/s/ Ernst & Young LLP

April 29, 2011, except for the effects of the material weakness

described in the sixth paragraph as to which the date is November 14, 2011

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K

1. Financial Statements

Report of Independent Registered Public Accounting Firm	3
Consolidated Statement of Operations Years ended February 28, 2011, 2010 and 2009	4
Consolidated Statement of Financial Position February 28, 2011 and 2010	5
Consolidated Statement of Cash Flows Years ended February 28, 2011, 2010 and 2009	6
Consolidated Statement of Shareholders Equity Years ended February 28, 2011, 2010 and 2009	7
Notes to Consolidated Financial Statements Years ended February 28, 2011, 2010 and 2009	8
Quarterly Results of Operations (Unaudited)	47

2. Financial Statement Schedules

Schedule II Valuation and Qualifying Accounts	S-1

3. Exhibits required by Item 601 of Regulation S-K

Item		Description
2		Plan of acquisition, reorganization, arrangement, liquidation or succession.
	2.1	Binding Letter Agreement, dated July 20, 2008, between Cookie Jar Entertainment Inc. and the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
	2.2	Settlement Agreement, dated as of May 7, 2010, by and among the Corporation, Those Characters From Cleveland, Inc., Cookie Jar Entertainment, Inc., Cookie Jar Entertainment (USA), Inc. and Cookie Jar Entertainment Holdings (USA) Inc., amending that certain Binding Letter Agreement, dated July 20, 2008, between Cookie Jar Entertainment Inc. and the Corporation (confidential treatment requested as to certain portions which are omitted and filed separately with the SEC). This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the fiscal quarter ended May 28, 2010, and is incorporated herein by reference.
	2.3	Binding Term Sheet between MoonScoop SAS and the Corporation, dated March 24, 2009. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended May 29, 2009.
	2.4	Asset Purchase Agreement by and among the Corporation and Amscan Holdings, Inc., dated December 21, 2009. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2010, and is incorporated herein by reference.
3		Articles of Incorporation and By-laws.
	3.1	Amended and Restated Articles of Incorporation of the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Current Report on Form 8-K, dated July 1, 2008, and is incorporated herein by reference.
	3.2	Amended and Restated Code of Regulations of the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Current Report on Form 8-K, dated July 1, 2008, and is incorporated herein by reference.

Item		Description
4		Instruments defining the rights of security holders, including indentures.
	4.1	Trust Indenture, dated as of July 27, 1998. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 1999, and is incorporated herein by reference.
	4.2	First Supplemental Indenture, dated May 25, 2006, to the Indenture dated July 27, 1998, with respect to the Corporation s 6.10% Senior Notes due April 1, 2028, between the Corporation, as issuer, and JP Morgan Trust Company, National Association, as Trustee. This Exhibit has been previously filed as an Exhibit to the Corporation s Current Report on Form 8-K, dated May 26, 2006, and is incorporated herein by reference.
	4.3	Form of Trust Indenture, dated May 24, 2006, between the Corporation, as Issuer, and The Bank of Nova Scotia Trust Company of New York, as Trustee, with respect to the Corporation s 7 3/8% Senior Notes due June 1, 2016. This Exhibit has been previously filed as an Exhibit to the Corporation s Current Report on Form 8-K, dated May 22, 2006, and is incorporated herein by reference.
	4.4	Form of Global Note for the 7 3/8% Senior Notes due June 1, 2016. This Exhibit is included in the Form of Trust Indenture between the Corporation, as Issuer, and The Bank of Nova Scotia Trust Company of New York, as Trustee, which has been previously filed as an Exhibit to the Corporation s Current Report on Form 8-K, dated May 22, 2006, and is incorporated herein by reference.
	4.5	First Supplemental Indenture, dated February 24, 2009, between the Corporation, as Issuer, and The Bank of Nova Scotia Trust Company of New York, as Trustee, with respect to the Corporation s 7 3/8% Senior Notes due June 1, 2016. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
	4.6	Trust Indenture, dated February 24, 2009, between the Corporation, as Issuer, and The Bank of Nova Scotia Trust Company of New York, as Trustee, with respect to the Corporation s 7 3/8% Notes due June 1, 2016. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
	4.7	Form of Global Note for the 73/8% Notes due June 1, 2016. This Exhibit is included in the Trust Indenture, dated February 24, 2009, between the Corporation, as Issuer, and The Bank of Nova Scotia Trust Company of New York, as Trustee, with respect to the Corporation s 7 3/8% Notes due June 1, 2016, which has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
10		Material Contracts
	10.1	Amended and Restated Credit Agreement, dated as of June 11, 2010, among the Corporation, various lending institutions party thereto, PNC Bank, National Association, as the Global Administrative Agent, as the Swing Line Lender, a LC Issuer and the Collateral Agent, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as Co-Syndication Agents, KeyBank National Association and The Bank of Nova Scotia as Co-Documentation Agents, and PNC Capital Markets LLC, as the Lead Arranger and Sole Bookrunner. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended May 28, 2010, and is incorporated herein by reference.

