

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

**AMERICAN GREETINGS CORP**

CIK: [5133](#) | IRS No.: **340065325** | State of Incorp.: **OH** | Fiscal Year End: **0228**  
Type: **10-K** | Act: **34** | File No.: [001-13859](#) | Film No.: **12793018**  
SIC: **2771** Greeting cards

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Business Address  
*ONE AMERICAN ROAD  
CLEVELAND OH 44144  
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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended February 29, 2012**

**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**

*(State or other jurisdiction  
of incorporation or organization)*

**34-0065325**

*(I.R.S. Employer Identification No.)*

**One American Road, Cleveland, Ohio**

*(Address of principal executive offices)*

**44144**

*(Zip Code)*

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

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
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 ☐ 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 ☒

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 ☒ 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 ☒ 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. ☒

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:

Large accelerated filer ☒

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 ☒

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 26, 2011– \$753,614,140 (affiliates, for this purpose, have been deemed to be directors, executive officers and certain significant shareholders).

Number of shares outstanding as of April 26, 2012:

CLASS A COMMON– 32,307,484

CLASS B COMMON– 2,842,748

#### **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).

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### **PART I**

*Unless otherwise indicated or the context otherwise requires, the “Corporation,” “we,” “our,” “us” and “American Greetings” are used in this report to refer to the businesses of American Greetings Corporation and its consolidated subsidiaries.*

#### **Item 1. Business**

##### **OVERVIEW**

Founded in 1906, American Greetings operates predominantly in a single industry: the design, manufacture and sale of everyday and seasonal greeting cards and other social expression products. We manufacture or sell greeting cards, gift packaging, party goods, stationery and giftware in North America, primarily in the United States and Canada, and throughout the world, primarily in the United Kingdom, Australia and New Zealand. In addition, our subsidiary, AG Interactive, Inc., distributes social expression products, including electronic greetings 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. We also engage in design and character licensing and manufacture custom display fixtures for our products and products of others.

Our 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, 2012 refers to the year ended February 29, 2012.

##### **PRODUCTS**

American Greetings creates, manufactures and/or distributes social expression products including greeting cards, gift packaging, party goods, giftware and stationery as well as custom display fixtures. Our major domestic greeting card brands are American Greetings, Recycled Paper Greetings, Papyrus, Carlton Cards, Gibson, Tender Thoughts and Just For You. Our other domestic products include AGI In-Store display fixtures, as well as other paper product offerings such as Designware party goods and Plus Mark gift wrap and boxed cards. Electronic greetings and other digital content, services and products are available through our subsidiary, AG Interactive, Inc. Our major Internet brands are AmericanGreetings.com, BlueMountain.com, Egreetings.com and Cardstore.com. We also create and license our intellectual properties, such as the “Care Bears” and “Strawberry Shortcake” characters. Information concerning sales by major product classifications is included in Part II, Item 7 of this Annual Report.

##### **BUSINESS SEGMENTS**

At February 29, 2012, we operated in four business segments: North American Social Expression Products, International Social Expression Products, AG Interactive and non-reportable operating segments. For information regarding the various business segments comprising our business, see the discussion included in Part II, Item 7 and in Note 16 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

##### **CONCENTRATION OF CREDIT RISKS**

Net sales to our five largest customers, which include mass merchandisers as well as card and gift shops, accounted for approximately 42% of total revenue in 2012 and 2011 and 39% of total revenue in 2010. Net sales to Wal-Mart Stores, Inc. and its subsidiaries accounted for approximately 14%, 15% and 14% of total revenue in 2012, 2011 and 2010, respectively. Net sales to Target Corporation accounted for approximately 14% of total revenue in 2012 and 2011 and 13% of total revenue in 2010. No other customer accounted for 10% or more of our consolidated total revenue. Approximately 55%, 54% and 51% of the North American Social Expression Products segment’s revenue in 2012, 2011 and 2010, respectively, was attributable to its top five customers. Approximately 48%, 44% and 45% of the International Social Expression Products segment’s revenue in 2012, 2011 and 2010, respectively, was attributable to its top three customers.

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### **CONSUMERS**

We believe that over 80% of American adults purchase greeting cards each year for multiple occasions including birthdays, holidays, weddings, anniversaries and others. We also believe that women purchase the majority of all greeting cards sold and that the average age of our consumer is in the mid to late forties.

### **COMPETITION**

The greeting card and gift packaging industries are intensely competitive. Competitive factors include quality, design, customer service and terms, which may include payments and other concessions to retail customers under long-term agreements. These agreements are discussed in greater detail below. There are an estimated 3,000 greeting card publishers in the United States, ranging from small family-run organizations to major corporations. With the expansion of the Internet as a distribution channel for greeting cards, together with the growing use of technology by consumers to create personalized greetings cards with digital photographs and other personalized content, we are also seeing increased competition from greeting card publishers as well as a wide range of personal publishing, mobile and electronic media businesses distributing greeting cards and other social expression products directly to the individual consumer through the Internet. In general, however, the greeting card business is extremely concentrated. We believe that we are one of only two main suppliers offering a full line of social expression products. Our principal competitor is Hallmark Cards, Inc. Based upon our general familiarity with the greeting card and gift packaging industries and limited information as to our competitors, we believe that we are one of the two largest greeting card companies in the industry and that we are the largest publicly traded greeting card company.

### **PRODUCTION AND DISTRIBUTION**

In 2012, our channels of distribution continued to be primarily through mass merchandising, which is comprised of three distinct channels: mass merchandisers (including discount retailers); chain drug stores; and supermarkets. In addition, we sell our products through a variety of other distribution channels, including card and gift shops, department stores, military post exchanges, variety stores and combo stores (stores combining food, general merchandise and drug items). We also sell greeting cards through our Cardstore.com Web site, which provides consumers the ability to purchase physical greeting cards, including custom cards that incorporate their own photos and sentiments, as well as to have us send the unique greeting card that they select directly to the recipient. From time to time, we also sell our products to independent, third-party distributors. Our AG Interactive segment provides social expression content, including electronic greeting cards, through the Internet and mobile platforms.

Many of our products are manufactured at common production facilities and marketed by a common sales force. Our manufacturing operations involve complex processes including printing, die cutting, hot stamping and embossing. We employ modern printing techniques which allow us to perform short runs and multi-color printing, have a quick changeover and utilize direct-to-plate technology, which minimizes time to market. Our products are manufactured globally, primarily at facilities located in North America and the United Kingdom. We also source products from domestic and foreign third party suppliers. Additionally, information by geographic area is included in Note 16 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

Production of our products is generally on a level basis throughout the year, with the exception of gift packaging for which production generally peaks in advance of the Christmas season. Everyday inventories (such as birthday and anniversary related products) remain relatively constant throughout the year, while seasonal inventories peak in advance of each major holiday season, including Christmas, Valentine's Day, Easter, Mother's Day, Father's Day and Graduation. Payments for seasonal shipments are generally received during the month in which the major holiday occurs, or shortly thereafter. Extended payment terms may also be offered in response to competitive situations with individual customers. Payments for both everyday and seasonal sales from customers that are on a scan-based trading ("SBT") model are received generally within 10 to 15 days of the product being sold by those customers at their retail locations. As of February 29, 2012, three of our five largest customers in

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2012 conduct business with us under an SBT model. The core of this business model rests with American Greetings owning the product delivered to its retail customers until the product is sold by the retailer to the ultimate consumer, at which time we record the sale.

American Greetings and many of its competitors sell seasonal greeting cards and other seasonal products with the right of return. Sales of other products are generally sold without the right of return. Sales credits for these products are issued at our discretion for damaged, obsolete and outdated products. Information regarding the return of product is included in Note 1 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

During the year, we experienced no material difficulties in obtaining raw materials from our suppliers.

### **INTELLECTUAL PROPERTY RIGHTS**

We have a number of trademarks, service marks, trade secrets, copyrights, inventions, patents, and other intellectual property, which are used in connection with our products and services. Our designs, artwork, musical compositions, photographs and editorial verse are protected by copyright. In addition, we seek to register our trademarks in the United States and elsewhere. We routinely seek protection of our inventions by filing patent applications for which patents may be granted. We also obtain license agreements for the use of intellectual property owned or controlled by others. Although the licensing of intellectual property produces additional revenue, we do not believe that our operations are dependent upon any individual invention, trademark, service mark, copyright, patent or other intellectual property license. Collectively, our intellectual property is an important asset to us. As a result, we follow an aggressive policy of protecting our rights in our intellectual property and intellectual property licenses.

### **EMPLOYEES**

At February 29, 2012, we employed approximately 8,200 full-time employees and approximately 19,300 part-time employees which, when jointly considered, equate to approximately 17,900 full-time equivalent employees. Approximately 1,100 of our employees are unionized and covered by collective bargaining agreements.

The following table sets forth by location the unions representing our employees, together with the expiration date, if any, of the applicable governing collective bargaining agreement. We believe that labor relations at each location in which we operate have generally been satisfactory.

<u>Union</u>	<u>Location</u>	<u>Contract Expiration Date</u>
Unite the Union (Dewsbury)	Leeds, England	N/A
Unite the Union (Corby)	Derby, England	N/A
Australian Municipal, Administrative, Clerical & Services Union	South Victoria, Australia	February 28, 2014
International Brotherhood of Teamsters	Bardstown, Kentucky	March 23, 2014
International Brotherhood of Teamsters	Cleveland, Ohio	March 31, 2013
Workers United	Greeneville, Tennessee	October 19, 2014

### **SUPPLY AGREEMENTS**

In the normal course of business, we enter into agreements with certain customers for the supply of greeting cards and related products. We view the use of such agreements as advantageous in developing and maintaining business with our retail customers. Under these agreements, the customer may receive a combination of cash payments, credits, discounts, allowances and other incentive considerations to be earned by the customer as product is purchased from us over the stated term of the agreement or the minimum purchase volume commitment. The agreements are negotiated individually to meet competitive situations and, therefore, while some aspects of the agreements may be similar, important contractual terms may vary. The agreements may or may not specify American Greetings as the sole supplier of social expression products to the customer. In the event an agreement is not completed, in most instances, we have a claim for unearned advances under the agreement.

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Although risk is inherent in the granting of advances, we subject such customers to our normal credit review. We maintain an allowance for deferred costs based on estimates developed by using standard quantitative measures incorporating historical write-offs. In instances where we are aware of a particular customer's inability to meet its performance obligation, we record a specific allowance to reduce the deferred cost asset to our estimate of its value based upon expected recovery. These agreements are accounted for as deferred costs.

Losses attributed to these specific events have historically not been material. See Note 10 to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report, and the discussion under the "Deferred Costs" heading in the "Critical Accounting Policies" in Part II, Item 7 of this Annual Report for further information and discussion of deferred costs.

## **ENVIRONMENTAL AND GOVERNMENTAL REGULATIONS**

Our business is subject to numerous foreign and domestic environmental laws and regulations maintained to protect the environment. These environmental laws and regulations apply to chemical usage, air emissions, wastewater and storm water discharges and other releases into the environment as well as the generation, handling, storage, transportation, treatment and disposal of waste materials, including hazardous waste. Although we believe that we are in substantial compliance with all applicable laws and regulations, because legal requirements frequently change and are subject to interpretation, these laws and regulations may give rise to claims, uncertainties or possible loss contingencies for future environmental remediation liabilities and costs. We have implemented various programs designed to protect the environment and comply with applicable environmental laws and regulations. The costs associated with these compliance and remediation efforts have not and are not expected to have a material adverse effect on our financial condition, cash flows or operating results. In addition, the impact of increasingly stringent environmental laws and regulations, regulatory enforcement activities, the discovery of unknown conditions and third party claims for damages to the environment, real property or persons could also result in additional liabilities and costs in the future.

The legal environment of the Internet is evolving rapidly in the United States and elsewhere. The manner in which existing laws and regulations will be applied to the Internet in general, and how they will relate to our business in particular, is unclear in many cases. Accordingly, we often cannot be certain how existing laws will apply in the online context, including with respect to such topics as privacy, defamation, pricing, credit card fraud, advertising, taxation, sweepstakes, promotions, content regulation, net neutrality, quality of products and services and intellectual property ownership and infringement. In particular, legal issues relating to the liability of providers of online services for activities of their users are currently unsettled both within the United States and abroad.

Numerous laws have been adopted at the national and state level in the United States that could have an impact on our business. These laws include the following:

The CAN-SPAM Act of 2003 and similar laws adopted by a number of states. These laws are intended to regulate unsolicited commercial e-mails, create criminal penalties for unmarked sexually-oriented material and e-mails containing fraudulent headers and control other abusive online marketing practices.

The Communications Decency Act, which gives statutory protection to online service providers who distribute third-party content.

The Digital Millennium Copyright Act, which is intended to reduce the liability of online service providers for listing or linking to third-party websites that include materials that infringe copyrights or other rights of others.

The Children's Online Privacy Protection Act and the Prosecutorial Remedies and Other Tools to End Exploitation of Children Today Act of 2003, which are intended to restrict the distribution of certain materials deemed harmful to children and impose additional restrictions on the ability of online services to collect user information from minors. In addition, the Protection of Children From Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances.

Statutes adopted in various states including California and Massachusetts require online services to report certain breaches of the security of personal data, and to report to consumers when their personal data might be disclosed to direct marketers.



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To resolve some of the remaining legal uncertainty, we expect new U.S. and foreign laws and regulations to be adopted over time that will be directly or indirectly applicable to the Internet and to our activities. Any existing or new legislation applicable to us could expose us to government investigations or audits, prosecution for violations of applicable laws and/or substantial liability, including penalties, damages, significant attorneys' fees, expenses necessary to comply with such laws and regulations or the need to modify our business practices.

We post on our Web sites our privacy policies and practices concerning the use and disclosure of user data. Any failure by us to comply with our posted privacy policies, Federal Trade Commission requirements or other privacy-related laws and regulations could result in proceedings that could potentially harm our business, results of operations and financial condition. In this regard, there are a large number of federal and state legislative proposals before the United States Congress and various state legislative bodies regarding privacy issues related to our business. It is not possible to predict whether or when such legislation may be adopted, and certain proposals, such as required use of disclaimers or explicit opt-in mechanisms, if adopted, could harm our business through a decrease in user registrations and revenues.

### **AVAILABLE INFORMATION**

We make available, free of charge, on or through the Investors section of our [www.corporate.americangreetings.com](http://www.corporate.americangreetings.com) Web site, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and, if applicable, amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). Such filings are available to the public from the SEC's Web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room in Washington D.C. located at 100 F Street, N.E., Washington D.C. 20549. You may also obtain copies of any document filed by us at prescribed rates by writing to the Public Reference Section of the SEC at that address. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. You may also inspect the information that we file at the offices of the New York Stock Exchange Inc., 20 Broad Street, New York, New York 10005. Information contained on our Web site shall not be deemed incorporated into, or be part of, this report.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and the charters of the Board's Audit Committee, Compensation and Management Development Committee, and Nominating and Corporate Governance Committee are available on or through the Investors section of our [www.corporate.americangreetings.com](http://www.corporate.americangreetings.com) Web site.

### **Item 1A. Risk Factors**

You should carefully consider each of the risks and uncertainties we describe below and all other information in this report. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are currently unaware or that we currently believe to be immaterial may also adversely affect our business, financial condition, cash flows or results of operations. Additional information on risk factors is included in "Item 1. Business" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report.

***There are factors outside of our control that may decrease the demand for our products and services, which may adversely affect our performance.***

Our success depends on the sustained demand for our products. Many factors affect the level of consumer spending on our products, including, among other things, general business conditions, interest rates, the availability of consumer credit, taxation, weather, fuel prices and consumer confidence in future economic conditions, all of which are beyond our control. During periods of economic decline, when discretionary income is lower, consumers or potential consumers could delay, reduce or forego their purchases of our products and services, which reduces our sales. In addition, during such periods, advertising revenue in our AG Interactive businesses decline, as advertisers reduce their advertising budgets. A prolonged economic downturn or slow economic recovery may also lead to restructuring actions and associated expenses.

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### ***Providing new and compelling products is critical to our future profitability and cash flow.***

One of our key business strategies has been to gain profitable market share through product leadership, providing relevant, compelling and superior product offerings. As a result, the need to continuously update and refresh our product offerings is an ongoing, evolving process requiring expenditures and investments that will continue to impact net sales, earnings and cash flows over future periods. At times, the amount and timing of such expenditures and investments depends on the success of a product offering as well as the schedules of our retail partners. We cannot assure you that this strategy will increase either our revenue or profitability. For example, we may not be able to anticipate or respond in a timely manner to changing customer demands and preferences for greeting cards or shifts in consumer shopping behavior. If we misjudge the market, we may significantly sell or overstock unpopular products and be forced to grant significant credits, accept significant returns or write-off a significant amount of inventory, which would have a negative impact on our results of operations and cash flow. Conversely, shortages of popular items could materially and adversely impact our results of operations and financial condition.

### ***We may experience volatility in our earnings as a result of expenses and investments we may make over the next several years.***

We have and expect to continue to focus our resources on our core greeting card business, developing new, and growing existing business, including by expanding Internet and other channels of electronic distribution to make American Greetings the natural and preferred social expressions solution, as well as by capturing any shifts in consumer demand. For example, during fiscal 2012, we spent approximately \$15 million on incremental marketing expenses in support of our product leadership strategy, primarily related to promotional efforts around our recently developed site Cardstore.com, which allows consumers to purchase paper greeting cards on the Internet and then have the physical cards delivered directly to the recipient. In fiscal 2013, we expect that we will continue to incur additional expenses and make additional investments to help us extend our leadership position and better position us for future growth, including incurring additional expenses to support our efforts in digital channels of distribution. The timing and the amount of this spending are difficult to estimate, but amounts may be material. In addition, to the extent we are successful in expanding distribution and revenue in connection with expanding our market leadership, additional capital may be deployed as we may incur incremental costs associated with this expanded distribution, including upfront costs prior to any incremental revenue being generated. If incurred, these costs may be material. We also expect to begin investing in the development of a new World Headquarters. Although we are currently in the early stages of the project, based on preliminary estimates, it is estimated that the gross costs associated with a new world headquarters building will be between approximately \$150 million and \$200 million over the next two to three years. Over roughly the next five or six years, we also expect to allocate resources, including capital, to refresh our information technology systems by modernizing our systems, redesigning and deploying new processes, and evolving new organization structures all intended to drive efficiencies within the business and add new capabilities. Amounts that we spend could be material in any given fiscal year. In addition, over the life of the project of roughly the next five or six years, we currently expect to spend at least an aggregate of \$150 million to refresh our information technology systems, the majority of which we expect will be capital expenditures. We believe these investments are important to our business, helping us drive further efficiencies and add new capabilities; however, there can be no assurance that we will not spend more or less than \$150 million over the life of the project, or that we will achieve the associated efficiencies or any cost savings.

### ***Consumers shifting to value shopping may negatively impact our profitability.***

Over the past several years, consumer shopping patterns have continued to evolve and that shift is impacting us. As consumers have been gradually shifting to value shopping, this shift is resulting in a change in our product mix to a higher proportion of value line cards that lowers the average price sold of our greeting cards and has an unfavorable impact on our gross margin percentage. We expect this trend to continue, which will put continued downward pressure on our historical gross margin percentage. Although we believe that we can mitigate some of the impact this trend may have on our operating margin percentage by continuing to focus on efficiency and cost reduction within all areas of the Corporation, we cannot assure you that we will be successful or that our gross margin percentage will not decrease further.

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### ***We rely on a few customers for a significant portion of our sales.***

A few of our customers are material to our business and operations. Net sales to our five largest customers, which include mass merchandisers as well as card and gift shops, accounted for approximately 42% of total revenue for 2012 and 2011 and 39% of total revenue for 2010. Approximately 55%, 54% and 51% of the North American Social Expression Products segment's revenue in 2012, 2011 and 2010, respectively, was attributable to its top five customers, and approximately 48%, 44% and 45% of the International Social Expression Products segment's revenue in 2012, 2011 and 2010, respectively, was attributable to its top three customers. Net sales to Wal-Mart Stores, Inc. and its subsidiaries accounted for approximately 14%, 15% and 14% of total revenue in 2012, 2011 and 2010, respectively, and net sales to Target Corporation accounted for approximately 14% of total revenue in 2012 and 2011 and 13% of total revenue in 2010. There can be no assurance that our large customers will continue to purchase our products in the same quantities that they have in the past. The loss of sales to one of our large customers could materially and adversely affect our business, results of operations, cash flows and financial condition.

### ***Difficulties in integrating acquisitions could adversely affect our business and we may not achieve the cost savings and increased revenues anticipated as a result of these acquisitions.***

We continue to regularly evaluate potential acquisition opportunities to support and strengthen our business. We cannot be sure that we will be able to locate suitable acquisition candidates, acquire candidates on acceptable terms or integrate acquired businesses successfully. Future acquisitions could cause us to take on additional compliance obligations as well as experience dilution and incur debt, contingent liabilities, increased interest expense, restructuring charges and amortization expenses related to intangible assets, which may materially and adversely affect our business, results of operations and financial condition.

Integrating future businesses that we may acquire involves significant challenges. In particular, the coordination of geographically dispersed organizations with differences in corporate cultures and management philosophies may increase the difficulties of integration. The integration of these acquired businesses has and will continue to require the dedication of significant management resources, which may temporarily distract management's attention from our day-to-day operations. The process of integrating operations may also cause an interruption of, or loss of momentum in, the activities of one or more of our businesses and the loss of key personnel. Employee uncertainty and distraction during the integration process may also disrupt our business. Our strategy is, in part, predicated on our ability to realize cost savings and to increase revenues through the acquisition of businesses that add to the breadth and depth of our products and services. Achieving these cost savings and revenue increases is dependent upon a number of factors, many of which are beyond our control. In particular, we may not be able to realize the benefits of anticipated integration of sales forces, asset rationalization, systems integration, and more comprehensive product and service offerings.