Item	Description
10.2	Amended and Restated Pledge and Security Agreement, dated as of June 11, 2010, by and among the Corporation, each of the domestic subsidiaries of the Corporation identified therein and PNC Bank, National Association, as Collateral Agent. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended May 28, 2010, and is incorporated herein by reference.
10.3	Amended and restated Guaranty of Payment of Debt, dated as of June 11, 2010, by and among each of the domestic subsidiaries of the Corporation identified therein, and PNC Bank, National Association as global administrative agent. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended May 28, 2010, and is incorporated herein by reference.
10.4	Amended and Restated Receivables Purchase Agreement, dated as of October 24, 2006, among AGC Funding Corporation, the Corporation, as Servicer, members of the various Purchaser Groups from time to time party thereto and PNC Bank, National Association, as Administrator and as issuer of Letters of Credit (the Receivables Purchase Agreement). This Exhibit has been previously filed as an Exhibit to the Corporation s Current Report on Form 8-K, dated October 26, 2006, and is incorporated herein by reference.
10.5	First Amendment to Receivables Purchase Agreement, dated January 12, 2007. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2007, and is incorporated herein by reference.
10.6	Omnibus Amendment to Receivables Sale Agreement, Sale and Contribution Agreement and Receivables Purchase Agreement, dated as of February 28, 2007, among AGC Funding Corporation, the Corporation, Gibson Greetings, Inc., Plus Mark, Inc., members of the various Purchaser Groups from time to time party thereto, and PNC Bank, National Association, as Administrator and as issuer of Letters of Credit. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2007, and is incorporated herein by reference.
10.7	Third Amendment to Receivables Purchase Agreement, dated March 28, 2008. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 29, 2008, and is incorporated herein by reference.
10.8	Fourth Amendment to Receivables Purchase Agreement, dated as of September 23, 2009. This Exhibit has been previously filed as an Exhibit to the Corporation s Current Report on Form 8-K, dated September 24, 2009, and is incorporated herein by reference.
10.9	Omnibus Amendment and Consent to Receivables Sale Agreement, Sale and Contribution Agreement and Receivables Purchase Agreement, dated as of March 1, 2011, among AGC Funding Corporation, the Corporation, Gibson Greetings, Inc., Plus Mark, Inc., members of the various Purchaser Groups from time to time party thereto, and PNC Bank, National Association, as Administrator and as Issuer of Letters of Credit.
10.10	Loan Agreement by and between Schurman Fine Papers, d/b/a Papyrus, as Borrower, and the Corporation, as Lender, dated as of April 17, 2009.
10.11	Limited Guaranty, issued by the Corporation to Wells Fargo Retail Finance, LLC, dated April 17, 2009.
*10.12	Form of Employment Contract with Specified Officers. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2007, and is incorporated herein by reference.

Item	Description
*10.13	Amendment to Form of Employment Contract with Specified Officers. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
*10.14	American Greetings Severance Benefits Plan (Officers) Summary Plan Description. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
*10.15	Amendment to American Greetings Severance Benefits Plan (Officers). This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
*10.16	American Greetings Corporation Executive Deferred Compensation Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended August 31, 2005, and is incorporated herein by reference.
*10.17	Amendment One to American Greetings Corporation Executive Deferred Compensation Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended August 31, 2005, and is incorporated herein by reference.
*10.18	Amendment Two to American Greetings Corporation Executive Deferred Compensation Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended August 31, 2005, and is incorporated herein by reference.
*10.19	Amendment Number Three to American Greetings Corporation Executive Deferred Compensation Plan American Greetings Corporation Executive Third Party Option Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended August 31, 2005, and is incorporated herein by reference.
*10.20	Amendment Number Four to American Greetings Corporation Executive Deferred Compensation Plan and Amendment Number One to the American Greetings Corporation Executive Third Party Option Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Current Report on Form 8-K, dated December 14, 2005, and is incorporated herein by reference.
*10.21	Amendment Number Five to American Greetings Corporation Executive Deferred Compensation Plan.
*10.22	Form of Agreement under American Greetings Corporation Executive Deferred Compensation Plan Executive Third Party Option Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended August 31, 2005, and is incorporated herein by reference.
*10.23	American Greetings Corporation Outside Directors Deferred Compensation Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Current Report on Form 8-K, dated December 14, 2005, and is incorporated herein by reference.
*10.24	1992 Stock Option Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Registration Statement on Form S-8 (Registration No. 33-58582), dated February 22, 1993, and is incorporated herein by reference.

Item	Description
*10.25	1995 Director Stock Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Registration Statement on Form S-8 (Registration No. 33-61037), dated July 14, 1995, and is incorporated herein by reference.
*10.26	1996 Employee Stock Option Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Registration Statement on Form S-8 (Registration No. 333-08123), dated July 15, 1996, and is incorporated herein by reference.
*10.27	1997 Equity and Performance Incentive Plan (as amended on June 25, 2004). This Exhibit has been previously filed as an Exhibit to the Corporation s Registration Statement on Form S-8 (Registration No. 333-121982), dated January 12, 2005, and is incorporated herein by reference.
*10.28	American Greetings Corporation 2007 Omnibus Incentive Compensation Plan, as Amended April 27, 2009. This Exhibit has been previously filed as an Exhibit to the Corporation s Current Report on Form 8-K, dated June 26, 2009, and is incorporated herein by reference.
*10.29	Description of Compensation Payable to Non-Employee Directors (Fiscal 2010; 2011). This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended May 29, 2009, and is incorporated herein by reference.
*10.30	Description of Compensation Payable to Non-Employee Directors (Fiscal 2011; 2012).
*10.31	American Greetings Corporation Second Amended and Restated Supplemental Executive Retirement Plan (Effective October 31, 2007). This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended November 23, 2007, and is incorporated herein by reference.
*10.32	Severance Agreement, dated as of February 28, 2011, between Robert Swellie and the Corporation.
*10.33	Employment Agreement, dated as of October 17, 2002, between Michael Goulder and the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2003, and is incorporated herein by reference.
*10.34	Amendment to Employment Agreement, effective as of January 1, 2009, between Michael Goulder and the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
*10.35	Employment Agreement, dated as of May 6, 2002, between Erwin Weiss and the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2003, and is incorporated herein by reference.

Item	Description
*10.36	Amendment to Employment Agreement, effective as of January 1, 2009, between Erwin Weiss and the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
*10.37	Employment Agreement, dated as of August 22, 2003, between Catherine M. Kilbane and the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 29, 2004, and is incorporated herein by reference.
*10.38	Employment Agreement, dated as of March 4, 2004, between Thomas H. Johnston and the Corporation, as amended on March 11, 2004. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2005, and is incorporated herein by reference.
*10.39	Employment Agreement, dated as of June 1, 1991, between Jeffrey M. Weiss and the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 29, 2004, and is incorporated herein by reference.
*10.40	Employment Agreement, dated as of May 1, 1997, between Zev Weiss and the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 29, 2004, and is incorporated herein by reference.
*10.41	Employment Agreement, dated April 14, 2003, between Stephen J. Smith and the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2007, and is incorporated herein by reference.
*10.42	Executive Employment Agreement, dated as of June 12, 2008, between John W. Beeder and the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended May 30, 2008, and is incorporated herein by reference.
*10.43	Amendment to Employment Agreement, effective January 1, 2009, between John W. Beeder and the Corporation. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
*10.44	Key Management Annual Incentive Plan (fiscal year 2010 Description). This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended May 29, 2009, and is incorporated herein by reference.
*10.45	Key Management Annual Incentive Plan (fiscal year 2011 Description). This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended May 28, 2010, and is incorporated herein by reference.