### ***If Schurman Fine Papers is unable to operate its retail stores successfully, it could have a material adverse effect on us.***

On April 17, 2009, we sold our Retail Operations segment, including all 341 of our card and gift retail store assets, to Schurman Fine Papers ("Schurman"), which now operates stores under a number of brands, including the American Greetings, Carlton Cards and Papyrus brands. Although we do not control Schurman, because Schurman is licensing the "Papyrus," "American Greetings" and "Carlton Cards" names from us for its retail stores, actions taken by Schurman may be seen by the public as actions taken by us, which, in turn, could adversely affect our reputation or brands. In addition, the failure of Schurman to operate its retail stores profitably could have a material adverse effect on us, our reputation and our brands, and could materially and adversely affect our business, financial condition and results of operations, because, under the terms of the transaction:

we remain subject to certain of the Retail Operations store leases on a contingent basis through our subleasing of stores to Schurman (as described in Note 13 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, as of February 29, 2012, Schurman's aggregate commitments to us under these subleases was approximately \$22 million);

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we are the predominant supplier of greeting cards and other social expression products to the retail stores operated by Schurman; and

we have provided credit support to Schurman, including a guaranty of up to \$12 million in favor of the lenders under Schurman's senior revolving credit facility, and up to \$10 million of subordinated financing under a loan agreement with Schurman, each as described in Notes 1 and 2 to the Consolidated Financial Statements under Part II, Item 8 of this Annual Report.

As a result, if Schurman is unable to operate its retail stores profitably, we may incur significant costs if (1) Schurman is unable to pay for product that it has purchased from us, (2) Schurman is unable to pay rent and other amounts due with respect to the retail store leases that we have subleased to it, (3) we become obligated under our guaranty of its indebtedness, or (4) Schurman is unable to repay amounts that it may borrow from us from time to time under our loan agreement with Schurman. Accordingly, we may decide in the future to provide Schurman with additional financial or operational support to assist Schurman in successfully operating its stores. Providing such support, however, could result in it being determined that we have a "controlling financial interest" in Schurman under the Financial Accounting Standards Board's standards pertaining to the consolidation of a variable interest entity. For information regarding the consolidation of variable interest entities, see Note 1 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report. If it is determined that we have a controlling financial interest in Schurman, we will be required to consolidate Schurman's operations into our results, which could materially affect our reported results of operations and financial position as we would be required to include a portion of Schurman's income or losses and assets and liabilities into our financial statements.

### ***Our business, results of operations and financial condition may be adversely affected by retail consolidations.***

With continued retail trade consolidations, we are increasingly dependent upon a reduced number of key retailers whose bargaining strength is growing. We may be negatively affected by changes in the policies of our retail customers, such as inventory de-stocking, limitations on access to display space, scan-based trading and other conditions. Increased consolidations in the retail industry could result in other changes that could damage our business, such as a loss of customers, decreases in volume, less favorable contractual terms and the growth of discount chains. In addition, as the bargaining strength of our retail customers grows, we may be required to grant greater credits, discounts, allowances and other incentive considerations to these customers. We may not be able to recover the costs of these incentives if the customer does not purchase a sufficient amount of products during the term of its agreement with us, which could materially and adversely affect our business, results of operations and financial condition.

### ***Bankruptcy of key customers could give rise to an inability to pay us and increase our exposure to losses from bad debts.***

Many of our largest customers are mass merchandiser retailers. The mass merchandiser retail channel has experienced significant shifts in market share among competitors in recent years. In addition, the worldwide downturn in the economy and decreasing consumer demand over the past several years has put pressure on the retail industry in general, as well as specialty retailers specifically, including certain of the card and gift shops that we supply. As a result, retailers have experienced liquidity problems and some have been forced to file for bankruptcy protection. There is a risk that certain of our key customers will not pay us, will seek additional credit from us, or that payment may be delayed because of bankruptcy or other factors beyond our control, which could increase our exposure to losses from bad debts and may require us to write-off deferred cost assets. Additionally, our business, results of operations and financial condition could be materially and adversely affected if certain of our larger retail customers were to cease doing business as a result of bankruptcy, or significantly reduce the number of stores they operate.

### ***We rely on foreign sources of production and face a variety of risks associated with doing business in foreign markets.***

We rely on foreign manufacturers and suppliers for various products we distribute to customers. In addition, many of our domestic suppliers purchase a portion of their products from foreign sources. We generally do not

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have long-term supply contracts and some of our imports are subject to existing or potential duties, tariffs or quotas. In addition, a portion of our current operations are conducted and located abroad. The success of our sales to, and operations in, foreign markets depends on numerous factors, many of which are beyond our control, including economic conditions in the foreign countries in which we sell our products. We also face a variety of other risks generally associated with doing business in foreign markets and importing merchandise from abroad, such as:

political instability, civil unrest and labor shortages;

imposition of new legislation and customs regulations relating to imports that may limit the quantity and/or increase the cost of goods which may be imported into the United States from countries in a particular region;

lack of effective product quality control procedures by foreign manufacturers and suppliers;

currency and foreign exchange risks; and

potential delays or disruptions in transportation as well as potential border delays or disruptions.

Also, new regulatory initiatives may be implemented that have an impact on the trading status of certain countries and may include antidumping and countervailing duties or other trade-related sanctions, which could increase the cost of products purchased from suppliers in such countries.

Additionally, as a large, multinational corporation, we are subject to a host of governmental regulations throughout the world, including antitrust and tax requirements, anti-boycott regulations, import/export customs regulations and other international trade regulations, the UK Bribery Act, the USA Patriot Act and the Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to criminal or monetary liabilities and other sanctions, which could harm our business, results of operations and financial condition.

### ***We have foreign currency translation and transaction risks that may materially and adversely affect our operating results.***

The financial position and results of operations of our international subsidiaries are initially recorded in various foreign currencies and then translated into U.S. dollars at the applicable exchange rate for inclusion in our financial statements. The strengthening of the U.S. dollar against these foreign currencies ordinarily has a negative impact on our reported sales and operating income (and conversely, the weakening of the U.S. dollar against these foreign currencies has a positive impact). For the year ended February 29, 2012, foreign currency translation favorably affected revenues by \$22.2 million and favorably affected income from continuing operations before income taxes by \$4.1 million compared to the year ended February 28, 2011. Certain transactions, particularly in foreign locations, are denominated in other than that location's local currency. Changes in the exchange rates between the two currencies from the original transaction date to the settlement date will result in a currency transaction gain or loss that directly impacts our reported earnings. For the year ended February 29, 2012, the impact of currency movements on these transactions unfavorably affected operating income by \$1.3 million. The volatility of currency exchange rates may materially and adversely affect our results of operations.

### ***The greeting card and gift packaging industries are extremely competitive, and our business, results of operations and financial condition will suffer if we are unable to compete effectively.***

We operate in highly competitive industries. There are an estimated 3,000 greeting card publishers in the United States ranging from small, family-run organizations to major corporations. With the expansion of the Internet as a distribution channel for greeting cards, together with the growing use of technology by consumers to create personalized greeting cards with digital photographs and other personalized content, we are also seeing increased competition from greeting card publishers as well as a wide range of personal publishing, mobile and electronic media businesses distributing greeting cards and other social expression products directly to the individual consumer through the Internet. In general, however, the greeting card business is extremely concentrated. We believe that we are one of only two main suppliers offering a full line of social expression products. Our main competitor, Hallmark Cards, Inc., as well as other companies with which we may compete, may have



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substantially greater financial, technical or marketing resources, a greater customer base, stronger name recognition and a lower cost of funds than we do. Certain of these competitors may also have longstanding relationships with certain large customers to which they may offer products that we do not provide, putting us at a competitive disadvantage. As a result, our competitors may be able to:

adapt to changes in customer requirements or consumer preferences more quickly;

take advantage of acquisitions and other opportunities more readily;

devote greater resources to the marketing and sale of their products, including sales directly to consumers through the Internet; and

adopt more aggressive pricing policies.

There can be no assurance that we will be able to continue to compete successfully in this market or against such competition. If we are unable to introduce new and innovative products that are attractive to our customers and ultimate consumers, or if we are unable to allocate sufficient resources to effectively market and advertise our products to achieve widespread market acceptance, we may not be able to compete effectively, our sales may be adversely affected, we may be required to take certain financial charges, including goodwill impairments, and our results of operations and financial condition could otherwise be adversely affected.

***We are subject to a number of restrictive covenants under our borrowing arrangements, which could affect our flexibility to fund ongoing operations, uses of capital and strategic initiatives, and, if we are unable to maintain compliance with such covenants, it could lead to significant challenges in meeting our liquidity requirements.***

The terms of our borrowing arrangements contain a number of restrictive covenants, including customary operating restrictions that limit our ability to engage in such activities as borrowing and making investments, capital expenditures and distributions on our capital stock, and engaging in mergers, acquisitions and asset sales. We are also subject to customary financial covenants, including a leverage ratio and an interest coverage ratio. These covenants restrict the amount of our borrowings, reducing our flexibility to fund ongoing operations and strategic initiatives. These borrowing arrangements are described in more detail in “Liquidity and Capital Resources” under Item 7 and in Note 11 to the Consolidated Financial Statements under Part II, Item 8 of this Annual Report. Compliance with some of these covenants is based on financial measures derived from our operating results. If economic conditions deteriorate, we may experience material adverse impacts to our business and operating results, such as through reduced customer demand and inflation. A decline in our business could make us unable to maintain compliance with these financial covenants, in which case we may be restricted in how we manage our business and deploy capital, including by limiting our ability to make acquisitions and dispositions, pay dividends and repurchase our stock. In addition, if we are unable to maintain compliance with our financial covenants or otherwise breach the covenants that we are subject to under our borrowing arrangements, our lenders could demand immediate payment of amounts outstanding and we would need to seek alternate financing sources to pay off such debts and to fund our ongoing operations. Such financing may not be available on favorable terms, if at all. In addition, our credit agreement is secured by substantially all of our domestic assets, including the stock of certain of our subsidiaries. If we cannot repay all amounts that we have borrowed under our credit agreement, our lenders could proceed against our assets.

***Pending litigation could have a material, adverse effect on our business, financial condition, liquidity, results of operations and cash flows.***

As described in “Item 3. Legal Proceedings” of this Annual Report, from time to time we are engaged in lawsuits which may require significant management time and attention and legal expense, and may result in an unfavorable outcome, which could have a material, adverse effect on our business, financial condition, liquidity, results of operations and cash flows. Current estimates of loss regarding pending litigation are based on information that is then available to us and may not reflect any particular final outcome. The results of rulings, judgments or settlements of pending litigation may result in financial liability that is materially higher than what management has estimated at this time. We make no assurances that we will not be subject to liability with

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respect to current or future litigation. We maintain various forms of insurance coverage. However, substantial rulings, judgments or settlements could exceed the amount of insurance coverage or could be excluded under the terms of an existing insurance policy.

***The amount of various taxes we pay is subject to ongoing compliance requirements and audits by federal, state and foreign tax authorities.***

Our estimate of the potential outcome of uncertain tax issues is subject to our assessment of relevant risks, facts and circumstances existing at the time. We use these assessments to determine the adequacy of our provision for income taxes and other tax-related accounts. Our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, which may impact our effective tax rate and/or our financial results.

***We have deferred tax assets that we may not be able to use under certain circumstances.***

If we are unable to generate sufficient future taxable income in certain jurisdictions, or if there is a significant change in the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowances against our deferred tax assets. This would result in an increase in our effective tax rate and would have an adverse effect on our future operating results. In addition, changes in statutory tax rates may change our deferred tax asset or liability balances, with either favorable or unfavorable impacts on our effective tax rate. Our deferred tax assets may also be impacted by new legislation or regulation.

***We may not be able to acquire or maintain advantageous content licenses from third parties to produce products.***

To provide an assortment of relevant, compelling and superior product offerings, an important part of our business involves obtaining licenses to produce products based on various popular brands, celebrities, character properties, designs, content and other material owned by third parties. In the event that we are not able to acquire or maintain advantageous licenses, we may not be able to meet changing customer demands and preferences for greeting cards and our other products, which could materially and adversely affect our business, results of operations and financial condition.

***We may not realize the full benefit of the material we license from third parties if the licensed material has less market appeal than expected or if sales revenue from the licensed products is not sufficient to earn out the minimum guaranteed royalties.***

The agreements under which we license popular brands, celebrities, character properties, design, content and other material owned by third parties usually require that we pay an advance and/or provide a minimum royalty guarantee that may be substantial. In some cases, these advances or minimums may be greater than what we will be able to recoup in profits from actual sales, which could result in write-offs of such amounts that would adversely affect our results of operations. In addition, we may acquire or renew licenses requiring minimum guarantee payments that may result in us paying higher effective royalties, if the overall benefit of obtaining the license outweighs the risk of potentially losing, not renewing or otherwise not obtaining a valuable license. When obtaining a license, we realize there is no guarantee that a particular licensed property will make a successful greeting card or other product in the eye of the ultimate consumer. Furthermore, there can be no assurance that a successful licensed property will continue to be successful or maintain a high level of sales in the future.

***Our inability to protect or defend our intellectual property rights could reduce the value of our products and brands.***

We believe that our trademarks, copyrights, trade secrets, patents and other intellectual property rights are important to our brands, success and competitive position. We rely on trademark, copyright, trade secrets and patent laws in the United States and similar laws in other jurisdictions and on confidentiality and other types of agreements with some employees, vendors, consultants and others to protect our intellectual property rights. Despite these measures, if we are unable to successfully file for, register or otherwise enforce our rights or if

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these rights are infringed, invalidated, challenged, circumvented or misappropriated, our business could be materially and adversely affected. Also, we are, and may in the future be, subject to intellectual property rights claims in the United States or foreign countries, which could limit our ability to use certain intellectual property, products or brands in the future. Defending any such claims, even claims without merit, could be time-consuming, result in costly settlements, litigation or restrictions on our business and could damage our reputation.

### ***Rapidly changing trends in the children's entertainment market could adversely affect our business.***

A portion of our business and results of operations depends upon the appeal of our licensed character properties, which are used to create various toy and entertainment items for children. Consumer preferences, particularly among children, are continuously changing. The children's entertainment industry experiences significant, sudden and often unpredictable shifts in demand caused by changes in the preferences of children to more "on trend" entertainment properties. Moreover, the life cycle for individual youth entertainment products tends to be short. Therefore, our ability to maintain our current market share and increase our market share in the future depends on our ability to satisfy consumer preferences by enhancing existing entertainment properties and developing new entertainment properties. If we are not able to successfully meet these challenges in a timely and cost-effective manner, demand for our collection of entertainment properties could decrease and our business, results of operations and financial condition may be materially and adversely affected. In addition, we may incur significant costs developing entertainment properties that may not generate future revenues at the levels that we anticipated, which could in turn create fluctuations in our reported results based on when those costs are expensed and could otherwise materially and adversely affect our results of operations and financial condition.

### ***Our results of operations fluctuate on a seasonal basis.***

The social expression industry is a seasonal business, with sales generally being higher in the second half of our fiscal year due to the concentration of major holidays during that period. Consequently, our overall results of operations in the future may fluctuate substantially based on seasonal demand for our products. Such variations in demand could have a material adverse effect on the timing of cash flow and therefore our ability to meet our obligations with respect to our debt and other financial commitments. Seasonal fluctuations also affect our inventory levels, since we usually order and manufacture merchandise in advance of peak selling periods and sometimes before new trends are confirmed by customer orders or consumer purchases. We must carry significant amounts of inventory, especially before the holiday season selling period. If we are not successful in selling the inventory during the holiday period, we may have to sell the inventory at significantly reduced prices, or we may not be able to sell the inventory at all.

### ***Increases in raw material and energy costs may materially raise our costs and materially impact our profitability.***

Paper is a significant expense in the production of our greeting cards. Significant increases in paper prices, which have been volatile in past years, or increased costs of other raw materials or energy, such as fuel, may result in declining margins and operating results if market conditions prevent us from passing these increased costs on to our customers through timely price increases on our greeting cards and other social expression products.

### ***The loss of key members of our senior management and creative teams could adversely affect our business.***

Our success and continued growth depend largely on the efforts and abilities of our current senior management team as well as upon a number of key members of our creative staff, who have been instrumental in our success thus far, and upon our ability to attract and retain other highly capable and creative individuals. The loss of some of our senior executives or key members of our creative staff, or an inability to attract or retain other key individuals, could materially and adversely affect us. We seek to compensate our key executives, as well as other employees, through competitive salaries, stock ownership, bonus plans or other incentives, but we can make no assurance that these programs will enable us to retain key employees or hire new employees.



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***If we fail to extend or renegotiate our primary collective bargaining contracts with our labor unions as they expire from time to time, or if our unionized employees were to engage in a strike, or other work stoppage, our business and results of operations could be materially adversely affected.***

We are party to collective bargaining contracts with our labor unions, which represent a significant number of our employees. In particular, approximately 1,100 of our employees are unionized and are covered by collective bargaining agreements. Although we believe our relations with our employees are satisfactory, no assurance can be given that we will be able to successfully extend or renegotiate our collective bargaining agreements as they expire from time to time. If we fail to extend or renegotiate our collective bargaining agreements, if disputes with our unions arise, or if our unionized workers engage in a strike or other work related stoppage, we could incur higher ongoing labor costs or experience a significant disruption of operations, which could have a material adverse effect on our business.

***Employee benefit costs constitute a significant element of our annual expenses and funding these costs could adversely affect our financial condition.***

Employee benefit costs are a significant element of our cost structure. Certain expenses, particularly postretirement costs under defined benefit pension plans and healthcare costs for employees and retirees, may increase significantly at a rate that is difficult to forecast and may adversely affect our results of operations, financial condition or cash flows. In addition, the newly enacted federal healthcare legislation is expected to increase our employer-sponsored medical plan costs, some of which increases could be significant. Declines in global capital markets may cause reductions in the value of our pension plan assets. Such circumstances could have an adverse effect on future pension expense and funding requirements. Further information regarding our retirement benefits is presented in Note 12 to the Consolidated Financial Statements included in Part II, Item 8, of this Annual Report.

***Various environmental regulations and risks applicable to a manufacturer and/or distributor of consumer products may require us to take actions, which will adversely affect our results of operations.***

Our business is subject to numerous federal, state, provincial, local and foreign laws and regulations, including regulations with respect to chemical usage, air emissions, wastewater and storm water discharges and other releases into the environment as well as the generation, handling, storage, transportation, treatment and disposal of waste materials, including hazardous materials. Although we believe that we are in substantial compliance with all applicable laws and regulations, because legal requirements frequently change and are subject to interpretation, we are unable to predict the ultimate cost of compliance with these requirements, which may be significant, or the effect on our operations as these laws and regulations may give rise to claims, uncertainties or possible loss contingencies for future environmental remediation liabilities and costs. We cannot be certain that existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations, will not have a material and adverse effect on our business, results of operations and financial condition. The impact of environmental laws and regulations, regulatory enforcement activities, the discovery of unknown conditions, and third party claims for damages to the environment, real property or persons could result in additional liabilities and costs in the future.

***We may be subject to product liability claims and our products could be subject to voluntary or involuntary recalls and other actions.***

We are subject to numerous federal, state, provincial and foreign laws and regulations governing product safety including, but not limited to, those regulations enforced by the Consumer Product Safety Commission. A failure to comply with such laws and regulations, or concerns about product safety may lead to a recall of selected products. We have experienced, and in the future may experience, recalls and defects or errors in products after their production and sale to customers. Such recalls and defects or errors could result in the rejection of our products by our retail customers and consumers, damage to our reputation, lost sales, diverted development resources and increased customer service and support costs, any of which could harm our business. Individuals could sustain injuries from our products and we may be subject to claims or lawsuits resulting from such injuries. Governmental agencies could pursue us and issue civil fines and/or criminal penalties for a failure to comply

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with product safety regulations. There is a risk that these claims or liabilities may exceed, or fall outside the scope of, our insurance coverage. Additionally, we may be unable to obtain adequate liability insurance in the future. Recalls, post-manufacture repairs of our products, product liability claims, absence or cost of insurance and administrative costs associated with recalls could harm our reputation, increase costs or reduce sales.

### ***Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could harm our business and results of operations.***

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and e-commerce. Existing and future laws and regulations may impede the growth of the Internet or other online services. These regulations and laws may cover taxation, restrictions on imports and exports, customs, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services, broadband residential Internet access and the characteristics and quality of products and services. It is not clear how existing laws governing issues such as property use and ownership, sales and other taxes, fraud, libel and personal privacy apply to the Internet and e-commerce as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. Those laws that do reference the Internet are only beginning to be interpreted by the courts and their applicability and reach are therefore uncertain. For example, the Digital Millennium Copyright Act, or DMCA, is intended, in part, to limit the liability of eligible online service providers for including (or for listing or linking to third-party websites that include) materials that infringe copyrights or other rights of others. Portions of the Communications Decency Act, or CDA, are intended to provide statutory protections to online service providers who distribute third-party content. We rely on the protections provided by both the DMCA and CDA in conducting our online business. Any changes in these laws or judicial interpretations narrowing their protections will subject us to greater risk of liability and may increase our costs of compliance with these regulations or limit our ability to operate certain lines of business. The Children's Online Privacy Protection Act is intended to impose additional restrictions on the ability of online service providers to collect user information from minors. In addition, the Protection of Children From Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. The costs of compliance with these regulations may increase in the future as a result of changes in the regulations or the interpretation of them. Further, any failures on our part to comply with these regulations may subject us to significant liabilities. Those current and future laws and regulations or unfavorable resolution of these issues may substantially harm our business and results of operations.

### ***Information technology infrastructure failures could significantly affect our business.***

We depend heavily on our information technology infrastructure in order to achieve our business objectives. Portions of our information technology infrastructure are old and difficult to maintain. We could experience a problem that impairs this infrastructure, such as a computer virus, a problem with the functioning of an important information technology application, or an intentional disruption of our information technology systems. In addition, our information technology systems could suffer damage or interruption from human error, fire, flood, power loss, telecommunications failure, break-ins, terrorist attacks, acts of war and similar events. The disruptions caused by any such events could impede our ability to record or process orders, manufacture and ship in a timely manner, properly store consumer images, or otherwise carry on our business in the ordinary course. Any such event could cause us to lose customers or revenue, damage our reputation, and could require us to incur significant expense to eliminate these problems and address related security concerns.

Over roughly the next five or six years, we expect to allocate resources, including capital, to refresh our information technology systems by modernizing our systems, redesigning and deploying new processes, and evolving new organization structures all intended to drive efficiencies within the business and add new capabilities. Such an implementation is expensive and carries substantial operational risk, including loss of data or information, unanticipated increases in costs, disruption of operations or business interruption. Further, we may not be successful implementing new systems or any new system may not perform as expected. This could have a material adverse effect on our business.

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***We could experience cost over-runs and disruptions to our operations in connection with the construction and relocation to a new world headquarters.***

We anticipate investing in the development of a new world headquarters in Northeastern Ohio over the next two to three years. Based on preliminary estimates, we anticipate that the gross costs associated with the new world headquarters building, before any tax credits, loans or other incentives that we may receive, will be between approximately \$150 million and \$200 million. Due to the inherent difficulty in estimating costs associated with projects of this scale and nature, together with the fact that we are in the preliminary stages of the project, the costs associated with this project may be higher than \$200 million and it may take us longer than expected to complete the project. In addition, the process of moving our world headquarters is inherently complex and not part of our day to day operations. Thus, that process could cause significant disruption to our operations and cause the temporary diversion of management resources, all of which could have a material adverse effect on our business.

***Acts of nature could result in an increase in the cost of raw materials; other catastrophic events, including earthquakes, could interrupt critical functions and otherwise adversely affect our business and results of operations.***

Acts of nature could result in an increase in the cost of raw materials or a shortage of raw materials, which could influence the cost of goods supplied to us. Additionally, we have significant operations, including our largest manufacturing facility, near a major earthquake fault line in Arkansas. A catastrophic event, such as an earthquake, fire, tornado, or other natural or man-made disaster, could disrupt our operations and impair production or distribution of our products, damage inventory, interrupt critical functions or otherwise affect our business negatively, harming our results of operations.

***Members of the Weiss family and related entities, whose interests may differ from those of other shareholders, own a substantial portion of the voting power of our common shares.***

Our authorized capital stock consists of Class A common shares and Class B common shares. The economic rights of each class of common shares are identical, but the voting rights differ. Class A common shares are entitled to one vote per share and Class B common shares are entitled to ten votes per share. There is no public trading market for the Class B common shares, which are held by members of the extended family of American Greetings' founder, officers and directors of American Greetings and their extended family members, family trusts and certain other persons. As of April 27, 2012, Morry Weiss, the Chairman of the Board of Directors, Zev Weiss, the Chief Executive Officer, Jeffrey Weiss, the President and Chief Operating Officer, and Erwin Weiss, a Senior Vice President, together with other members of the Weiss family and certain trusts and foundations established by the Weiss family beneficially owned approximately 94% in the aggregate of our outstanding Class B common shares (approximately 92%, excluding restricted stock units that vest, and stock options that are presently exercisable or exercisable, within 60 days of April 27, 2012), which, together with Class A common shares beneficially owned by them, represents approximately 51% of the voting power of our outstanding capital stock (approximately 43%, excluding restricted stock units that vest, and stock options that are presently exercisable or exercisable, within 60 days of April 27, 2012). Accordingly, these members of the Weiss family, together with the trusts and foundations established by them, would be able to significantly influence the outcome of shareholder votes, including votes concerning the election of directors, the adoption or amendment of provisions in our Articles of Incorporation or Code of Regulations, and the approval of mergers and other significant corporate transactions, and their interests may not be aligned with your interests. The existence of these levels of ownership concentrated in a few persons makes it less likely that any other shareholder will be able to affect our management or strategic direction. These factors may also have the effect of delaying or preventing a change in our management or voting control or its acquisition by a third party.

***Our charter documents and Ohio law may inhibit a takeover and limit our growth opportunities, which could adversely affect the market price of our common shares.***

Certain provisions of Ohio law and our charter documents, together or separately, could have the effect of discouraging, or making it more difficult for, a third party to acquire or attempt to acquire control of American

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Greetings and limit the price that certain investors might be willing to pay in the future for our common shares. For example, our charter documents establish a classified board of directors, serving staggered three-year terms, allow the removal of directors only for cause, and establish certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered at shareholders' meetings. In addition, while shareholders have the right to cumulative voting in the election of directors, Class B common shares have ten votes per share which limits the ability of holders of Class A common shares to elect a director by exercising cumulative voting rights.

### **Item 1B. Unresolved Staff Comments**

None.

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### **Item 2. Properties**

As of February 29, 2012, we owned or leased approximately 8.6 million square feet of plant, warehouse and office space throughout the world, of which approximately 287,000 square feet is leased space. We believe our manufacturing and distribution facilities are well maintained and are suitable and adequate, and have sufficient productive capacity to meet our current needs.

The following table summarizes, as of February 29, 2012, our principal plants and materially important physical properties and identifies as of such date the respective segments that use the properties described. In addition to the following, although we sold our Retail Operations segment in April 2009, we remain subject to certain of the Retail Operations store leases on a contingent basis through our subleasing of stores to Schurman Fine Papers, which operates these retail stores throughout North America. See Note 13 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

\* – Indicates calendar year

<u>Location</u>	<u>Approximate Square Feet Occupied</u>		<u>Expiration Date of Material Leases*</u>	<u>Principal Activity</u>
	<u>Owned</u>	<u>Leased</u>		
Cleveland, (1) (3) (4) Ohio	1,700,000			World Headquarters: General offices of North American Greeting Card Division; Plus Mark LLC; AG Interactive, Inc.; AGC, LLC; Those Characters From Cleveland, Inc.; and Cloudco, Inc.; creation and design of greeting cards, gift packaging, party goods, stationery and giftware; marketing of electronic greetings; design licensing; character licensing
Bardstown, (1) Kentucky	413,500			Cutting, folding, finishing and packaging of greeting cards
Danville, (1) Kentucky	1,374,000			Distribution of everyday products including greeting cards
Osceola, (1) Arkansas	2,552,000			Cutting, folding, finishing and packaging of greeting cards and warehousing; distribution of seasonal products
Ripley, (1) Tennessee	165,000			Greeting card printing (lithography)
Forest City, (4) North Carolina	498,000			General offices of A.G. Industries, Inc.; manufacture of display fixtures and other custom display fixtures by A.G. Industries, Inc.
Forest City, (4) North Carolina		140,000	2014	Warehousing for A.G. Industries, Inc.
Greeneville, (1) Tennessee	1,044,000			Printing and packaging of seasonal greeting cards and wrapping items and order filling and shipping for Plus Mark LLC.
Chicago, (1) Illinois		45,000	2018	Administrative offices of Papyrus-Recycled Greetings, Inc.
Fairfield, (1) California		34,000	2014	General offices of Papyrus-Recycled Greetings, Inc.
Mississauga, (1) Ontario, Canada		38,000	2018	General offices of Carlton Cards Limited (Canada)
Mulgrave, (2) Australia		30,000	2021	General offices of John Sands companies

Dewsbury, <sup>(2)</sup>	430,000	General offices of UK Greetings Ltd. and manufacture
England (Two Locations)		and distribution of greeting cards and related products
Corby, England <sup>(2)</sup>	136,000	Distribution of greeting cards and related products

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<sup>1</sup> North American Social Expression Products

<sup>2</sup> International Social Expression Products

<sup>3</sup> AG Interactive

<sup>4</sup> Non-reportable

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### **Item 3. Legal Proceedings**

*Baker/Collier Litigation.* American Greetings Corporation is a defendant in two putative class action lawsuits involving corporate-owned life insurance policies (the “Insurance Policies”): one filed in the Northern District of Ohio on January 11, 2012 by Theresa Baker as the personal representative of the estate of Richard Charles Wolfe (the “Baker Litigation”); and the other filed in the Northern District of Oklahoma on October 1, 2010 by Keith Collier as the personal representative of the estate of Ruthie Collier (the “Collier Litigation”).

In the Baker Litigation, the plaintiff claims that American Greetings Corporation (1) misappropriated its employees’ names and identities to benefit itself; (2) breached its fiduciary duty by using its employees’ identities and personal information to benefit itself; (3) unjustly enriched itself through the receipt of corporate-owned life insurance policy benefits, interest and investment returns; and (4) improperly received insurance policy benefits for the insurable interest in Mr. Wolfe’s life. The plaintiff seeks damages in the amount of all pecuniary benefits associated with the subject Insurance Policies, including investment returns, interest and life insurance policy benefits that American Greetings Corporation received from the deaths of the former employees whose estates form the putative class. The plaintiff also seeks punitive damages, pre- and post-judgment interest, costs and attorney’s fees.

In the Collier litigation, the plaintiff claims that American Greetings Corporation did not have an insurable interest when it obtained the subject Insurance Policies and wrongfully received the benefits from those policies. The plaintiff seeks damages in the amount of policy benefits received by American Greetings Corporation from the subject Insurance Policies, as well as attorney’s fees and costs and interest. On April 2, 2012, Plaintiff filed its First Amended Complaint, adding misappropriation of employee information and breach of fiduciary duty claims as well as seeking punitive damages.

Class certification has not been decided in either of these cases. We believe the plaintiffs’ allegations in these lawsuits are without merit and intend to continue to defend the actions vigorously. We currently do not believe that the impact of the lawsuit, if any, will have a material adverse effect on our financial position, liquidity or results of operations.

*Cookie Jar/MoonScoop Litigation.* As previously disclosed, on May 6, 2009, American Greetings Corporation and its subsidiary, Those Characters From Cleveland, Inc. (“TCFC”), filed an action in the Cuyahoga County (Ohio) Court of Common Pleas against Cookie Jar Entertainment Inc. (“Cookie Jar”) and its affiliates, Cookie Jar Entertainment (USA) Inc. (formerly known as DIC Entertainment Corporation) (“DIC”) and Cookie Jar Entertainment Holdings (USA) Inc. (formerly known as DIC Entertainment Holdings, Inc.) relating to the July 20, 2008 Binding Letter Agreement between American Greetings Corporation and Cookie Jar (the “Cookie Jar Agreement”) for the sale of the Strawberry Shortcake and Care Bears properties (the “Properties”). On May 7, 2009, Cookie Jar removed the case to the United States District Court for the Northern District of Ohio. Simultaneously, Cookie Jar filed an action against American Greetings Corporation, TCFC, Mike Young Productions, LLC (“Mike Young Productions”) and MoonScoop SAS (“MoonScoop”) in the Supreme Court of the State of New York, County of New York. Mike Young Productions and MoonScoop were named as defendants in the action in connection with the binding term sheet between American Greetings Corporation and MoonScoop dated March 24, 2009 (the “MoonScoop Binding Agreement”), providing for the sale to MoonScoop of the Properties.

On May 7, 2010, the legal proceedings involving American Greetings Corporation, TCFC, Cookie Jar and DIC were settled, without a payment to any of the parties. As part of the settlement, on May 7, 2010, the Cookie Jar Agreement was amended to, among other things, terminate American Greetings Corporation’s obligation to sell to Cookie Jar, and Cookie Jar’s obligation to purchase, the Properties. As part of the settlement, Cookie Jar Entertainment (USA) Inc. will continue to represent the Strawberry Shortcake property on behalf of American Greetings Corporation and will become an international agent for the Care Bears property. On May 19, 2010, the Northern District of Ohio court granted the parties’ joint motion to dismiss all claims and counterclaims without prejudice.

On August 11, 2009, MoonScoop filed an action against American Greetings Corporation and TCFC in the United States District Court for the Northern District of Ohio, alleging breach of contract and promissory estoppel relating to the MoonScoop Binding Agreement. On MoonScoop’s request, the court agreed to



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consolidate this lawsuit with the first Ohio lawsuit (described above) for all pretrial purposes. The parties filed motions for summary judgment on various claims. On April 27, 2010, the court granted American Greetings Corporation's motion for summary judgment on MoonScoop's breach of contract and promissory estoppel claims, dismissing these claims with prejudice. On the same day, the court also ruled that American Greetings Corporation must indemnify MoonScoop against Cookie Jar's claims in this lawsuit. On May 21, 2010, MoonScoop appealed the court's summary judgment ruling to the United States Court of Appeals for the Sixth Circuit. On June 4, 2010, American Greetings Corporation and TCFC appealed to the United States Court of Appeals for the Sixth Circuit the court's ruling that it must indemnify MoonScoop against the cross claims asserted against it. The appeal has been briefed and oral arguments were held on October 4, 2011. We believe that the allegations in the lawsuit against American Greetings Corporation and TCFC are without merit and intend to continue to defend the actions vigorously. We currently do not believe that the impact of the lawsuit against American Greetings Corporation and TCFC, if any, will have a material adverse effect on our financial position, liquidity or results of operations.

In addition to the foregoing, we are involved in certain legal proceedings arising in the ordinary course of business. We, however, do not believe that any of the other litigation in which we are currently engaged, either individually or in the aggregate, will have a material adverse effect on our business, consolidated financial position or results of operations.

### **Item 4. Mine Safety Disclosures**

**Not applicable.**

#### *Executive Officers of the Registrant*

The following table sets forth our executive officers, their ages as of April 30, 2012, and their positions and offices:

<u>Name</u>	<u>Age</u>	<u>Current Position and Office</u>
Morry Weiss	71	Chairman of the Board
Zev Weiss	45	Chief Executive Officer
Jeffrey Weiss	48	President and Chief Operating Officer
John W. Beeder	52	Senior Vice President, Executive Sales and Marketing Officer
Michael L. Goulder	52	Senior Vice President, Executive Supply Chain Officer
Thomas H. Johnston	64	Senior Vice President, Creative/Merchandising
Catherine M. Kilbane	49	Senior Vice President, General Counsel and Secretary
Brian T. McGrath	61	Senior Vice President, Human Resources
Douglas W. Rommel	56	Senior Vice President, Chief Information Officer
Stephen J. Smith	48	Senior Vice President and Chief Financial Officer
Erwin Weiss	63	Senior Vice President
Joseph B. Cipollone	53	Vice President, Chief Accounting Officer

Morry Weiss and Erwin Weiss are brothers. Jeffrey Weiss and Zev Weiss are the sons of Morry Weiss. The Board of Directors annually elects all executive officers; however, executive officers are subject to removal, with or without cause, at any time; provided, however, that the removal of an executive officer would be subject to the terms of their respective employment agreements, if any.

Morry Weiss has held various positions with the Corporation since joining in 1961, including most recently Chief Executive Officer of the Corporation from October 1987 until June 2003. Mr. Morry Weiss has been Chairman since February 1992.

Zev Weiss has held various positions with the Corporation since joining in 1992, including most recently Executive Vice President from December 2001 until June 2003 when he was named Chief Executive Officer.



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Jeffrey Weiss has held various positions with the Corporation since joining in 1988, including most recently Executive Vice President, North American Greeting Card Division of the Corporation from March 2000 until June 2003 when he was named President and Chief Operating Officer.

John W. Beeder held various positions with Hallmark Cards, Inc. from 1983 to 2006, most recently as Senior Vice President and General Manager- Greeting Cards from 2002 to 2006. Thereafter, Mr. Beeder served as the President and Chief Operating Officer of Handleman Corporation (international music distribution company) in 2006 and the Managing Partner and Chief Operating Officer of Compact Clinicals (medical publishing company) in 2007. He became Senior Vice President, Executive Sales and Marketing Officer of the Corporation in April 2008.

Michael L. Goulder was a Vice President in the management consulting firm of Booz Allen Hamilton from October 1998 until October 2002. He became a Senior Vice President of the Corporation in November 2002 and is currently the Senior Vice President, Executive Supply Chain Officer.

Thomas H. Johnston was Managing Director of Gruppo, Levey & Co., an investment banking firm focused on the direct marketing and specialty retail industries, from November 2001 until May 2004, when he became Senior Vice President and President of Carlton Cards Retail, a position he held until May 2009, shortly after the sale of the Corporation's Retail Operations segment in April 2009. Mr. Johnston became Senior Vice President, Creative/Merchandising in December 2004.

Catherine M. Kilbane was a partner with the law firm of Baker & Hostetler LLP until becoming Senior Vice President, General Counsel and Secretary in October 2003.

Brian T. McGrath has held various positions with the Corporation since joining in 1989, including most recently Vice President, Human Resources from November 1998 until July 2006, when he became Senior Vice President, Human Resources.

Douglas W. Rommel has held various positions with the Corporation since joining in 1978, including most recently Vice President, Information Services from November 2001 until March 2010, when he became Senior Vice President, Chief Information Officer.

Stephen J. Smith was Vice President and Treasurer of General Cable Corporation, a wire and cable company, from 1999 until 2002. He became Vice President, Treasurer and Investor Relations of the Corporation in April 2003, and became Senior Vice President and Chief Financial Officer in November 2006.

Erwin Weiss has held various positions with the Corporation since joining in 1977, including serving in various senior vice president roles since 1991, including most recently Senior Vice President, Program Realization from June 2001 to June 2003, and Senior Vice President, Specialty Business from June 2003 and Senior Vice President, Enterprise Resource Planning from February 2007 until February 2012.

Joseph B. Cipollone has held various positions with the Corporation since joining in 1991, including most recently Executive Director, International Finance from December 1997 until becoming Vice President and Corporate Controller in April 2001 and Vice President and Chief Accounting Officer in October 2010.

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### PART II

#### **Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

(a) *Market Information.* Our Class A common shares are listed on the New York Stock Exchange under the symbol AM. The high and low sales prices, as reported in the New York Stock Exchange listing, for the years ended February 29, 2012 and February 28, 2011, were as follows:

	2012		2011	
	High	Low	High	Low
1 <sup>st</sup> Quarter	\$ 24.75	\$ 21.11	\$ 26.21	\$ 19.09
2 <sup>nd</sup> Quarter	24.84	17.81	23.36	17.89
3 <sup>rd</sup> Quarter	21.68	15.20	21.64	18.02
4 <sup>th</sup> Quarter	17.85	12.47	23.89	19.86

There is no public market for our Class B common shares. Pursuant to our 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 American Greetings for purchase at the most recent closing price for our Class A common shares. If we do 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. It is the Corporation's general policy to repurchase Class B common shares, in accordance with the terms set forth in our Amended and Restated Articles of Incorporation, whenever they are offered by a holder, unless such repurchase is not otherwise permitted under agreements to which the Corporation is a party.

Wells Fargo, St. Paul, Minnesota, is our registrar and transfer agent.

*Shareholders.* At February 29, 2012, there were approximately 13,000 holders of Class A common shares and 127 holders of Class B common shares of record and individual participants in security position listings.

*Dividends.* The following table sets forth the dividends declared by us in 2012 and 2011.