Item	Description
*10.46	Form of Employee Stock Option Agreement under 1997 Equity and Performance Incentive Plan (as amended on June 25, 2004). This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2005, and is incorporated herein by reference.
*10.47	Form of Employee Stock Option Agreement (Revised) under 1997 Equity and Performance Incentive Plan (as amended on June 25, 2004) for grants on or after May 1, 2007. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2007, and is incorporated herein by reference.
*10.48	Form of Director Stock Option Agreement under 1997 Equity and Performance Incentive Plan (as amended on June 25, 2004). This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2005, and is incorporated herein by reference.
*10.49	Form of Director Stock Option Agreement (Revised) under 1997 Equity and Performance Incentive Plan (as amended on June 25, 2004) for grants on or after May 1, 2007. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2007, and is incorporated herein by reference.
*10.50	Form of Employee Stock Option Agreement under 2007 Omnibus Incentive Compensation Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended May 25, 2007, and is incorporated herein by reference.
*10.51	Form of Director Stock Option Agreement under 2007 Omnibus Incentive Compensation Plan. This Exhibit has been previously filed as an Exhibit to the Corporation s Quarterly Report on Form 10-Q for the quarter ended August 24, 2007, and is incorporated herein by reference.
*10.52	Form of Restricted Shares Grant Agreement. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2005, and is incorporated herein by reference.
*10.53	Split-Dollar Agreement, dated May 7, 2001, between American Greetings and the Morry Weiss and Judith S. Weiss 2001 Irrevocable Insurance Trust, dated March 1, 2001, Gary Weiss, Jeffrey Weiss, Zev Weiss and Elie Weiss, co-trustees. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
*10.54	Agreement to Terminate Split-Dollar Agreement, dated February 16, 2009, between American Greetings and the Morry Weiss and Judith S. Weiss 2001 Irrevocable Insurance Trust, dated March 1, 2001, Gary Weiss, Jeffrey Weiss, Zev Weiss and Elie Weiss, co-trustees. This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.

Item		Description
	*10.55	Agreement between American Greetings Corporation and Morry Weiss in connection with Termination of the Split-Dollar Agreement, dated February 16, 2009.
		This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
	*10.56	Form of Performance Share Award Agreement.
		This Exhibit has been previously filed as an Exhibit to the Corporation s Annual Report on Form 10-K for the fiscal year ended February 28, 2009, and is incorporated herein by reference.
	*10.57	Form of Employee Restricted Stock Unit Agreement.
	*10.58	Form of Director Restricted Stock Unit Agreement.
21		Subsidiaries of the Corporation.
23		Consent of Independent Registered Public Accounting Firm.
		This Exhibit is filed herewith.
(31)a		Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
		This Exhibit is filed herewith.
(31)b		Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
		This Exhibit is filed herewith.
32		Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
		This Exhibit is filed herewith.
101		The following materials from the Corporation s Annual Report on Form 10-K/A for the year ended February 28, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Operations for the years ended February 28, 2011, 2010 and 2009, (ii) Consolidated Statement of Financial Position at February 28, 2011 and 2010, (iii) Consolidated Statement of Cash Flows for the years ended February 28, 2011, 2010 and 2009, and (iv) Notes to Consolidated Financial Statements for the year ended February 28, 2011.
		In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K/A shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 (the Exchange Act), or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

* Management contracts or compensatory plans or arrangements required to be filed as an exhibit hereto pursuant to Item 601 of Regulation S-K.

Previously filed as an exhibit to the Corporation s original Annual Report on Form 10-K for the fiscal year ended February 28, 2011, as filed on April 29, 2011.

(b) Exhibits listed in Item 15 (a) 3. are included herein or incorporated herein by reference.

(c) Financial Statement Schedules
The response to this portion of Item 15 is submitted below.

3. Financial Statement Schedules included in Part IV of the report:
Schedule II Valuation and Qualifying Accounts (Previously filed with the Corporation s original Annual Report on Form 10-K for the fiscal year ended February 28, 2011, as filed on April 29, 2011).

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable, and therefore have been omitted.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN GREETINGS CORPORATION

(Registrant).

Date: November 14, 2011

By: /s/ Stephen J. Smith

Stephen J. Smith, Senior Vice President and Chief Financial Officer