Dividends per share declared in	2012	2011
1 <sup>st</sup> Quarter	\$ 0.15	\$ 0.14
2 <sup>nd</sup> Quarter	0.15	0.14
3 <sup>rd</sup> Quarter	0.15	0.14
4 <sup>th</sup> Quarter	0.15	0.14
Total	\$0.60	\$0.56

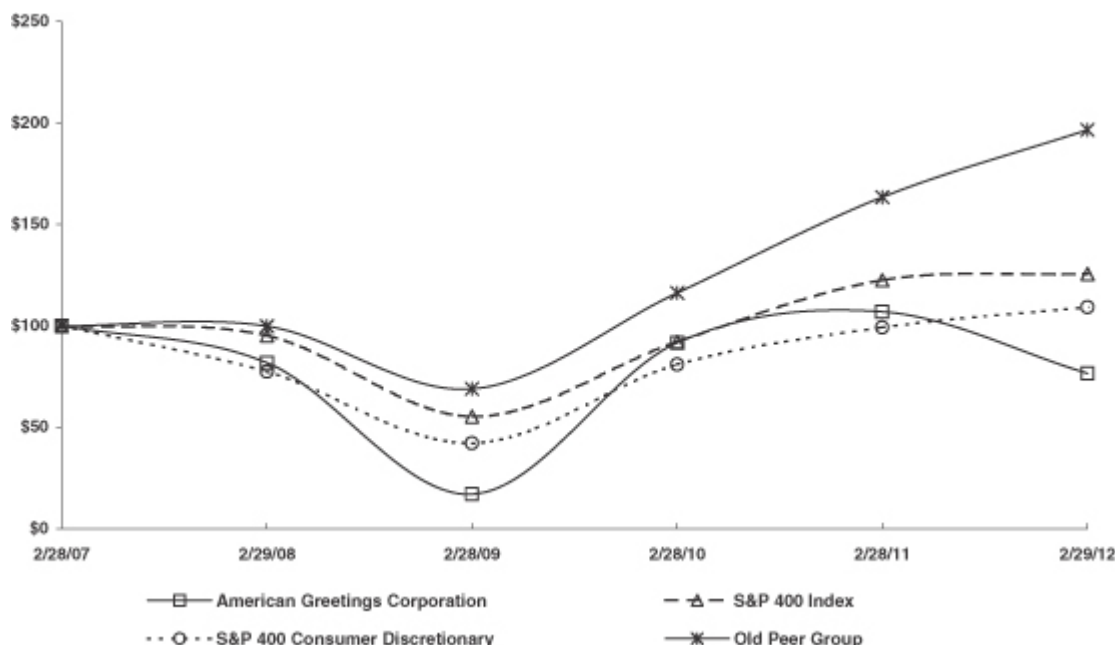
On March 21, 2011, we raised our quarterly dividend by 1 cent, from 14 cents per share to 15 cents per share. Although we expect to continue paying dividends, payment of future dividends will be determined by the Board of Directors in light of appropriate business conditions. In addition, our borrowing arrangements, including our senior secured credit facility and our 7.375% Senior Notes due 2021 restrict our ability to pay shareholder dividends. Our borrowing arrangements also contain certain other restrictive covenants that are customary for similar credit arrangements. For example, our credit facility contains covenants relating to financial reporting and notification, compliance with laws, preservation of existence, maintenance of books and records, use of proceeds, maintenance of properties and insurance. In addition, our credit facility includes covenants that limit our ability to incur additional debt, declare or pay dividends, make distributions on or repurchase or redeem capital stock, make certain investments, enter into transactions with affiliates, grant or permit liens, sell assets, enter in sale and leaseback transactions, and consolidate, merge or sell all or substantially all of our assets. There are also financial covenants that require us to maintain a maximum leverage ratio (consolidated indebtedness minus unrestricted cash over consolidated EBITDA) and a minimum interest coverage ratio (consolidated EBITDA over consolidated interest expense). These restrictions are subject to customary baskets and financial covenant tests. For a further description of the limitations imposed by our borrowing arrangements, see the discussion in Part II, Item 7, under the heading "Liquidity and Capital Resources" of this Annual Report, and Note 11 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.



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### COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN AMONG AMERICAN GREETINGS CORPORATION, THE S&P 400 INDEX, THE S&P 400 CONSUMER DISCRETIONARY SECTOR INDEX AND PEER GROUP INDEX

The stock performance graph below shows how an initial investment of \$100 in our Class A common shares would have compared over a five-year period with an equal investment in (1) the S&P 400 Index, (2) the S&P 400 Consumer Discretionary Sector Index and (3) an industry peer group index that consists of the companies described below (referred to as the “Old Peer Group”). Due to Jo-Ann Stores Inc., one of the companies that was included in the Old Peer Group for fiscal 2011, becoming a privately held company, and in an effort to include a broader range of companies that includes industry sectors in which we operate, instead of comparing our stock performance to an individually selected group of peer companies, we will use a published industry index. Accordingly, for the fiscal year ended February 29, 2012, we are replacing the Old Peer Group with the S&P 400 Consumer Discretionary sector index.



Source: Research Data Group

#### **\*Old Peer Group**

Blyth Inc. (BTH)	Fossil Inc. (FOSL)	Scotts Miracle-Gro Co. (The) -CL A (SMG)
Central Garden & Pet Co. (CENT)	Lancaster Colony Corp. (LANC)	Tupperware Brands Corp. (TUP)
CSS Industries Inc. (CSS)	McCormick & Co.-Non Vtg Shrs (MKC)	

The Old Peer Group Index takes into account companies selling cyclical nondurable consumer goods with the following attributes, among others, that are similar to those of American Greetings: customer demographics, sales, market capitalizations and distribution channels.

*Securities Authorized for Issuance Under Equity Compensation Plans.* Please refer to the information set forth under the heading “Equity Compensation Plan Information” included in Item 12 of this Annual Report on Form 10-K.

(b) Not applicable.

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(c) The following table provides information with respect to our purchases of our common shares made during the three months ended February 29, 2012.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
December 2011	Class A - -	-	-	
	Class B - -	-	-	
January 2012	Class A - 825,000	\$ 13.90 (2)	825,000 (3)	\$ 63,532,017 (2)
	Class B - 180 (1)	\$ 13.78	-	
February 2012	Class A - 1,099,808	\$ 15.00 (2)	1,099,808 (3)	\$ 47,038,021 (2)
	Class B - -	-	-	
Total	Class A - 1,924,808	-	1,924,808 (3)	
	Class B - 180 (1)	-	-	

- (1) There is no public market for our Class B common shares. Pursuant to our 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. 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. It is the Corporation's general policy to repurchase Class B common shares, in accordance with the terms set forth in our Amended and Restated Articles of Incorporation, whenever they are offered by a holder, unless such repurchase is not otherwise permitted under agreements to which the Corporation is a party. All of the shares were repurchased by American Greetings for cash pursuant to this right of first refusal.
- (2) On January 4, 2012, American Greetings announced that its Board of Directors authorized a program to repurchase up to \$75 million of its Class A common shares. Under this program, the share repurchases may be made through open market purchases or privately negotiated transactions as market conditions warrant, at prices the Corporation deems appropriate, and subject to applicable legal requirements and other factors. There is no set expiration date for this program.

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### Item 6. Selected Financial Data

Thousands of dollars except share and per share amounts

	2012(1)	2011	2010(2)	2009	2008
<u>Summary of Operations</u>					
Net sales	\$1,663,281	\$1,565,539	\$1,603,285	\$1,646,399	\$1,730,784
Total revenue	1,695,144	1,597,894	1,640,851	1,690,738	1,776,451
Goodwill impairment	27,154	-	-	290,166	-
Interest expense	53,073	25,389	26,311	22,854	20,006
Income (loss) from continuing operations	57,198	87,018	81,574	(227,759 )	83,320
Loss from discontinued operations, net of tax	-	-	-	-	(317 )
Net income (loss)	57,198	87,018	81,574	(227,759 )	83,003
<u>Earnings (loss) per share:</u>					
Income (loss) from continuing operations	1.44	2.18	2.07	(4.89 )	1.54
Loss from discontinued operations, net of tax	-	-	-	-	(0.01 )
Earnings (loss) per share	1.44	2.18	2.07	(4.89 )	1.53
Earnings (loss) per share – assuming dilution	1.42	2.11	2.03	(4.89 )	1.52
Cash dividends declared per share	0.60	0.56	0.36	0.60	0.40
Fiscal year end market price per share	15.00	21.65	19.07	3.73	18.82
Average number of shares outstanding	39,624,694	39,982,784	39,467,811	46,543,780	54,236,961
<u>Financial Position</u>					
Inventories	208,945	179,730	163,956	194,945	207,629
Working capital	335,878	384,209	335,353	244,663	260,500
Total assets	1,549,464	1,547,249	1,544,498	1,462,895	1,823,979
Property, plant and equipment additions	70,943	36,346	26,550	55,733	56,623
Long-term debt	225,181	232,688	328,723	389,473	220,618
Shareholders' equity	727,458	763,758	650,911	544,035	958,257
Shareholders' equity per share	19.74	18.90	16.49	13.42	19.65
Net return on average shareholders' equity from continuing operations	7.7 %	12.3 %	13.7 %	(30.3 %)	8.4 %

- (1) During 2012, the Corporation recorded a loss of \$30.8 million, which is included in "Interest expense," related to the extinguishment of its 7.375% senior notes and 7.375% notes due 2016. See Note 11 to the Consolidated Financial Statements under Part II, Item 8 of this Annual Report.
- (2) 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 Consolidated Financial Statements under Part II, Item 8 of this Annual Report.



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### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the audited consolidated financial statements. This discussion and analysis, and other statements made in this Report, contain forward-looking statements. See "Factors That May Affect Future Results" at the end of this discussion and analysis for a discussion of the uncertainties, risks and assumptions associated with these statements.

#### **OVERVIEW**

Founded in 1906, we are the world's largest publicly owned creator, manufacturer and distributor of social expression products. Headquartered in Cleveland, Ohio, as of February 29, 2012, we employed approximately 27,500 associates around the world and are home to one of the world's largest creative studios.

Our major domestic greeting card brands are American Greetings, Recycled Paper Greetings, Papyrus, Carlton Cards, Gibson, Tender Thoughts and Just For You. Our other domestic products include DesignWare party goods, Plus Mark gift wrap and boxed cards, and AGI In-Store display fixtures. We also create and license our intellectual properties such as the Care Bears and Strawberry Shortcake characters. The Internet and wireless business unit, AG Interactive, is a leading provider of electronic greetings and other content for the digital marketplace. Our major Internet and wireless brands are AmericanGreetings.com, BlueMountain.com, Egreetings.com, and Cardstore.com.

Our international operations include wholly-owned subsidiaries in the United Kingdom ("U.K."), Canada, Australia and New Zealand as well as licensees in approximately 60 other countries.

During 2012, our total revenue, operating results and cash flows were impacted by the multiple strategic actions we executed during the year to support both our short-term and long-term business goals, including:

- continuing to drive product leadership initiatives;
- driving growth in our product leadership, primarily our new Web site, Cardstore.com, through increased marketing spending;
- deploying additional capital to fund our multi-year systems refresh project intended to drive efficiencies in our business and add new capabilities;
- expanding our international footprint through the acquisition of Watermark Publishing Limited ("Watermark") in the U.K.;
- supporting the expanded relationships and distribution with our retail partners through additional investment and rollout activities; and
- strengthening our balance sheet by refinancing our debt.

Although these strategic actions, along with the continued instability in the global economy, have brought volatility to our earnings and make it more difficult to predict future earnings levels and patterns, we believe that these actions will help us grow our business over the long term. Moreover, to mitigate the impact that some of these activities may have on our earnings, we will seek to continue to improve efficiencies and streamline our back office processes in order to reduce our general and administrative expenses.

Total revenue for 2012 was \$1.70 billion, up \$97 million from the prior year. Our higher revenues were driven by increased net sales of greeting cards and seasonal gift packaging products, as well as the impact of foreign currency translation. The increase in our greeting card net sales was driven by additional distribution with existing customers in both our International Social Expression Products and our North American Social Expression Products segments, as well as the acquisition of Watermark. The Watermark acquisition in the first quarter of the current fiscal year added approximately \$43 million of revenue and another unique product brand to our strong portfolio of greeting cards. We believe that the additional distribution with existing customers was achieved as a result of our product leadership efforts, which have focused on providing fresh and relevant



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products, along with strong in-store execution. We expect to continue to allocate resources to these efforts with the goal of continued revenue and earnings growth.

Operating income for 2012 was \$149.6 million, down \$25.1 million from the prior year. The primary driver of the decline in operating income was an impairment of goodwill. In connection with the preparation of the fiscal 2012 financial statements, we determined that the decrease in our market capitalization, which was driven by a decline in our stock price during the fourth quarter, was an indicator of potential goodwill impairment, requiring us to complete an impairment test. As a result of the testing, we recorded a non-cash goodwill impairment of \$27.2 million during the fourth quarter.

Beyond the impact of the goodwill impairment, the current year operating income performance was impacted by a change in product mix, higher supply chain costs and increased marketing expenses. Our revenue growth in the year added about \$38 million of gross margin. Although this equates to a gross margin percentage decline of approximately 100 basis points over the prior year period, it represents a significant improvement from the quarter-over-quarter 340 basis point gross margin percentage decline that we reported for our third quarter ended November 25, 2011. Our gross margin percentage slipped only 40 basis points in the fourth quarter compared to the prior year period. Our declining gross margin percentage was due to a shift in product mix to a higher proportion of lower margin value cards and seasonal gift packaging products. As we have stated, over the past several years, consumer shopping patterns have continued to evolve and these changing patterns are impacting our business. As consumers have been gradually shifting to value shopping, this shift is resulting in a change in our product mix to a higher proportion of value cards which in turn lowers the average price sold of our greeting cards and has an unfavorable impact on our gross margin percentage. While we expect this trend to continue, the mix change in the current year compared to the prior year was accelerated as a result of our expanded distribution in the value channel, which has now been substantially implemented. While we expect the value card trend to put continued downward pressure on our historical gross margin percentage, we are unable to accurately predict our future gross margin percentage due to continuing changes in the general business, influences from the broader macroeconomic environment and ongoing changes with customers that occur in the ordinary course of business which could either improve or further erode our gross margins.

Current year operating income also declined compared to the prior year due to higher supply chain costs of approximately \$28 million, including merchandiser, freight and other distribution costs that were the result of higher unit sales volume. Approximately \$11 million of the higher supply chain costs were related to the rollout costs associated with expanded distribution in the value channel. During 2012, total incremental rollout costs associated with the expanded distribution in the value channel was approximately \$12 million, including the \$11 million of supply chain costs and approximately \$1 million related to SBT implementations. The prior year included approximately \$5 million of combined supply chain and SBT implementation costs associated with the roll-out of the expanded distribution in the value channel.

Operating income in 2012 was also adversely impacted by approximately \$15 million of incremental marketing expenses that we incurred in the year in support of our product leadership strategy, primarily related to promotional efforts around our recently developed Web site Cardstore.com, which allows consumers to purchase paper greeting cards on the Internet and then have the physical cards delivered directly to the recipient. As we seek to develop this and other digital channels of distribution, during the first half of 2013 we expect that we will continue to incur additional expenses and make additional investments to support these efforts in amounts and at a pace that is similar to our spending on these efforts during the second half of 2012. We will likely continue this spending during the second half of 2013; however, the timing and amount will depend on consumer response. Also in 2013, we expect that we will continue to incur additional expenses and make additional investments to help us extend our leadership position and better position us for future growth. The timing and amount of expenses associated with these efforts in any given period will also depend on the response from consumers to each program.

Some of the investments, business activities and trends discussed above are putting downward pressure on our operating income. As such, we will continue to focus on supply chain efficiencies to improve the way we manufacture, distribute and service our products. We also intend to focus resources on streamlining our back office processes in order to reduce our general and administrative expenses. However, over the next few years,

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we will need to balance these efforts with the efforts necessary to maintain our leadership position in the greeting card market. By continuing to focus on efficiency and cost reduction within all areas of the Company, our goal is to maintain annual operating margins around 10%. However, our operating margin in any given period may vary depending on the near term impacts of future investments we may make, such as, expenses associated with our world headquarters project, information systems refresh effort and Cardstore.com distribution model.

With respect to our statement of financial position in 2012, inventory increased approximately \$29 million compared to the prior year. This increase was primarily driven by the additional distribution with existing customers along with our acquisition of Watermark described above. If we are successful in continuing to drive sales growth, we expect our working capital needs, particularly accounts receivable and inventory, to also grow. Capital expenditures during the year increased approximately \$35 million from the prior period. This increase was primarily related to our information systems refresh, machinery and equipment purchased for our card producing facilities, and assets acquired in connection with our world headquarters project. We expect that capital expenditures will remain higher than our historical trend as we execute our multi-year information systems refresh and world headquarters projects.

During the fourth quarter of 2012, we closed a public offering of \$225 million aggregate principal amount of 7.375% Senior Notes due 2021. We used the net proceeds from the offering along with cash on hand to retire our existing \$254.7 million aggregate principal amount of 7.375% long term debt due 2016. The net result of these transactions was to reduce the principal amount of our long term debt by approximately \$30 million, improve the overall terms and conditions of our borrowings and extend the maturity of the notes by an additional five years at the same interest rate. In connection with these transactions, we recorded a loss on extinguishment of debt of approximately \$31 million, including the write-off of the remaining original issue discount and deferred issuance costs of approximately \$22 million and approximately \$9 million we paid in tender fees, call premiums and other transaction costs, all associated with the retired debt.

Also during the fourth quarter, we amended our credit facility to extend the expiration date from June 11, 2015 to January 18, 2017 and increase the maximum principal amount that can be borrowed, on a revolving basis, from \$350 million to \$400 million, with the ability to further increase such maximum principal amount from \$400 million to \$450 million, subject to customary conditions.

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### RESULTS OF OPERATIONS

#### *Comparison of the years ended February 29, 2012 and February 28, 2011*

In 2012, net income was \$57.2 million, or \$1.42 per diluted share, compared to \$87.0 million, or \$2.11 per diluted share, in 2011.

Our results for 2012 and 2011 are summarized below:

(Dollars in thousands)	2012	% Total Revenue	2011	% Total Revenue
Net sales	\$1,663,281	98.1 %	\$1,565,539	98.0 %
Other revenue	31,863	1.9 %	32,355	2.0 %
Total revenue	1,695,144	100.0 %	1,597,894	100.0 %
Material, labor and other production costs	741,645	43.8 %	682,368	42.7 %
Selling, distribution and marketing expenses	533,827	31.5 %	483,553	30.3 %
Administrative and general expenses	250,691	14.8 %	260,476	16.3 %
Goodwill impairment	27,154	1.6 %	-	0.0 %
Other operating income - net	(7,738 )	(0.5 %)	(3,205 )	(0.2 %)
Operating income	149,565	8.8 %	174,702	10.9 %
Interest expense	53,073	3.1 %	25,389	1.6 %
Interest income	(982 )	(0.1 %)	(853 )	(0.0 %)
Other non-operating income - net	(341 )	(0.0 %)	(5,841 )	(0.4 %)
Income before income tax expense	97,815	5.8 %	156,007	9.7 %
Income tax expense	40,617	2.4 %	68,989	4.3 %
Net income	<u>\$57,198</u>	3.4 %	<u>\$87,018</u>	5.4 %

#### *Revenue Overview*

During 2012, consolidated net sales were \$1.66 billion, up from \$1.57 billion in the prior year. This 6.2%, or \$97.7 million, improvement was primarily due to an increase in net sales of greeting cards of approximately \$93 million driven by the Watermark acquisition in our International Social Expression Products segment, as well as additional distribution with existing customers in both our North American Social Expression Products segment and our International Social Expression Products segment. The current year also included higher gift packaging product sales of approximately \$16 million and the impact of approximately \$22 million of favorable foreign currency translation. Partially offsetting these increases were decreased sales in our AG Interactive segment of approximately \$10 million due to lower advertising revenue and the impact of winding down the Photoworks website, lower net sales in our fixtures business of approximately \$10 million, and decreased sales of other ancillary products such as party goods and ornaments of approximately \$13 million.

The contribution of each major product category as a percentage of net sales for the past two fiscal years was as follows:

	2012	2011
Everyday greeting cards	50 %	48 %
Seasonal greeting cards	25 %	24 %
Gift packaging	14 %	14 %
All other products*	11 %	14 %

\* The "all other products" classification includes, among other things, giftware, party goods, ornaments, calendars, custom display fixtures, stickers, online greeting cards and other digital products.

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Other revenue, primarily royalty revenue from our Strawberry Shortcake and Care Bears properties, decreased \$0.5 million from \$32.4 million during 2011 to \$31.9 million in 2012.

### *Wholesale Unit and Pricing Analysis for Greeting Cards*

Unit and pricing comparatives (on a sales less returns basis) for 2012 and 2011 are summarized below:

	Increase (Decrease) From the Prior Year					
	Everyday Cards		Seasonal Cards		Total Greeting Cards	
	2012	2011	2012	2011	2012	2011
Unit volume	9.5 %	(2.2%)	6.4 %	(1.8%)	8.5 %	(2.1 %)
Selling prices	(3.6%)	1.0 %	(0.8%)	2.3 %	(2.8 %)	1.4 %
Overall increase / (decrease)	5.5 %	(1.2%)	5.5 %	0.4 %	5.5 %	(0.7 %)

During 2012, combined everyday and seasonal greeting card sales less returns increased 5.5%, compared to the prior year, with an 8.5% improvement in unit volume, which was partially offset by a 2.8% decline in selling prices. The overall increase was primarily driven by an increase in unit volume from our everyday and seasonal greeting cards in both our North American Social Expression Products and our International Social Expression Products segments.

Everyday card sales less returns were up 5.5%, compared to the prior year, as a result of improved unit volume of 9.5% partially offset by a decline in selling prices of 3.6%. Both of our greeting card segments contributed to the unit volume increases during the current year as a result of additional distribution with existing customers. The unit volume improvements within our International Social Expression Products segment were also driven by the Watermark acquisition. The selling price decline was a result of the continued shift to a higher proportion of our value cards in both of our greeting card segments, driven primarily by our expanded distribution with existing customers and the continued shift in consumer behavior toward value shopping.

Seasonal card sales less returns increased 5.5%, with an increase in unit volume of 6.4%, slightly offset by a decrease in selling prices of 0.8%. The improvement in unit volume was driven by both our greeting card segments across nearly all seasonal programs as a result of additional distribution with existing customers. The unit volume improvements within our International Social Expression Products segment were also driven by the Watermark acquisition. The decrease in selling prices was attributable to the continued shift to a higher proportion of our value cards; however, the impact of that trend was partially offset by the impact of seasonal price increases across most seasonal programs.

### *Expense Overview*

Material, labor and other production costs ("MLOPC") for 2012 were \$741.6 million, an increase of approximately \$59 million from \$682.4 million in the prior year. As a percentage of total revenue, these costs were 43.8% in the current period compared to 42.7% in 2011, an increase of approximately 100 basis points or about \$17 million. Approximately 70 percent of the basis point increase was primarily due to a change in sales mix, shifting toward a higher proportion of lower margin value cards and seasonal gift packaging products, with the remaining 30 percent of the basis point increase attributable to a combination of higher product content costs, increased product related in-store display materials and higher inventory scrap expense, which were partially offset by the benefits of our ongoing cost savings initiatives. The remaining approximately \$42 million increase was attributable to higher unit sales volume.

Selling, distribution and marketing expenses ("SDM") for 2012 were \$533.8 million, increasing from \$483.6 million in the prior year. The increase of \$50.2 million in the current year was driven by a combination of increased expenses and unfavorable foreign currency translation of approximately \$43 million and \$7 million, respectively. Increased supply chain costs of approximately \$28 million, including merchandiser, freight and other distribution costs, were primarily the result of higher sales volume and initial store setup activities. Approximately \$11 million of the higher supply chain costs were incremental rollout costs associated with expanded distribution in the value channel. Also contributing to the increase was higher marketing expenses of approximately \$15 million compared to the prior year primarily relating to Cardstore.com.

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Administrative and general expenses were \$250.7 million in 2012, a decrease from \$260.5 million in the prior year. The improvement of approximately \$10 million was primarily related to approximately \$10 million of Papyrus-Recycled Greetings (“PRG”) integration costs in the prior year that did not recur in the current year and an approximate \$10 million reduction in variable compensation expense in the current year. These benefits were partially offset by additional operating costs of approximately \$7 million associated with the Watermark acquisition and unfavorable foreign currency translation impacts of approximately \$3 million.

Goodwill impairment charges of \$27.2 million were recorded in 2012. During the fourth quarter of 2012, our market capitalization significantly declined as a result of decreases in our stock price. In connection with the preparation of our annual financial statements, we concluded that the decline in the stock price and market capitalization were indicators of potential impairment which required the performance of an impairment analysis. Based on this analysis, it was determined that the fair values of our North American Social Expression Products segment, which is also the reporting unit, and our reporting unit located in the U.K. (“UK Reporting Unit”) within the International Social Expression Products segment, were less than their carrying values. As a result, we recorded non-cash goodwill impairment charges of \$21.3 million and \$5.9 million, which include all of the goodwill for the North American Social Expression Products segment and the UK Reporting Unit, respectively.

Other operating income – net was \$7.7 million during the current year compared to \$3.2 million in the prior year. The current year included a gain of \$4.5 million from the sale of certain minor characters in our intellectual property portfolio.

Interest expense was \$53.1 million during the current year, up from \$25.4 million in 2011. The increase of \$27.7 million was primarily attributable to the debt refinancing that occurred during the fourth quarter of 2012. In conjunction with the issuance of new 7.375% senior notes due 2021, we retired our 7.375% senior notes due 2016 and our 7.375% notes due 2016. As a result, we recorded \$21.7 million for the write-off of the unamortized discount and deferred financing costs associated with the retired debt and a charge of \$9.1 million for the consent payment, tender fees, call premiums and other fees associated with the refinancing.

Other non-operating income was \$0.3 million during 2012 compared to \$5.8 million during 2011. The 2011 results included a gain of \$3.5 million related to the sale of land and buildings in Mexico and Australia and \$1.3 million of dividend income related to our investment in AAH Holding Corporation, which is the ultimate parent corporation of Amscan Holdings, Inc. (“Amscan”).

The effective tax rate was 41.5% and 44.2% during 2012 and 2011, respectively. The higher than statutory tax rate in 2012 was primarily due to the goodwill impairment charge for the UK Reporting Unit, which is nondeductible. The higher than statutory tax rate in 2011 was primarily driven by the effective settlement of ten years of domestic tax audits, which increased our estimated tax assessment and associated interest reserves by approximately \$7 million. Also contributing to the higher than statutory tax rate in 2011 were the impact of unfavorable settlements of audits in a foreign jurisdiction, the release of insurance reserves that generated taxable income, and the recognition of the deferred tax effects of the reduced deductibility of postretirement prescription drug coverage due to the U.S. Patient Protection and Affordable Care Act.

### *Segment Results*

Our operations are organized and managed according to a number of factors, including product categories, geographic locations and channels of distribution. Our North American Social Expression Products and our International Social Expression Products segments primarily design, manufacture and sell greeting cards and other related products through various channels of distribution, with mass merchandising as the primary channel. As permitted under Accounting Standards Codification (“ASC”) Topic 280 (“ASC 280”), “Segment Reporting,” certain operating segments have been aggregated into the International Social Expression Products segment. The aggregated operating segments have similar economic characteristics, products, production processes, types of customers and distribution methods. The AG Interactive segment distributes social expression products, including electronic greetings, 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.

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Segment results are reported using actual foreign exchange rates for the periods presented. In the prior year, segment results were reported at constant exchange rates to eliminate the impact of foreign currency fluctuations. In addition, during the current year, certain items that were previously considered corporate expenses are now included in the calculation of segment earnings for the North American Social Expression Products segment. This change is the result of modifications to organizational structures, and is intended to better align the segment financial results with the responsibilities of segment management and the way management evaluates our operations. Prior year segment results have been presented to be consistent with the current methodologies. Refer to Note 16, "Business Segment Information," to the Consolidated Financial Statements under Part II, Item 8 of this Annual Report for further information and a reconciliation of total segment revenue to consolidated "Total revenue" and total segment earnings (loss) to consolidated "Income before income tax expense."

### North American Social Expression Products Segment

(Dollars in thousands)	2012	2011	% Change	
Total revenue	\$1,228,548	\$1,196,809	2.7	%
Segment earnings	149,655	194,199	(22.9	%)

Total revenue of our North American Social Expression Products segment increased \$31.7 million compared to the prior year. The increase was primarily driven by higher sales in everyday greeting cards of \$19 million, seasonal greetings cards of \$9 million and gift packaging products of \$10 million. The current year also included the favorable impact of foreign currency translation of approximately \$4 million. Partially offsetting these increases was lower sales of other ancillary products such as party goods and ornaments of approximately \$10 million.

Segment earnings decreased \$44.5 million in 2012 compared to the prior year. Approximately half of the decrease is attributable to the goodwill impairment charge of approximately \$21 million recorded in the fourth quarter. The remaining decrease was driven by higher supply chain costs of approximately \$16 million primarily due to increased sales volume and store setup activities, which resulted in higher merchandiser, freight and other distribution costs. Approximately \$11 million of the higher supply chain costs were incremental rollout costs associated with expanded distribution in the value channel. Increased marketing expenses of approximately \$15 million, higher bad debt expense of approximately \$4 million and incremental product related display costs of approximately \$3 million also contributed to the decrease in earnings. Gross margin dollars improved slightly due to higher sales volume, partially offset by unfavorable product mix as a result of a shift to a higher proportion of lower margin value cards and seasonal gift packaging products. The current year benefited from prior year PRG integration costs of approximately \$10 million which did not recur this year and an approximate \$5 million benefit achieved through our ongoing cost savings initiatives.

### International Social Expression Products Segment

(Dollars in thousands)	2012	2011	% Change	
Total revenue	\$347,866	\$261,712	32.9	%
Segment earnings	20,276	19,572	3.6	%

Total revenue of our International Social Expression Products segment increased \$86.2 million compared to the prior year. The increase was primarily due to the Watermark acquisition during the current year, which resulted in total revenue increasing by approximately \$43 million. Additional distribution with existing customers also contributed to the increase in revenue. Foreign currency translation favorably impacted revenue by approximately \$16 million.

Segment earnings were \$20.3 million in the current year compared to \$19.6 million during the prior year twelve months. As a percentage of total revenue, segment earnings were 5.8% in 2012 and 7.5% in 2011. Contributing to the decline in segment earnings as a percentage of total revenue was a goodwill impairment charge of \$5.9 million during the fourth quarter of 2012. In addition, the gross margin percentage in 2012 declined 250 basis points compared to the prior year. This decline in gross margin percentage was primarily due to an unfavorable product mix as a result of a shift to a higher proportion of lower margin cards. This gross margin basis point



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deterioration was offset by proportionally lower selling expenses and lower bad debt expense of approximately \$2 million compared to the prior year.

### AG Interactive Segment

(Dollars in thousands)	2012	2011	% Change
Total revenue	\$68,514	\$78,206	(12.4 %)
Segment earnings	13,942	13,991	(0.4 %)

Total revenue of our AG Interactive segment decreased \$9.7 million compared to the prior year. The decrease in revenue was driven primarily by lower advertising revenue and the impact of winding down the Photoworks Web site during the first quarter of the current year. AG Interactive had approximately 3.8 million online paid subscriptions at February 29, 2012 and February 28, 2011, respectively.

Segment earnings were about flat compared to the prior year. The impact of lower sales and higher technology costs essentially offset the decreased product management and marketing costs and lower expenses due to cost savings initiatives.

### Unallocated Items

Centrally incurred and managed costs are not allocated back to the operating segments. The unallocated items include interest expense for centrally incurred debt, domestic profit sharing expense, and stock-based compensation expense. Unallocated items also included costs associated with corporate operations such as the senior management, corporate finance, legal and insurance programs. In 2012, unallocated item included a loss on extinguishment of debt of approximately \$31 million.

(Dollars in thousands)	2012	2011
Interest expense	\$(53,073 )	\$(25,304)
Profit sharing expense	(9,401 )	(9,759 )
Stock-based compensation expense	(10,982 )	(13,017)
Corporate overhead expense	(29,636 )	(33,152)
Total Unallocated Loss	(103,092)	(81,232)

### *Comparison of the years ended February 28, 2011 and 2010*

In 2011, net income was \$87.0 million, or \$2.11 per diluted share, compared to \$81.6 million, or \$2.03 per diluted share, in 2010.

Our results for 2011 and 2010 are summarized below:

(Dollars in thousands)	2011	% Total Revenue	2010	% Total Revenue
Net sales	\$1,565,539	98.0 %	\$1,603,285	97.7 %
Other revenue	32,355	2.0 %	37,566	2.3 %
Total revenue	1,597,894	100.0 %	1,640,851	100.0 %
Material, labor and other production costs	682,368	42.7 %	713,075	43.5 %
Selling, distribution and marketing expenses	483,553	30.3 %	512,954	31.3 %
Administrative and general expenses	260,476	16.3 %	276,031	16.8 %
Other operating income - net	(3,205 )	(0.2 %)	(310 )	(0.1 %)
Operating income	174,702	10.9 %	139,101	8.5 %
Interest expense	25,389	1.6 %	26,311	1.6 %
Interest income	(853 )	(0.0 %)	(1,676 )	(0.1 %)
Other non-operating income - net	(5,841 )	(0.4 %)	(6,488 )	(0.4 %)
Income before income tax expense	156,007	9.7 %	120,954	7.4 %
Income tax expense	68,989	4.3 %	39,380	2.4 %
Net income	\$87,018	5.4 %	\$81,574	5.0 %





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### *Revenue Overview*

During 2011, consolidated net sales were \$1.57 billion, down from \$1.60 billion in 2010. This 2.4%, or approximately \$38 million, decline was primarily the result of decreased net sales in our North American Social Expression Products segment and our Retail Operations segment of approximately \$53 million and \$12 million, respectively. These decreases were partially offset by higher net sales in our fixtures business and in our International Social Expression Products segment of approximately \$11 million and \$7 million, respectively. Foreign currency translation also favorably impacted net sales by approximately \$10 million.

Net sales in our North American Social Expression Products segment decreased approximately \$53 million. This decrease is attributable to lower sales of party goods of approximately \$31 million, gift packaging and other non-card products of approximately \$13 million and everyday cards of approximately \$8 million. Net sales of party goods decreased due to the party goods transaction with Amscan completed in the fourth quarter of 2010. SBT implementations unfavorably impacted net sales by approximately \$6 million. These decreases were partially offset by improved seasonal card sales of approximately \$5 million.

Net sales in our Retail Operations segment decreased approximately \$12 million due to the sale of our retail store assets in April 2009. There were no net sales in our Retail Operations segment during the twelve months ended February 28, 2011.

The increase in our International Social Expression Products segment's net sales of approximately \$7 million was driven by an increase in boxed cards associated with our Christmas program and favorable overall card sales within our U.K. operations.

The contribution of each major product category as a percentage of net sales for the fiscal years 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Everyday greeting cards	48 %	48 %
Seasonal greeting cards	24 %	23 %
Gift packaging	14 %	14 %
All other products*	14 %	15 %

\* The "all other products" classification includes, among other things, giftware, party goods, stationery, custom display fixtures, stickers, online greeting cards and other digital products.

Other revenue, primarily royalty revenue from our Strawberry Shortcake and Care Bears properties, decreased \$5.2 million from \$37.6 million during 2010 to \$32.4 million in 2011.

### *Wholesale Unit and Pricing Analysis for Greeting Cards*

Unit and pricing comparatives (on a sales less returns basis) for 2011 and 2010 are summarized below:

	<b>Increase (Decrease) From the Prior Year</b>					
	<b>Everyday Cards</b>		<b>Seasonal Cards</b>		<b>Total Greeting Cards</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Unit volume	(2.2 %)	7.2 %	(1.8%)	6.7 %	(2.1 %)	7.0 %
Selling prices	1.0 %	1.4 %	2.3 %	(1.6%)	1.4 %	0.4 %
Overall increase / (decrease)	(1.2 %)	8.7 %	0.4 %	5.0 %	(0.7 %)	7.5 %

During 2011, combined everyday and seasonal greeting card sales less returns declined 0.7%, compared to 2010, driven by a decrease in everyday card sales less returns of 1.2%. The overall decrease was driven by our North American Social Expression Products segment, where increases in our seasonal card sales less returns were more than offset by decreases of everyday card sales less returns.

Everyday card sales less returns were down 1.2% in 2011, compared to 2010, as a result of decreases in unit volume of 2.2% more than offsetting increases in selling prices of 1.0%. The selling price improvement was largely driven by our prior year acquisitions, which more than offset the impact of the continued shift to a higher mix of value cards.

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Seasonal card sales less returns increased 0.4%, with improved selling prices of 2.3% partially offset by a decline in unit volume of 1.8%. The increase in selling prices was primarily a result of our 2010 acquisitions within our North American Social Expression Products segment, which more than offset the impact of the continued shift to a higher mix of value cards.

### *Expense Overview*

MLOPC for 2011 were \$682.4 million, a decrease of approximately \$31 million from \$713.1 million during 2010. As a percentage of total revenue, these costs were 42.7% in 2011 compared to 43.5% in 2010. About 70% of the lower expense was due to the elimination of operating costs as a result of the divestiture of the retail store operations (\$5 million), the wind down of our Mexican operations (\$8 million) and the shutdown of our party goods operations (\$8 million). In addition, inventory levels increased during the fourth quarter of 2011 related to the anticipated expanded distribution in the dollar channel, causing an overall increase in inventory levels compared to the prior year. As a result, an additional amount of certain production and product related costs were absorbed into ending inventory, providing a benefit to MLOPC. During 2010, inventory decreased during the year, causing less absorption of these production and product related costs, increasing MLOPC in 2010. The net impact of these changing inventory levels and related absorption rates was a net year-over-year MLOPC reduction of approximately \$16 million. Partially offsetting these favorable items was an increase in product content costs (\$6 million) and increased scrap and shrink expenses (\$5 million). In 2010, MLOPC also included impairment and severance charges related to the closure of the Kalamazoo, Michigan facility (\$16 million) and the benefit of a favorable LIFO liquidation adjustment (\$13 million).

SDM expenses for 2011 were \$483.6 million, decreasing \$29.4 million from \$513.0 million in 2010. The decrease was partially due to the elimination of operating costs due to the disposition of our retail stores (\$13 million) and the wind down of our Mexican operations (\$4 million), which both occurred in 2010. Lower supply chain costs, specifically field sales and service operations costs (\$18 million) and freight and distribution costs (\$5 million) were the result of PRG integration savings and a reduction in units shipped during 2011. These reductions were partially offset by increases in merchandiser expense (\$3 million) and marketing, product management and product innovation costs (\$4 million). Foreign currency translation (\$3 million) was also unfavorable compared to 2010.

Administrative and general expenses were \$260.5 million in 2011, a decrease from \$276.0 million during 2010. The decrease of \$15.5 million is largely due to the settlement of a lawsuit in 2010 (\$24 million). Reductions in expense related to our pension and postretirement benefit plans (\$6 million), as well as variable compensation expense (\$7 million), also contributed to the decreased expense during 2011. Partially offsetting these favorable variances was increased stock compensation expense (\$7 million) and continued PRG integration costs (\$6 million). In addition, fiscal year 2010 included a benefit related to corporate-owned life insurance (\$7 million), which did not recur in 2011.

Other operating income – net was \$3.2 million during 2011 compared to \$0.3 million in 2010. The 2010 results included a loss on the sale of our retail stores to Schurman (\$28 million) and a gain as a result of the party goods transaction (\$34 million). In addition, 2010 included a net loss on the recognition of cumulative foreign currency translation adjustments (\$9 million) related to the shutdown of our distribution facility in Mexico and the liquidation of an operation in France.

Interest expense was \$25.4 million during 2011, down from \$26.3 million in 2010. The decrease of \$0.9 million was primarily attributable to interest savings resulting from the \$99.3 million repayment of the term loan that was previously outstanding under our senior secured credit facility, as well as reduced borrowings under this facility in 2011.

Other non-operating income – net was \$5.8 million during 2011 compared to \$6.5 million during 2010. The decrease was primarily due to a swing from foreign exchange gain in 2010 to a loss in 2011, partially offset by \$3.5 million of gains on the disposal of assets, primarily land and buildings in Mexico and Australia.

The effective tax rate was 44.2% and 32.6% during 2011 and 2010, respectively. The higher than statutory tax rate in 2011 was primarily driven by the effective settlement of ten years of domestic tax audits which increased our estimated tax assessment and associated interest reserves by approximately \$7 million. The impact of

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unfavorable settlements of audits in a foreign jurisdiction, the release of insurance reserves that generated taxable income, as well as the recognition of the deferred tax effects of the reduced deductibility of postretirement prescription drug coverage due to U.S. Patient Protection and Affordable Care Act also contributed to the higher than statutory rate in 2011. The lower than statutory rate during 2010 was primarily a result of the favorable effect of the wind down of our Mexican operations, settlements with taxing authorities in foreign jurisdictions and the benefit of certain tax free proceeds from corporate-owned life insurance.

### *Segment Results*

Prior to 2012, segment results were reported at constant exchange rates to eliminate the impact of foreign currency fluctuations. In 2012, we changed this methodology and segment results are now reported using actual foreign exchange rates. In addition, during 2012, certain items that were previously considered corporate expenses are now included in the calculation of segment earnings for the North American Social Expression Products segment. This change is the result of modifications to organizational structures and is intended to better align the segment financial results with the responsibilities of segment management and the way management evaluates our operations. Prior year segment results have been presented to be consistent with the current methodologies. Refer to Note 16, "Business Segment Information," to the Consolidated Financial Statements under Part II, Item 8 of this Annual Report for further information and a reconciliation of total segment revenue to consolidated "Total revenue" and total segment earnings (loss) to consolidated "Income before income tax expense."

### North American Social Expression Products Segment

(Dollars in thousands)	2011	2010	% Change
Total revenue	\$1,196,809	\$1,240,172	(3.5 %)
Segment earnings	194,199	213,779	(9.2 %)

Total revenue of our North American Social Expression Products segment decreased approximately \$43 million compared to 2010. Decreased sales of party goods due to the party goods transaction with Amscan completed in the fourth quarter of 2010 reduced total revenue by approximately \$31 million during 2011. Also contributing to the decline was a decrease in gift packaging and other non-card products of approximately \$13 million and a decrease in everyday card sales of approximately \$8 million. SBT implementations unfavorably impacted net sales by approximately \$6 million. These decreases were partially offset by the favorable impact of foreign currency translation of approximately \$9 million and improved seasonal card sales of approximately \$5 million.

Segment earnings decreased \$19.6 million in 2011 compared to 2010. This decrease was primarily driven by the gross margin impact of lower sales volume of approximately \$32 million due to the party goods transaction with Amscan in the fourth quarter of 2010 and lower sales of gift packaging and other non-card products compared to 2010. In addition, 2010 included a gain of approximately \$34 million as a result of this party goods transaction, and a favorable LIFO liquidation adjustment of approximately \$13 million, both of which did not recur in 2011. Incremental integration costs of approximately \$6 million associated with our PRG acquisition and increases in marketing, product management and product innovation costs of approximately \$8 million also had an unfavorable impact on earnings. Partially offsetting these unfavorable items were reduced supply chain costs, specifically field sales and service operations, of approximately \$18 million resulting from savings achieved through the PRG integration efforts and a reduction in units shipped. In addition, inventory levels increased during the fourth quarter of 2011 related to the anticipated expanded distribution in the dollar channel, causing an overall increase in inventory levels compared to 2010. As a result, an additional amount of certain production and product related costs were absorbed into ending inventory, providing a benefit to MLOPC. Inventory decreased during 2010, causing less absorption of these production and product related costs, increasing MLOPC in 2010. The net impact of these changing inventory levels and related absorption rates was a net year-over-year MLOPC reduction of approximately \$16 million. Fiscal year 2010 included impairment and severance charges related to the closure of the Kalamazoo, Michigan facility of approximately \$16 million, which did not recur in 2011. The elimination of operating costs due to the wind down of our Mexican operations during the third quarter of 2010 also favorably impacted segment earnings by approximately \$22 million.

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### International Social Expression Products Segment

(Dollars in thousands)	2011	2010	% Change	
Total revenue	\$261,712	\$254,032	3.0	%
Segment earnings	19,572	16,846	16.2	%

Total revenue of our International Social Expression Products segment increased \$7.7 million, or 3.0%, compared to 2010. The increase in 2011 was primarily driven by an increase in boxed cards associated with our Christmas program and favorable overall card sales.

Segment earnings increased \$2.7 million, or 16.2%, from \$16.8 million in 2010 to \$19.5 million in 2011. This increase was attributable to higher sales, a gain on the sale of a building, reduced inventory scrap expense and reduced freight and distribution expense, partially offset by higher product costs and bad debt expense.

### Retail Operations Segment

(Dollars in thousands)	2011	2010	% Change	
Total revenue	\$ -	\$11,839	(100.0	%)
Segment loss	-	(35,115)	100.0	%

In April 2009, we sold our retail store assets to Schurman. As a result, there was no activity in the Retail Operations segment during 2011. The 2010 results included the loss on disposition of the segment of approximately \$28 million.

### AG Interactive Segment

(Dollars in thousands)	2011	2010	% Change	
Total revenue	\$78,206	\$80,446	(2.8	%)
Segment earnings	13,991	11,419	22.5	%

Total revenue of our AG Interactive segment decreased \$2.2 million compared to 2010. During 2011, we experienced lower e-commerce revenue in our digital photography product group of approximately \$1.9 million. Higher revenue from advertising and new product introductions was offset by lower subscription revenue in our online product group. At February 28, 2011, AG Interactive had approximately 3.8 million online paid subscriptions versus 3.9 million at February 28, 2010.

Segment earnings increased \$2.6 million during 2011 compared to 2010. The increase was driven by the continued decrease in overhead expenses and technology costs that was being driven by ongoing efficiency and cost reduction initiatives. In addition, marketing expenses were down in 2011 compared to 2010. The 2010 results included a benefit of approximately \$3 million related to the currency translation adjustment of equity that was recognized in conjunction with the liquidation of an operation in France.

### Unallocated Items

Centrally incurred and managed costs are not allocated back to the operating segments. The unallocated items included interest expense for centrally incurred debt, domestic profit sharing expense, and stock-based compensation expense. Unallocated items also included costs associated with corporate operations such as the senior management, corporate finance, legal and insurance programs. In 2010, unallocated items included the settlement of a lawsuit totaling \$24.0 million.

(Dollars in thousands)	2011	2010
Interest expense	\$(25,304)	\$(26,246)
Profit sharing expense	(9,759 )	(9,338 )
Stock-based compensation expense	(13,017)	(5,819 )
Corporate overhead expense	(33,152)	(52,206)
Total Unallocated Loss	(81,232)	(93,609)

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### ***Liquidity and Capital Resources***

#### ***Operating Activities***

During the year, cash flow from operating activities provided cash of \$116.5 million compared to \$179.8 million in 2011, a decrease of \$63.3 million. Cash flow from operating activities for 2011 compared to 2010 resulted in a decrease of \$17.7 million from \$197.5 million in 2010.

Accounts receivable, net of the effect of acquisitions and dispositions, was a source of cash of \$9.3 million in 2012 compared to a source of cash of \$15.3 million in 2011 and a use of cash of \$56.1 million in 2010. As a percentage of the prior twelve months' net sales, net accounts receivable was 6.8% at February 29, 2012 compared to 7.7% at February 28, 2011. Despite higher sales in 2012, the year-over-year fluctuation is primarily due to the timing of collections from, or credits issued to, certain customers as well the implementation of the SBT model with certain retailers which generally accelerates the collection of accounts receivable due to shorter payment terms. The use of cash in 2010 was primarily due to increased sales during the fourth quarter, the acquisitions of Recycled Paper Greetings ("RPG") and Papyrus, and the timing of collections from certain customers.

Inventories, net of the effect of acquisitions and dispositions, were a use of cash of \$23.3 million in 2012 compared to a use of cash of \$13.1 million in 2011 and a source of cash of \$14.9 million in 2010. The use of cash in 2012 and 2011 was primarily due to the inventory build of cards associated with expanded distribution. The source of cash in 2010 was attributable to the North American Social Expression Products segment, which lowered inventory levels for all product categories.

Other current assets, net of the effect of acquisitions and dispositions, were a source of cash of \$6.4 million during 2012, compared to a use of cash of \$1.9 million in 2011 and a source of cash of \$16.9 million in 2010. The source of cash in 2012 compared to the use of cash in 2011 was primarily due to the use of trust assets to pay medical claim expenses as we terminated the active employees' medical trust fund as of February 29, 2012. The large cash generation in 2010 was primarily attributable to the use of trust assets to fund active medical claim expenses.

Deferred costs - net generally represents payments under agreements with retailers net of the related amortization of those payments. During 2012, payments exceeded amortization by \$31.3 million. During 2011 and 2010, amortization exceeded payments by \$14.3 million and \$18.4 million, respectively.

Accounts payable and other liabilities, net of the effect of acquisitions and dispositions, used \$13.6 million of cash in 2012, compared to uses of \$31.0 million of cash in 2011 and \$0.6 million in 2010. The changes from year to year were largely attributable to the difference in variable compensation payments during each year. The current year included the payment of variable compensation for the year ended February 28, 2011 and the prior year included the payment of variable compensation for the year ended February 28, 2010, where in both years ended February 28, 2011 and 2010, we exceeded our established compensation targets, which resulted in a large use of cash in 2012 and 2011. In 2010, there were minimal variable compensation payments related to our performance in the year ended February 28, 2009, as compensations targets were not met.

Other non-cash charges were \$3.0 million during 2012 compared to \$3.7 million in 2011 and \$12.4 million in 2010. Other non-cash charges primarily included amortization of debt issuance and discount costs. In 2010, other non-cash charges also included an \$8.6 million loss on foreign currency translation adjustments that were reclassified to earnings upon liquidation of our operations in Mexico and France.

#### ***Investing Activities***

Investing activities used \$63.0 million of cash in 2012 compared to \$8.2 million cash provided in 2011 and \$40.0 million cash used in 2010. The use of cash in the current year was primarily related to cash payments for capital expenditures of \$70.9 million as well as business acquisitions of \$5.9 million. The increase in capital expenditures compared to the prior year period related primarily to assets acquired in connection with our systems refresh project and our new world headquarters, as well as machinery and equipment purchased for our card producing facilities. During the current year, cash paid for the Watermark acquisition, net of cash acquired, was \$5.9 million. Partially offsetting these uses of cash in the current year were cash receipts of \$6.0 million



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from the sale of the land and building related to our DesignWare party goods product lines in our North American Social Expression Products segment, \$4.5 million from the sale of certain minor characters in our intellectual property portfolio and approximately \$2.4 million from the sale of the land, building and certain equipment associated with a distribution facility in our International Social Expression Products segment.

The source of cash during 2011 included \$25.2 million received for the sale of certain assets, equipment and processes of the DesignWare party goods product lines, which occurred in the fourth quarter of 2010. 2011 also included a \$5.7 million return of capital related to our investment in AAH Holdings Corporation. In addition, we received approximately \$12 million related to the sale of the land and buildings associated with the closure of our Mexician facility and a manufacturing facility within the International Expression Products segment during 2011. Partially offsetting these sources of cash in 2011 were cash payments for capital expenditures of \$36.3 million.

The use of cash during 2010 was primarily related to cash payments for business acquisitions of \$19.3 million and capital expenditures of \$26.6 million. During 2010, we acquired the Papyrus brand and its related wholesale business division from Schurman. At the same time, we sold the assets of our Retail Operations segment to Schurman and acquired an equity interest in Schurman. Cash paid, net of cash acquired was \$14.0 million. Also, in 2010, we paid \$5.3 million of costs related to the acquisition of RPG, which we acquired in the fourth quarter of 2009. Partially offsetting these uses of cash were proceeds of \$4.7 million from the sale of our calendar and candy product lines and \$1.1 million from the sale of fixed assets.

### *Financing Activities*

Financing activities used \$136.9 million of cash during 2012 compared to \$117.2 million in 2011 and \$86.5 million in 2010. The current year use of cash primarily related to the tender offers and redemption of our 7.375% Senior Notes due 2016 of \$222.0 million, our 7.375% Notes due 2016 of \$32.7 million and a charge of \$9.1 million for the consent payments, tender fees, call premium and other fees associated with these transactions in the fourth quarter. Share repurchases and dividend payments also contributed to the use of the cash. We paid \$72.4 million to repurchase approximately 4.4 million Class A common shares under our repurchase program and \$10.1 million to purchase approximately 0.4 million Class B common shares in accordance with our Amended and Restated Articles of Incorporation. Repurchases of \$2.2 million for approximately 0.1 million Class A common shares initiated at the end of 2012 were not included in the above repurchases amount in the Consolidated Statement of Cash Flows because the cash settlement for these transactions did not occur until 2013. However, this \$2.2 million was included in the shares repurchase amount within our Consolidated Statement of Shareholders' Equity under Part II, Item 8 of this Annual Report. In addition, we paid cash dividends of \$23.9 million during 2012. Partially offsetting these uses of cash was a cash receipt of \$225.0 million from the issuance of the 7.375% Senior Notes due 2021 in the current year fourth quarter. Refer to Note 11, "Debt," to the Consolidated Financial Statements under Part II, Item 8 of this Annual Report for further information. Also our receipt of the exercise price on stock options and excess tax benefits from share-based payment awards provided \$13.6 million of cash during the current year.

The use of cash in 2011 related primarily to the repayment of the term loan under our senior secured credit facility in the amount of \$99.3 million as well as share repurchases and dividend payments. During 2011, we paid \$13.5 million to repurchase approximately 0.5 million Class B common shares in accordance with our Amended and Restated Articles of Incorporation and paid dividends of \$22.4 million. Partially offsetting these uses of cash was our receipt of the exercise price on stock options and excess tax benefits from share-based payment awards, which provided \$21.1 million of cash during 2011.

In 2010, the cash used related primarily to net repayments of long-term debt borrowings of \$62.4 million as well as share repurchases and dividend payments. During 2010, \$5.8 million was paid to repurchase approximately 1.5 million Class A common shares under our repurchase program and \$6.0 million was paid to repurchase approximately 0.3 million Class B common shares in accordance with our Amended and Restated Articles of Incorporation. We paid dividends totaling \$19.0 million during 2010. Partially offsetting these uses of cash was our receipt of the exercise price on stock options and excess tax benefits from share-based payment awards, which provided \$6.7 million of cash during 2010.



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### *Credit Sources*

Substantial credit sources are available to us. In total, we had available sources of approximately \$470 million at February 29, 2012, which included our \$400 million senior secured credit facility and our \$70 million accounts receivable securitization facility. Borrowings under the accounts receivable securitization facility are limited based on our eligible receivables outstanding. At February 29, 2012, we had no borrowings outstanding under the accounts receivable securitization facility or the revolving credit facility. We had, in the aggregate, \$31.8 million outstanding under letters of credit, which reduced the total credit availability thereunder as of February 29, 2012.

### *Credit Facilities*

We are a party to a \$400 million credit agreement (the "Credit Agreement"), under which there were no borrowings outstanding as of February 29, 2012; however, we had \$19.2 million of letters of credit outstanding as of February 29, 2012, which reduced the total credit availability thereunder.

Under the original terms of the Credit Agreement, we were permitted to borrow, on a revolving basis, up to \$350 million (with an ability to increase this amount by \$50 million to \$400 million) during a five year term from June 11, 2010 ending on June 11, 2015. On January 18, 2012, we amended our Credit Agreement, to, among other things, extend the expiration date of the Credit Agreement from June 11, 2015, to January 18, 2017, and increase the maximum principal amount that can be borrowed, on a revolving basis, from \$350 million to \$400 million, with the continued ability to further increase such maximum principal amount from \$400 million to \$450 million, subject to customary conditions.

The amendment also:

- decreased the applicable margin paid on U.S. dollar loans bearing interest based on the London Inter-Bank Offer Rate ("LIBOR") and Canadian dollar loans bearing interest based on the Canadian Dollar Offer Rate, from a range of 2.25% to 3.50% per year to a range of 1.25% to 2.25%;

- decreased the applicable margin paid on U.S. dollar loans bearing interest based on the U.S. base rate and the Canadian base rate from a range of 1.25% to 2.50% per year to a range of 0.25% to 1.25%; and

- reduced commitment fees paid on the unused portion of the revolving credit facility from a range of 0.375% to 0.500% per annum to a range of 0.250% to 0.400%.

The obligations under our Credit Agreement are guaranteed by our material domestic subsidiaries and are secured by substantially all of our personal property and each of our material domestic subsidiaries, including a pledge of all of the capital stock in substantially all of our domestic subsidiaries and 65% of the capital stock of our first tier international subsidiaries.

The Credit Agreement also contains certain restrictive covenants that are customary for similar credit arrangements. For example, the Credit Agreement contains covenants relating to financial reporting and notification, compliance with laws, preserving existence, maintenance of books and records, how we may use proceeds from borrowings, and maintenance of properties and insurance. In addition, the Credit Agreement includes covenants that limit our ability to incur additional debt; declare or pay dividends; make distributions on or repurchase or redeem capital stock; make certain investments; enter into transactions with affiliates; grant or permit liens; sell assets; enter into sale and leaseback transactions; and consolidate, merge or sell all or substantially all of our assets. There are also financial performance covenants that require us to maintain a maximum leverage ratio and a minimum interest coverage ratio. The Credit Agreement also requires us to make certain mandatory prepayments of outstanding indebtedness using the net cash proceeds received from certain dispositions, events of loss and additional indebtedness that we may incur from time to time. These restrictions are subject to customary baskets.

### *Accounts Receivable Facility*

We are also a party to an accounts receivable facility that provides funding of up to \$70 million, under which there were no borrowings outstanding as of February 29, 2012; however, outstanding letters of credit issued under the accounts receivable program totaled \$12.6 million, which reduced the total credit availability thereunder. Until the facility was amended on September 21, 2011, our accounts receivable facility provided funding of up to \$80 million.



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Under the terms of the accounts receivable facility, we and certain of our subsidiaries sell accounts receivable to AGC Funding Corporation (our wholly-owned, consolidated subsidiary), which in turn sells undivided interests in eligible accounts receivable to third party financial institutions as part of a process that provides us funding similar to a revolving credit facility.

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%. We pay an annual commitment fee that ranges from 30 to 40 basis points on the unfunded portion of the accounts receivable securitization facility, based on the level of utilization, together with customary administrative fees on letters of credit that have been issued and on outstanding amounts funded under the facility. Funding under the facility may be used for working capital, general corporate purposes and the issuance of letters of credit.

The accounts receivable facility contains representations, warranties, covenants and indemnities customary for facilities of this type, including our obligation to maintain the same consolidated leverage ratio as is required to be maintained under our Credit Agreement.

### 7.375% Senior Notes Due 2021

On November 30, 2011, we closed a public offering of \$225 million aggregate principal amount of 7.375% Senior Notes due 2021 (the “2021 Senior Notes”). The net proceeds from this offering were used to finance the cash tender offers for all the existing 7.375% senior notes and notes due 2016 which include the original \$200.0 million of 7.375% senior unsecured notes issued on May 24, 2006 (the “Original Senior Notes”), the additional \$22.0 million of 7.375% senior unsecured notes issued on February 24, 2009 (the “Additional Senior Notes,” together with the Original Senior Notes, the “2016 Senior Notes”) and the \$32.7 million of 7.375% unsecured notes issued on February 24, 2009 (the “2016 Notes,” together with the 2016 Senior Notes, the “Notes”). The cash tenders were commenced on November 15, 2011, where, in the fourth quarter, we purchased \$180.4 million and \$24.5 million aggregate principal amount of 2016 Senior Notes and 2016 Notes, respectively, representing approximately 81% and 75% of the aggregate principal amount of the outstanding 2016 Senior Notes and 2016 Notes, respectively. On December 15, 2011, we redeemed the remaining \$49.8 million of the Notes that were not repurchased pursuant to the tender offers. In connection with these transactions, we wrote off the remaining unamortized discount and deferred financing costs related to the Notes, totaling \$21.7 million, as well as recorded a charge of \$9.1 million for the consent payments, tender fees, call premium and other fees incurred in connection with these transactions.

The 2021 Senior Notes will mature on December 1, 2021 and bear interest at a fixed rate of 7.375% per year. The 2021 Senior Notes constitute our general unsecured senior obligations. The 2021 Senior Notes rank senior in right of payment to all our future obligations that are, by their terms, expressly subordinated in right of payment to the 2021 Senior Notes and pari passu in right of payment with all our existing and future unsecured obligations that are not so subordinated. The 2021 Senior Notes are effectively subordinated to our secured indebtedness, including borrowings under our revolving credit facility described above, to the extent of the value of the assets securing such indebtedness. The 2021 Senior Notes also contain certain restrictive covenants that are customary for similar credit arrangements, including covenants that limit our ability to incur additional debt; declare or pay dividends; make distributions on or repurchase or redeem capital stock; make certain investments; enter into transactions with affiliates; grant or permit liens; sell assets; enter into sale and leaseback transactions; and consolidate, merge or sell all or substantially all of our assets. These restrictions are subject to customary baskets and financial covenant tests.

The total fair value of our publicly traded debt, based on quoted market prices, was \$239.6 million (at a carrying value of \$225.2 million) and \$237.5 million (at a carrying value of \$232.7 million) at February 29, 2012 and February 28, 2011, respectively.

Throughout fiscal 2013 and thereafter, we will continue to consider all options for capital deployment including growth options, acquisitions and other investments in third parties, expanding customer relationships, expenditures or investments related to our current product leadership initiatives or other future strategic initiatives, capital expenditures, the information technology systems refresh, our new world headquarters project, the opportunity to repurchase our own shares, and, as appropriate, preserving cash.

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As we have stated, our objective is to continue to expand our position as a leading creator, manufacturer and distributor of social expression products. As such, we have and expect to continue to focus our resources on our core greeting card business, developing new, and growing existing, business, including by expanding Internet and other channels of electronic distribution to make American Greetings the natural and preferred social expressions solution, as well as by capturing any shifts in consumer demand. For example, during fiscal 2012, we spent approximately \$15 million on incremental marketing expenses in support of our product leadership strategy, primarily related to promotional efforts around our recently developed Web site Cardstore.com, which allows consumers to purchase paper greeting cards on the Internet and then have the physical cards delivered directly to the recipient. As we seek to develop this and other digital channels of distribution, during the first half of fiscal 2013 we expect that we will continue to incur additional expenses and make additional investments to support these efforts in amounts and at a pace that is similar to our spending on these efforts during the second half of 2012. We will likely continue this spending during the second half of 2013; however, the timing and amount will depend on consumer response. In addition, to the extent we are successful in expanding distribution and revenue in connection with expanding our leadership, additional capital may be deployed as we may incur incremental costs associated with this expanded distribution, including upfront costs prior to any incremental revenue being generated. If incurred, these costs may be material.

Over roughly the next five or six years, we expect to allocate resources, including capital, to refresh our information technology systems by modernizing our systems, redesigning and deploying new processes, and evolving new organization structures all intended to drive efficiencies within the business and add new capabilities. Amounts that we spend could be material in any given fiscal year and over the life of the project. During 2012, we spent approximately \$25 million, including capital of approximately \$19 million and expense of approximately \$6 million, on these information technology systems. In addition, over roughly the next five or six years, we currently expect to spend at least an aggregate of \$150 million on these information technology systems, the majority of which we expect will be capital expenditures. We believe these investments are important to our business, help us drive further efficiencies and add new capabilities; however, there can be no assurance that we will not spend more or less than \$150 million over the life of the project, or that we will achieve the associated efficiencies or any cost savings.

During March 2011, we also announced that in fiscal 2012 we expect that we will begin to invest in the development of a world headquarters in the Northeast Ohio area. The state of Ohio has committed certain tax credits, loans and other incentives totaling up to \$93.5 million to assist us in the development of a new headquarters in Ohio. We are required to make certain investments and meet other criteria to receive these incentives over time. We are currently in the early stages of the project and have not yet completed the architectural design for the new building. However, based on preliminary estimates, it is anticipated that the gross costs associated with a new world headquarters building, before any tax credit, loans or other incentives that we may receive, will be between approximately \$150 million and \$200 million over the next two to three years.

During 2012, we repurchased \$46.6 million of our Class A common shares, representing the remaining amount authorized under the \$75 million stock repurchase authorized by our Board of Directors in January 2009. Also, during 2012, we repurchased \$28.0 million of our Class A common shares under the \$75 million stock repurchase program announced on January 4, 2012. Under this program, the share repurchases may be made through open market purchases or privately negotiated transactions as market conditions warrant, at prices we deem appropriate, and subject to applicable legal requirements and other factors. There is no set expiration date for this program.

Our future operating cash flow and borrowing availability under our credit agreement and our accounts receivable securitization facility are expected to meet currently anticipated funding requirements. The seasonal nature of our business results in peak working capital requirements that may be financed through short-term borrowings when cash on hand is insufficient.

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### *Contractual Obligations*

The following table presents our contractual obligations and commitments to make future payments as of February 29, 2012:

(Dollars in thousands)	Payment Due by Period as of February 29, 2012						Total
	2013	2014	2015	2016	2017	Thereafter	
Long-term debt	\$-	\$-	\$-	\$-	\$-	\$225,181	\$225,181
Operating leases (1)	13,796	10,056	7,482	5,868	5,519	9,410	52,131
Commitments under customer agreements	45,891	47,407	47,865	42,088	-	-	183,251
Commitments under royalty agreements	11,652	5,598	3,721	9,583	1,200	1,100	32,854
Interest payments	17,861	17,702	17,702	17,702	17,702	83,096	171,765
Severance	5,506	1,255	-	-	-	-	6,761
Commitments under purchase agreements	4,500	4,500	4,500	-	-	-	13,500
	<u>\$99,206</u>	<u>\$86,518</u>	<u>\$81,270</u>	<u>\$75,241</u>	<u>\$24,421</u>	<u>\$318,787</u>	<u>\$685,443</u>

- (1) Approximately \$22.1 million of the operating lease commitments in the table above relate to retail stores acquired by Schurman that are being subleased to Schurman. The failure of Schurman to operate the retail stores successfully could have a material adverse effect on us because if Schurman is not able to comply with its obligations under the subleases, we remain contractually obligated, as primary lessee, under those leases.

The interest payments in the above table are determined assuming the same level of debt outstanding in the future years as was outstanding at February 29, 2012 under our credit agreement and accounts receivable facility at the current average interest rates for those facilities.

In addition to the contracts noted in the table, we issue purchase orders for products, materials and supplies used in the ordinary course of business. These purchase orders typically do not include long-term volume commitments, are based on pricing terms previously negotiated with vendors and are generally cancelable with the appropriate notice prior to receipt of the materials or supplies. Accordingly, the foregoing table excludes open purchase orders for such products, materials and supplies as of February 29, 2012. Also, we have provided credit support to Schurman including a guaranty of up to \$12 million in favor of the lenders under Schurman's senior revolving credit facility, and up to \$10 million of subordinated financing under a loan agreement with Schurman, each as described in Notes 1 and 2 to the Consolidated Financial Statements under Part II, Item 8 of this Annual Report, which are not included in the table as no amounts have been drawn and therefore we cannot determine the amount of usage in the future.

Although we do not anticipate that contributions will be required in 2013 to the defined benefit pension plan that we assumed in connection with our acquisition of Gibson Greetings, Inc. in 2001, we may make contributions in excess of the legally required minimum contribution level. Refer to Note 12 to the Consolidated Financial Statements under Part II, Item 8 of this Annual Report. We do anticipate that contributions will be required beginning in fiscal 2014, but those amounts have not been determined as of February 29, 2012.

### ***Critical Accounting Policies***

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Refer to Note 1 to the Consolidated Financial Statements under Part II, Item 8 of this Annual Report. The following paragraphs include a discussion of the critical areas that required a higher degree of judgment or are considered complex.

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### *Allowance for Doubtful Accounts*

We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are 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 we reasonably expect will be collected. In addition, we recognize allowances for bad debts based on estimates developed by using standard quantitative measures incorporating historical write-offs. The establishment of allowances requires the use of judgment and assumptions regarding the potential for losses on receivable balances. Although we consider these balances adequate and proper, changes in economic conditions in the retail markets in which we operate could have a material effect on the required allowance balances.

### *Sales Returns*

We provide for estimated returns for products sold with the right of return, primarily seasonal cards and certain other seasonal products, in the same period as the related revenues are recorded. These estimates are based upon historical sales returns, the amount of current year sales and other known factors. Estimated return rates utilized for establishing estimated returns reserves have approximated actual returns experience. However, actual returns may differ significantly, either favorably or unfavorably, from these estimates if factors such as the historical data we used to calculate these estimates do not properly reflect future returns or as a result of changes in economic conditions of the customer and/or its market. We regularly monitor our actual performance to estimated rates and the adjustments attributable to any changes have historically not been material.

### *Deferred Costs*

In the normal course of our business, we enter into agreements with certain customers for the supply of greeting cards and related products. We view such agreements as advantageous in developing and maintaining business with our retail customers. The customer may receive a combination of cash payments, credits, discounts, allowances and other incentives to be earned as product is purchased from us over the stated term of the agreement or minimum purchase volume commitment. These agreements are negotiated individually to meet competitive situations and therefore, while some aspects of the agreements may be similar, important contractual terms may vary. In addition, the agreements may or may not specify us as the sole supplier of social expression products to the customer.

Although risk is inherent in the granting of advances, we subject such customers to our normal credit review. We maintain an allowance for deferred costs based on estimates developed by using standard quantitative measures incorporating historical write-offs. In instances where we are aware of a particular customer's inability to meet its performance obligation, we record a specific allowance to reduce the deferred cost asset to an estimate of its future value based upon expected recoverability. Losses attributed to these specific events have historically not been material. The aggregate average remaining life of our contract base is 6.6 years.

### *Goodwill and Other Intangible Assets*

Goodwill represents the excess of purchase price over the estimated fair value of net assets acquired in business combinations accounted for by the purchase method. In accordance with ASC Topic 350 ("ASC 350"), "Intangibles—Goodwill and Other," goodwill and certain intangible assets are presumed to have indefinite useful lives and are thus not amortized, but subject to an impairment test annually or more frequently if indicators of impairment arise. We complete the annual goodwill impairment test during the fourth quarter. To test for goodwill impairment, we are required to estimate the fair market value of each of our reporting units. While we may use a variety of methods to estimate fair value for impairment testing, our primary methods are discounted cash flows and a market based analysis. We estimate future cash flows and allocations of certain assets using estimates for future growth rates and our judgment regarding the applicable discount rates. Changes to our judgments and estimates could result in a significantly different estimate of the fair market value of the reporting units, which could result in an impairment of goodwill.



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### *Deferred Income Taxes*

Deferred income taxes are recognized at currently enacted tax rates for temporary differences between the financial reporting and income tax bases of assets and liabilities and operating loss and tax credit carryforwards. In assessing the realizability of deferred tax assets, we assess whether it is more likely than not that a portion or all of the deferred tax assets will not be realized. We consider the scheduled reversal of deferred tax liabilities, tax planning strategies and projected future taxable income in making this assessment. The assumptions used in this assessment are consistent with our internal planning. A valuation allowance is recorded against those deferred tax assets determined to not be realizable based on our assessment. The amount of net deferred tax assets considered realizable could be increased or decreased in the future if our assessment of future taxable income or tax planning strategies change.

### **Recent Accounting Pronouncements**

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

In May 2011, the FASB issued ASU No. 2011-04 (“ASU 2011-04”), “Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” ASU 2011-04 improves comparability of fair value measurements presented and disclosed in financial statements prepared with U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements including (1) the application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity’s shareholders’ equity, and (3) quantitative information required for fair value measurements categorized within Level 3. ASU 2011-04 also provides guidance on measuring the fair value of financial instruments managed within a portfolio and application of premiums and discounts in a fair value measurement. In addition, ASU 2011-04 requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The amendments in this guidance are to be applied prospectively, and are effective for interim and annual periods beginning after December 15, 2011. We do not expect that the adoption of this standard will have a material effect on our financial statements.

In June 2011, the FASB issued ASU No. 2011-05 (“ASU 2011-05”), “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in shareholders’ equity and requires the presentation of components of net income and other comprehensive income either in a single continuous statement or in two separate but consecutive statements. In addition, ASU 2011-05 requires presentation of reclassification adjustments for each component of accumulated other comprehensive income in both the statement in which net income is presented and the statement in which other comprehensive income is presented. In January 2012, the FASB issued ASU No. 2011-12 (“ASU 2011-12”), “Comprehensive Income (Topic 220) - Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05.” ASU 2011-12 defers the effective date of the requirements made in ASU 2011-05 pertaining to presentation of reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. ASU 2011-12 reinstates the previous requirements to present reclassification adjustments either on the face of the statement in which other comprehensive income is reported or to disclose



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them in the notes to the financial statements. The other requirements in ASU 2011-05 are not affected by ASU 2011-12. ASU 2011-05 and ASU 2011-12 are effective for interim and annual periods beginning after December 15, 2011. We do not expect that the adoption of these standards will have a material impact on our results of operations or financial condition, but it will affect how we present our other comprehensive income.

In September 2011, the FASB issued ASU No. 2011-08 ("ASU 2011-08"), "Testing Goodwill for Impairment." ASU 2011-08 gives entities the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Only if an entity determines, on the basis of qualitative factors, that it is more likely than not that the fair value of a reporting entity is less than its carrying amount, would it be required to then perform the first step of the two-step quantitative impairment test. Otherwise, the two-step quantitative impairment testing is not required. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. We do not expect that the adoption of this standard will have a material effect on our financial statements.

In September 2011, the FASB issued ASU No. 2011-09 ("ASU 2011-09"), "Disclosures about an Employer's Participation in a Multiemployer Plan." ASU 2011-09 requires an employer who participates in multiemployer pension plans to provide additional disclosures to help financial statement users to better understand the plans in which an employer participates, the level of the employer's participation in those plans and the financial health of those plans. ASU 2011-09 is effective for fiscal years ending after December 15, 2011, with early adoption permitted. Since ASU 2011-09 does not change the existing recognition and measurement guidance for an employer's participation in a multiemployer plan, our adoption of this standard during the fourth quarter of 2012 did not impact our financial statements.

### ***Factors That May Affect Future Results***

Certain statements in this report may constitute forward-looking statements within the meaning of the Federal securities laws. These statements can be identified by the fact that they do not relate strictly to historic or current facts. They use such words as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. These forward-looking statements are based on currently available information, but are subject to a variety of uncertainties, unknown risks and other factors concerning our operations and business environment, which are difficult to predict and may be beyond our control. Important factors that could cause actual results to differ materially from those suggested by these forward-looking statements, and that could adversely affect our future financial performance, include, but are not limited to, the following:

- a weak retail environment and general economic conditions;
- competitive terms of sale offered to customers, including costs and other terms associated with new and expanded customer relationships;
- the loss of one or more retail customers and/or retail consolidations, acquisitions and bankruptcies, including the possibility of resulting adverse changes to retail contract terms;
- the timing and impact of expenses incurred and investments made to support new retail or product strategies, including increased marketing expenses, as well as new product introductions and achieving the desired benefits from those investments;
- the timing of investments in, together with the ability to successfully implement or achieve the desired benefits and cost savings associated with, any information systems refresh we may implement;
- the timing and impact of converting customers to a scan-based trading model;
- the ability to achieve the desired benefits associated with our cost reduction efforts;
- Schurman Fine Papers' ability to successfully operate its retail operations and satisfy its obligations to us;
- consumer demand for social expression products generally, shifts in consumer shopping behavior, and consumer acceptance of products as priced and marketed, including the success of new and expanded advertising and marketing efforts, such as our on-line efforts through Cardstore.com;



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the impact and availability of technology, including social media, on product sales;

escalation in the cost of providing employee health care;

the ability to achieve the desired accretive effect from any share repurchase programs;

the ability to comply with our debt covenants;

fluctuations in the value of currencies in major areas where we operate, including the U.S. Dollar, Euro, U.K. Pound Sterling and Canadian Dollar; and

the outcome of any legal claims known or unknown.

Risks pertaining specifically to AG Interactive include the viability of online advertising, subscriptions as revenue generators, and the ability to adapt to rapidly changing social media and the digital photo sharing space.

The risks and uncertainties identified above are not the only risks we face. Additional risks and uncertainties not presently known to us or that we believe to be immaterial also may adversely affect us. Should any known or unknown risks or uncertainties develop into actual events, or underlying assumptions prove inaccurate, these developments could have material adverse effects on our business, financial condition and results of operations. For further information concerning the risks we face and issues that could materially affect our financial performance related to forward-looking statements, refer to the “Risk Factors” section included in Part I, Item 1A of this Annual Report on Form 10-K.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Derivative Financial Instruments - We had no derivative financial instruments as of February 29, 2012.

Interest Rate Exposure - We manage interest rate exposure through a mix of fixed and floating rate debt. Currently, the majority of our debt is carried at fixed interest rates. Therefore, our overall interest rate exposure risk is minimal. Based on our interest rate exposure on our non-fixed rate debt as of and during the year ended February 29, 2012, a hypothetical 10% movement in interest rates would not have had a material impact on interest expense. Under the terms of our current Credit Agreement, we have the ability to borrow significantly more floating rate debt, which, if incurred could have a material impact on interest expense in a fluctuating interest rate environment.

Foreign Currency Exposure - Our international operations expose us to translation risk when the local currency financial statements are translated into U.S. dollars. As currency exchange rates fluctuate, translation of the statements of operations of international subsidiaries to U.S. dollars could affect comparability of results between years. Approximately 28%, 24% and 23% of our 2012, 2011 and 2010 total revenue from continuing operations, respectively, were generated from operations outside the United States. Operations in Australia, New Zealand, Canada, the European Union and the U.K. are denominated in currencies other than U.S. dollars. No assurance can be given that future results will not be affected by significant changes in foreign currency exchange rates. However, for the period ended February 29, 2012, a hypothetical 10% weakening of the U.S. dollar would not materially affect our income before income tax expense.

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### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Shareholders

American Greetings Corporation

We have audited the accompanying consolidated statement of financial position of American Greetings Corporation as of February 29, 2012 and February 28, 2011, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended February 29, 2012. 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 29, 2012 and February 28, 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 29, 2012, 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.

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 29, 2012, 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 30, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio

April 30, 2012

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### **CONSOLIDATED STATEMENT OF OPERATIONS** **Years ended February 29, 2012, February 28, 2011 and February 28, 2010**

Thousands of dollars except share and per share amounts

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net sales	\$1,663,281	\$1,565,539	\$1,603,285
Other revenue	31,863	32,355	37,566
Total revenue	1,695,144	1,597,894	1,640,851
Material, labor and other production costs	741,645	682,368	713,075
Selling, distribution and marketing expenses	533,827	483,553	512,954
Administrative and general expenses	250,691	260,476	276,031
Goodwill impairment	27,154	–	–
Other operating income - net	(7,738 )	(3,205 )	(310 )
Operating income	149,565	174,702	139,101
Interest expense	53,073	25,389	26,311
Interest income	(982 )	(853 )	(1,676 )
Other non-operating income - net	(341 )	(5,841 )	(6,488 )
Income before income tax expense	97,815	156,007	120,954
Income tax expense	40,617	68,989	39,380
Net income	<u>\$57,198</u>	<u>\$87,018</u>	<u>\$81,574</u>
Earnings per share - basic	<u>\$1.44</u>	<u>\$2.18</u>	<u>\$2.07</u>
Earnings per share - assuming dilution	<u>\$1.42</u>	<u>\$2.11</u>	<u>\$2.03</u>
Average number of shares outstanding	<u>39,624,694</u>	<u>39,982,784</u>	<u>39,467,811</u>
Average number of shares outstanding - assuming dilution	<u>40,288,189</u>	<u>41,244,903</u>	<u>40,159,651</u>
Dividends declared per share	<u>\$0.60</u>	<u>\$0.56</u>	<u>\$0.36</u>

See notes to consolidated financial statements.

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### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

February 29, 2012 and February 28, 2011

Thousands of dollars except share and per share amounts

	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$132,438	\$215,838
Trade accounts receivable, net	113,840	119,779
Inventories	208,945	179,730
Deferred and refundable income taxes	58,118	64,898
Assets held for sale	–	7,154
Prepaid expenses and other	127,618	128,372
Total current assets	640,959	715,771
GOODWILL	–	28,903
OTHER ASSETS	509,680	436,137
DEFERRED AND REFUNDABLE INCOME TAXES	121,228	124,789
PROPERTY, PLANT AND EQUIPMENT - NET	277,597	241,649
	<u>\$1,549,464</u>	<u>\$1,547,249</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$86,166	\$87,105
Accrued liabilities	58,657	58,841
Accrued compensation and benefits	68,317	72,379
Income taxes payable	7,409	10,951
Deferred revenue	35,519	37,108
Other current liabilities	49,013	65,178
Total current liabilities	305,081	331,562
LONG-TERM DEBT	225,181	232,688
OTHER LIABILITIES	269,367	187,505
DEFERRED INCOME TAXES AND NONCURRENT		
INCOME TAXES PAYABLE	22,377	31,736
<b>SHAREHOLDERS' EQUITY</b>		
Common shares - par value \$1 per share:		
Class A - 83,405,116 shares issued less 49,393,801 treasury shares in 2012 and 82,181,659 shares issued less 44,711,736 treasury shares in 2011	34,011	37,470
Class B - 6,066,092 shares issued less 3,223,683 treasury shares in 2012 and 6,066,092 shares issued less 3,128,841 treasury shares in 2011	2,842	2,937
Capital in excess of par value	513,163	492,048
Treasury stock	(1,020,838)	(952,206 )
Accumulated other comprehensive loss	(11,830 )	(2,346 )
Retained earnings	1,210,110	1,185,855
Total shareholders' equity	727,458	763,758
	<u>\$1,549,464</u>	<u>\$1,547,249</u>

See notes to consolidated financial statements.





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### CONSOLIDATED STATEMENT OF CASH FLOWS Years ended February 29, 2012, February 28, 2011 and February 28, 2010

Thousands of dollars

	2012	2011	2010
OPERATING ACTIVITIES:			
Net income	\$57,198	\$87,018	\$81,574
Adjustments to reconcile net income to cash flows from operating activities:			
Goodwill impairment	27,154	-	-
Stock-based compensation	10,982	13,017	5,870
Net gain on dispositions	(4,500)	(254)	(6,507)
Net (gain) loss on disposal of fixed assets	(461)	(3,463)	59
Loss on extinguishment of debt	30,812	-	-
Depreciation and intangible assets amortization	39,225	41,048	45,165
Deferred income taxes	15,391	28,642	25,268
Fixed asset impairments	-	119	13,005
Other non-cash charges	3,034	3,663	12,419
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Trade accounts receivable	9,271	15,296	(56,105)
Inventories	(23,321)	(13,097)	14,923
Other current assets	6,392	(1,922)	16,936
Income taxes	(11,411)	19,947	18,863
Deferred costs - net	(31,254)	14,262	18,405
Accounts payable and other liabilities	(13,560)	(31,015)	(633)
Other - net	1,586	6,538	8,248
Total Cash Flows From Operating Activities	116,538	179,799	197,490
INVESTING ACTIVITIES:			
Property, plant and equipment additions	(70,943)	(36,346)	(26,550)
Cash payments for business acquisitions, net of cash acquired	(5,899)	(500)	(19,300)
Proceeds from sale of fixed assets	9,310	14,242	1,124
Proceeds from escrow related to party goods transaction	-	25,151	-
Proceeds from sale of intellectual properties	4,500	-	-
Other - net	-	5,663	4,713
Total Cash Flows From Investing Activities	(63,032)	8,210	(40,013)
FINANCING ACTIVITIES:			
Increase in long-term debt	225,000	-	-
Payments associated with reduction of long-term debt	(263,787)	(98,250)	(62,350)
Decrease in short-term debt	-	(1,000)	-
Sale of stock under benefit plans	10,153	16,620	6,557
Excess tax benefits from share-based payment awards	3,468	4,512	148
Purchase of treasury shares	(82,459)	(13,521)	(11,848)
Dividends to shareholders	(23,893)	(22,354)	(19,049)
Debt issuance costs	(5,391)	(3,199)	-
Total Cash Flows From Financing Activities	(136,909)	(117,192)	(86,542)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3	7,072	6,798

(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(83,400)	77,889	77,733
Cash and Cash Equivalents at Beginning of Year	<u>215,838</u>	<u>137,949</u>	<u>60,216</u>
Cash and Cash Equivalents at End of Year	<u>\$132,438</u>	<u>\$215,838</u>	<u>\$137,949</u>

See notes to consolidated financial statements.

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### CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY Years ended February 29, 2012, February 28, 2011 and February 28, 2010

Thousands of dollars except per share amounts

	<u>Common Shares</u>		<u>Capital in</u>	<u>Treasury</u>	<u>Accumulated</u>	<u>Retained</u>	
	<u>Class A</u>	<u>Class B</u>	<u>Excess of</u>	<u>Stock</u>	<u>Other</u>	<u>Earnings</u>	<u>Total</u>
			<u>Par Value</u>		<u>Comprehensive</u>		
					<u>(Loss) Income</u>		
BALANCE MARCH 1, 2009	\$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	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	37,470	2,937	492,048	(952,206)	(2,346)	1,185,855	763,758
Net income	-	-	-	-	-	57,198	57,198
Other comprehensive income:							
Foreign currency translation adjustment	-	-	-	-	(5,006)	-	(5,006)
Reclassification of currency translation adjustment for amounts recognized in income (net of tax of \$0)	-	-	-	-	2,594	-	2,594
Pension and postretirement adjustments recognized in accordance with ASC 715 (net of tax of \$4,457)	-	-	-	-	(7,074)	-	(7,074)
Unrealized gain on available-for-sale securities (net of tax of \$0)	-	-	-	-	2	-	2
Comprehensive income							47,714
Cash dividends - \$0.60 per share	-	-	-	-	-	(23,908)	(23,908)
Sale of shares under benefit plans, including tax benefits	1,054	314	10,117	11,042	-	(8,978)	13,549
Purchase of treasury shares	(4,514)	(412)	-	(79,782)	-	-	(84,708)
Stock compensation expense	-	-	10,982	-	-	-	10,982
Stock grants and other	1	3	16	108	-	(57)	71
BALANCE FEBRUARY 29, 2012	<u>\$34,011</u>	<u>\$2,842</u>	<u>\$513,163</u>	<u>\$(1,020,838)</u>	<u>\$(11,830)</u>	<u>\$1,210,110</u>	<u>\$727,458</u>

See notes to consolidated financial statements.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Years ended February 29, 2012, February 28, 2011 and February 28, 2010

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, 2012 refers to the year ended February 29, 2012.

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 ("ASC 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 810. Schurman owns and operates 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 29, 2012 includes:

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

- the limited guaranty ("Liquidity Guaranty") of Schurman's indebtedness of \$12,000;

- normal course of business trade accounts receivable due from Schurman of \$13,406, 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 \$22,143 and \$35,985 as of February 29, 2012 and February 28, 2011, respectively; and

- the subordinated credit facility (the "Subordinated Credit Facility") that provides Schurman with up to \$10,000 of subordinated financing.

The Corporation provides Schurman limited credit support through the provision of a Liquidity Guaranty in favor of the lenders under Schurman's senior revolving credit facility (the "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. The Corporation's obligations under the Liquidity 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 29, 2012 requiring the use of the Liquidity Guaranty.

The Subordinated Credit Facility that the Corporation provides to Schurman had an initial term of nineteen months expiring on November 17, 2010, however, unless either party provides the appropriate written notice prior to the expiration of the applicable term, the facility automatically renews for periods of one year, except in the case of the last renewal, in which case the facility can only renew for the partial year ending on the facility's





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expiration date of June 25, 2013. 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 Schurman's Senior Credit Facility and the Subordinated Credit Facility includes affirmative and negative non-financial covenants and events of default customary for such financings. As of February 29, 2012, the facility was in its second annual renewal and Schurman had not borrowed under the Subordinated Credit Facility.

The April 2009 transaction with Schurman also included a \$12,000 bridge guaranty ("Bridge Guaranty") in favor of the lenders under the Senior Credit Facility, which remained in effect until Schurman was able to include inventory and other assets of the retail stores it acquired from the Corporation in its borrowing base. On April 1, 2011, the Bridge Guaranty was terminated.

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 2012 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 2012 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, 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.

**Concentration of Credit Risks:** The Corporation sells primarily to customers in the retail trade, primarily those in mass merchandising, which is comprised of three distinct channels: mass merchandisers (including discount retailers), chain drug stores and supermarkets. In addition, the Corporation sells its products through a variety of other distribution channels, including card and gift shops, department stores, military post exchanges, variety stores and combo stores (stores combining food, general merchandise and drug items). The Corporation also sells greeting cards through its Cardstore.com Web site, and, from time to time, the Corporation sells its products to independent, third-party distributors. These customers are located throughout the United States, Canada, the United Kingdom, Australia and New Zealand. Net sales to the Corporation's five largest customers accounted for approximately 42% of total revenue in 2012 and 2011 and 39% of total revenue in 2010. Net sales to Wal-Mart Stores, Inc. and its subsidiaries accounted for approximately 14%, 15% and 14% of total revenue in 2012, 2011 and 2010, respectively. Net sales to Target Corporation accounted for approximately 14% of total revenue in 2012 and 2011 and 13% of total revenue in 2010.

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.

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**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 29, 2012 and February 28, 2011, 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 \$5,985, \$4,736 and \$4,360 in 2012, 2011 and 2010, respectively, with no significant amounts related to changes in ultimate revenue estimates during these periods. These production costs are included in “Material, labor and other production costs” on the Consolidated Statement of Operations. Amortization of production costs totaling \$3,646, \$3,380 and \$2,209 in 2012, 2011 and 2010, respectively, are included in “Other–net” within “Operating Activities” on the Consolidated Statement of Cash Flows. The balance of deferred film production costs was \$8,405 and \$9,246 at February 29, 2012 and February 28, 2011, respectively, and is included in “Other assets” on the Consolidated Statement of Financial Position. The Corporation expects to recognize amortization of approximately \$2,700 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 \$23,849 and \$21,760 as of February 29, 2012 and February 28, 2011, 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 \$11,209, \$12,122 and \$12,207 in 2012, 2011 and 2010, respectively.

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**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 10 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 Notes 8 and 14 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, which generally occurs upon delivery.

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.

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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." Revenues and expenses associated with the servicing of these agreements are summarized as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Royalty revenue	\$31,360	\$32,016	\$37,531
Royalty expenses:			
Material, labor and other production costs	13,516	11,806	9,410
Selling, distribution and marketing expenses	11,368	14,046	17,970
Administrative and general expenses	<u>1,748</u>	<u>1,697</u>	<u>2,050</u>
	<u>\$26,632</u>	<u>\$27,549</u>	<u>\$29,430</u>

**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 \$134,204, \$119,391 and \$119,989 in 2012, 2011 and 2010, respectively.

**Advertising Expenses:** Advertising costs are expensed as incurred. Advertising expenses were \$25,718, \$12,079 and \$12,559 in 2012, 2011 and 2010, 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 January 2010, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2010-06 ("ASU 2010-06"), "Improving Disclosures about Fair Value Measurements." ASU 2010-06 provides amendments to ASC Topic 820, "Fair Value Measurements and Disclosures," that require

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separate disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements in addition to the presentation of purchases, sales, issuances and settlements for Level 3 fair value measurements. ASU 2010-06 also provides amendments to subtopic 820-10 that clarify existing disclosures about the level of disaggregation, and inputs and valuation techniques. The new disclosure requirements are effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements of Level 3 fair value measurements, which become effective for interim and annual periods beginning after December 15, 2010. The Corporation's adoption of this standard did not have a material effect on its financial statements.

In May 2011, the FASB issued ASU No. 2011-04 ("ASU 2011-04"), "Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU 2011-04 improves comparability of fair value measurements presented and disclosed in financial statements prepared with U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements including (1) the application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity's shareholders' equity, and (3) quantitative information required for fair value measurements categorized within Level 3. ASU 2011-04 also provides guidance on measuring the fair value of financial instruments managed within a portfolio and application of premiums and discounts in a fair value measurement. In addition, ASU 2011-04 requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The amendments in this guidance are to be applied prospectively, and are effective for interim and annual periods beginning after December 15, 2011. The Corporation does not expect that the adoption of this standard will have a material effect on its financial statements.

In June 2011, the FASB issued ASU No. 2011-05 ("ASU 2011-05"), "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in shareholders' equity and requires the presentation of components of net income and other comprehensive income either in a single continuous statement or in two separate but consecutive statements. In addition, ASU 2011-05 requires presentation of reclassification adjustments for each component of accumulated other comprehensive income in both the statement in which net income is presented and the statement in which other comprehensive income is presented. In January 2012, the FASB issued ASU No. 2011-12 ("ASU 2011-12"), "Comprehensive Income (Topic 220) - Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." ASU 2011-12 defers the effective date of the requirements made in ASU 2011-05 pertaining to presentation of reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. ASU 2011-12 reinstates the previous requirements to present reclassification adjustments either on the face of the statement in which other comprehensive income is reported or to disclose them in the notes to the financial statements. The other requirements in ASU 2011-05 are not affected by ASU 2011-12. ASU 2011-05 and ASU 2011-12 are effective for interim and annual periods beginning after December 15, 2011. The Corporation does not expect that the adoption of these standards will have a material impact on its results of operations or financial condition, but it will affect how the Corporation presents its other comprehensive income.

In September 2011, the FASB issued ASU No. 2011-08 ("ASU 2011-08"), "Testing Goodwill for Impairment." ASU 2011-08 gives entities the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Only if an entity determines, on the basis of qualitative factors, that it is more likely than not that the fair value of a reporting entity is less than its carrying amount, would it be required to then perform the first step of the two-step quantitative impairment test. Otherwise, the two-step quantitative impairment testing is not required. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Corporation does not expect that the adoption of this standard will have a material effect on its financial statements.



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In September 2011, the FASB issued ASU No. 2011-09 (“ASU 2011-09”), “Disclosures about an Employer’s Participation in a Multiemployer Plan.” ASU 2011-09 requires an employer who participates in multiemployer pension plans to provide additional disclosures to help financial statement users to better understand the plans in which an employer participates, the level of the employer’s participation in those plans and the financial health of those plans. ASU 2011-09 is effective for fiscal years ending after December 15, 2011, with early adoption permitted. Since ASU 2011-09 does not change the existing recognition and measurement guidance for an employer’s participation in a multiemployer plan, the Corporation’s adoption of this standard during the fourth quarter of 2012 did not impact its financial statements.

## **NOTE 2 - ACQUISITIONS AND DISPOSITIONS**

### Watermark Acquisition

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 was 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 for approximately \$17,069 in cash. Cash paid for Watermark, net of cash acquired, was approximately \$5,899 and is reflected in investing activities on the Consolidated Statement of Cash Flows.

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	\$17.1
Cash acquired	(11.2)
	<u>\$5.9</u>
Allocation (in millions):	
Current assets	\$11.4
Property, plant and equipment	0.4
Intangible assets	1.5
Goodwill	1.0
Liabilities assumed	(8.4)
	<u>\$5.9</u>

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. The Watermark business is included in the Corporation’s International Social Expression Products segment.

### Papyrus Brand & Wholesale Business Acquisition / Retail Operations Disposition

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 a variety of brands, including 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,

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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 the Liquidity Guaranty and the Bridge Guaranty in favor of the lenders under Schurman's Senior Credit Facility. 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 Topic 805, "Business Combinations," is included in "Cash payments for business acquisitions, net of cash acquired" on the Consolidated Statement of Cash Flows.

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)
	<u>\$20.0</u>
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)
	<u>\$20.0</u>

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 distributed and merchandised greeting cards, gift wrap and related products for retail customers throughout Mexico. 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 shutdown costs. Additionally, during 2010, in accordance with ASC Topic 830 ("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 in the North American Social Expression Products segment 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



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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 agreed that it would no longer manufacture party goods, but agreed to 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. The facility was sold in October 2011. See Note 3 for further information.

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. The Corporation purchased party goods of \$5,531 and \$6,435 during 2012 and 2011, respectively, 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 with respect to its warrant totaling \$6,963, which was in part a return of capital that reduced the investment by \$5,663 from \$16,274 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 sells both Designware and Amscan branded party goods. The Corporation purchases its party goods products from Amscan and continues to distribute party goods to various channels, including to its mass merchandise, drug, grocery and specialty retail customers. In this relationship, Amscan has 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
	<u>\$ (18.4)</u>	<u>\$ 18.2</u>	<u>\$ 29.2</u>	<u>\$29.0</u>

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
	<u>\$29.0</u>

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### NOTE 3 - OTHER INCOME AND EXPENSE

	2012	2011	2010
Gain on sale of intellectual properties	\$(4,500)	\$-	\$-
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	(3,238)	(2,951)	(2,430)
Other operating income - net	<u>\$(7,738)</u>	<u>\$(3,205)</u>	<u>\$(310)</u>

In June 2011, the Corporation sold certain minor character properties and recognized a gain of \$4,500. The proceeds of \$4,500 are included in "Proceeds from sale of intellectual properties" on the Consolidated Statement of Cash Flows.

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.

	2012	2011	2010
Foreign exchange loss (gain)	\$ 1,314	\$ 224	\$(4,746 )
Rental income	(1,217 )	(1,232 )	(1,194 )
(Gain) loss on asset disposal	(461 )	(3,463 )	59
Miscellaneous	23	(1,370 )	(607 )
Other non-operating income - net	<u>\$(341 )</u>	<u>\$(5,841 )</u>	<u>\$(6,488 )</u>

In October 2011, the Corporation sold the land and buildings relating to its party goods product lines in the North American Social Expression Products segment that were previously included in "Assets held for sale" on the Consolidated Statement of Financial Position and recorded a gain of approximately \$393. The cash proceeds of \$6,000 received from the sale of the assets are included in "Proceeds from sale of fixed assets" on the Consolidated Statement of Cash Flows.

In June 2011, the Corporation sold the land, building and certain equipment associated with a distribution facility in the International Social Expression Products segment that were previously included in "Assets held for sale" on the Consolidated Statement of Financial Position and recorded a gain of approximately \$500. The cash proceeds of approximately \$2,400 received from the sale of the assets are included in "Proceeds from sale of fixed assets" on the Consolidated Statement of Cash Flows.

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The Corporation sold the land and building associated with its Mexican operations 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, 2011 and 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 equity securities. In 2011, miscellaneous included \$1,300 of dividend income related to the Corporation's investment in AAH.

### **NOTE 4 - EARNINGS PER SHARE**

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

	2012	2011	2010
Numerator (thousands):			
Net income	\$ 57,198	\$ 87,018	\$ 81,574
Denominator (thousands):			
Weighted average shares outstanding	39,625	39,983	39,468
Effect of dilutive securities:			
Share-based payment awards	663	1,262	692
Weighted average shares outstanding - assuming dilution	40,288	41,245	40,160
Earnings per share	\$ 1.44	\$ 2.18	\$ 2.07
Earnings per share - assuming dilution	\$ 1.42	\$ 2.11	\$ 2.03

Approximately 2.5 million, 3.1 million and 5.7 million stock options in 2012, 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.

### **NOTE 5 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

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

	February 29, 2012	February 28, 2011
Foreign currency translation adjustments	\$ 23,609	\$ 26,021
Pension and postretirement benefits adjustments, net of tax (See Note 12)	(35,443 )	(28,369 )
Unrealized investment gain, net of tax	4	2
	\$ (11,830 )	\$ (2,346 )

### **NOTE 6 - CUSTOMER ALLOWANCES AND DISCOUNTS**

In the normal course of business, the Corporation enters into agreements with certain customers for the supply of greeting cards and related products. The agreements are negotiated individually to meet competitive situations and, therefore, while some aspects of the agreements may be similar, important contractual terms may vary. Under these agreements, the customer may receive allowances and discounts including 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.

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

	February 29, 2012	February 28, 2011
Allowance for seasonal sales returns	\$ 34,285	\$ 34,058
Allowance for outdated products	10,976	8,264
Allowance for doubtful accounts	4,480	5,374
Allowance for marketing funds	26,679	25,631
Allowance for rebates	27,648	24,920
	<u>\$ 104,068</u>	<u>\$ 98,247</u>

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 \$13,698 and \$11,913 as of February 29, 2012 and February 28, 2011, respectively.

### NOTE 7 - INVENTORIES

	February 29, 2012	February 28, 2011
Raw materials	\$ 17,565	\$ 21,248
Work in process	9,452	6,476
Finished products	242,767	212,056
	269,784	239,780
Less LIFO reserve	81,077	78,358
	188,707	161,422
Display material and factory supplies	20,238	18,308
	<u>\$ 208,945</u>	<u>\$ 179,730</u>

There were no material LIFO liquidations in 2012 and 2011. 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 \$52,000 and \$42,000 as of February 29, 2012 and February 28, 2011, respectively.

### NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

	February 29, 2012	February 28, 2011
Land	\$ 17,727	\$ 10,552
Buildings	186,205	176,879
Capitalized software	240,424	221,564
Equipment and fixtures	456,423	440,557
	900,779	849,552
Less accumulated depreciation	623,182	607,903
	<u>\$ 277,597</u>	<u>\$ 241,649</u>

During 2012, the Corporation disposed of approximately \$19,000 of property, plant and equipment that included accumulated depreciation of approximately \$18,000. During 2011, the Corporation disposed of approximately \$27,000 of property, plant and equipment with accumulated depreciation of approximately \$24,000.

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 \$34,210, \$36,465 and \$39,640 in 2012, 2011 and 2010, respectively.



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### **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 the fourth quarter of 2012, the Corporation's market capitalization significantly declined as a result of decreases in its stock price. In connection with the preparation of its annual financial statements, the Corporation concluded the decline in the stock price and market capitalization were indicators of potential impairment which required the performance of an impairment analysis. Based on this analysis, it was determined that the fair values of the North American Social Expression Products segment, which is also the reporting unit, and the Corporation's reporting unit located in the United Kingdom (the "UK Reporting Unit") within the International Social Expression Products segment, were less than their carrying values. As a result, the Corporation recorded goodwill impairment charges of \$21,254 and \$5,900, which include all of the goodwill for the North American Social Expression Products segment and the UK Reporting Unit, respectively.

During 2011, the Corporation completed the required annual impairment test of goodwill as of the end of the third quarter and based on the results of the testing, no impairment charges were recorded.

A summary of the changes in the carrying amount of the Corporation's goodwill during the years ended February 29, 2012 and February 28, 2011 by segment is as follows:

	<b>North American Social Expression Products</b>	<b>International Social Expression Products</b>	<b>Total</b>
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
Adjustment related to income taxes	(2,711 )	-	(2,711 )
Acquisition	-	1,036	1,036
Impairment	(21,254 )	(5,900 )	(27,154 )
Currency translation	-	(74 )	(74 )
Balance at February 29, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The above adjustment related to income taxes totaling \$2,711 and \$2,509 for 2012 and 2011, respectively, is a reduction related to second component goodwill, which results in a reduction of goodwill for financial reporting purposes when amortized for tax purposes. At the date of the acquisition of Recycled Paper Greetings, Inc. ("RPG") during 2009, 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 Topic 740, "Income Taxes," the tax benefits associated with this excess can 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.

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At February 29, 2012 and February 28, 2011, intangible assets, net of accumulated amortization, were \$40,279 and \$43,049, respectively. The following table presents information about these intangible assets, which are included in "Other assets" on the Consolidated Statement of Financial Position:

	February 29, 2012			February 28, 2011		
	Gross Carrying	Accumulated	Net Carrying	Gross Carrying	Accumulated	Net Carrying
	Amount	Amortization	Amount	Amount	Amortization	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	4,953	(3,730 )	1,223	4,616	(3,558 )	1,058
Trademarks	11,702	(9,789 )	1,913	10,901	(9,097 )	1,804
Artist relationships	19,230	(4,824 )	14,406	19,230	(3,201 )	16,029
Customer relationships	25,262	(12,671 )	12,591	24,886	(11,672 )	13,214
Other	19,074	(15,128 )	3,946	18,586	(13,842 )	4,744
Subtotal	80,221	(46,142 )	34,079	78,219	(41,370 )	36,849
Total	<u>\$86,421</u>	<u>\$ (46,142 )</u>	<u>\$40,279</u>	<u>\$84,419</u>	<u>\$ (41,370 )</u>	<u>\$43,049</u>

The Corporation completed the required annual impairment test of indefinite-lived intangible assets in the fourth quarter of 2012 and 2011 and based on the results of the testing, no impairment charges were recorded.

Amortization expense for intangible assets totaled \$5,015, \$4,583 and \$5,533 in 2012, 2011 and 2010, respectively. Estimated annual amortization expense for the next five years will approximate \$4,999 in 2013, \$4,335 in 2014, \$3,462 in 2015, \$3,186 in 2016 and \$2,695 in 2017.

### **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. The agreements are negotiated individually to meet competitive situations and, therefore, while some aspects of the agreements may be similar, important contractual terms may vary. Under these agreements, the customer may receive 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, 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 \$10,000 and \$10,700 at February 29, 2012 and February 28, 2011, respectively. This allowance is included in "Other assets" on the Consolidated Statement of Financial Position.



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Deferred costs and future payment commitments were as follows:

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Prepaid expenses and other	\$ 94,071	\$ 88,352
Other assets	395,397	327,311
Deferred cost assets	489,468	415,663
Other current liabilities	(45,891 )	(64,116 )
Other liabilities	(137,360 )	(76,301 )
Deferred cost liabilities	(183,251 )	(140,417 )
Net deferred costs	<u>\$ 306,217</u>	<u>\$ 275,246</u>

A summary of the changes in the carrying amount of the Corporation's net deferred costs during the years ended February 29, 2012, February 28, 2011 and February 28, 2010 is as follows:

Balance at February 28, 2009	\$ 303,007
Payments	84,345
Amortization	(102,750)
Currency translation	3,363
Balance at February 28, 2010	287,965
Payments	83,919
Amortization	(98,181)
Currency translation	1,543
Balance at February 28, 2011	275,246
Payments	134,247
Amortization	(102,993)
Currency translation	(283)
Balance at February 29, 2012	<u>\$306,217</u>

### **NOTE 11 - DEBT**

There was no debt due within one year as of February 29, 2012 and February 28, 2011.

Long-term debt and their related calendar year due dates, net of unamortized discounts which totaled \$0 and \$22,179 as of February 29, 2012 and February 28, 2011, respectively, were as follows:

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
7.375% senior notes, due 2021	\$ 225,000	\$ -
7.375% senior notes, due 2016	-	213,077
7.375% notes, due 2016	-	19,430
6.10% senior notes, due 2028	181	181
	<u>\$ 225,181</u>	<u>\$ 232,688</u>

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 29, 2012, the Corporation had credit arrangements to support the letters of credit in the amount of \$121,828 with \$31,791 of credit outstanding.

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

2013	\$-
2014	-
2015	-
2016	-
2017	-
Thereafter	225,181
	<u>\$225,181</u>

### 7.375% Senior Notes Due 2021

On November 30, 2011, the Corporation closed a public offering of \$225,000 aggregate principal amount of 7.375% Senior Notes due 2021 (the “2021 Senior Notes”). The net proceeds from this offering were used to finance or redeem the cash tender offers for all the existing 7.375% senior notes and notes due 2016 which include the original \$200,000 of 7.375% senior unsecured notes issued on May 24, 2006 (the “Original Senior Notes”), the additional \$22,000 of 7.375% senior unsecured notes issued on February 24, 2009 (the “Additional Senior Notes,” together with the Original Senior Notes, the “2016 Senior Notes”) and the \$32,686 of 7.375% unsecured notes issued on February 24, 2009 (the “2016 Notes,” together with the 2016 Senior Notes, the “Notes”). The cash tenders were commenced on November 15, 2011, where, in the fourth quarter, the Corporation purchased \$180,358 and \$24,514 aggregate principal amount of 2016 Senior Notes and 2016 Notes, respectively, representing approximately 81% and 75% of the aggregate principal amount of the outstanding 2016 Senior Notes and 2016 Notes, respectively. On December 15, 2011, the Corporation redeemed the remaining \$49,814 of the Notes that were not repurchased pursuant to the tender offers. In connection with these transactions, the Corporation wrote off the remaining unamortized discount and deferred financing costs related to the Notes, totaling \$21,711, as well as recorded a charge of \$9,101 for the consent payments, tender fees, call premium and other fees. Both amounts totaling \$30,812 are included in “Interest expense” on the Consolidated Statement of Operations.

The 2021 Senior Notes will mature on December 1, 2021 and bear interest at a fixed rate of 7.375% per year. The 2021 Senior Notes constitute general unsecured senior obligations of the Corporation. The 2021 Senior Notes rank senior in right of payment to all future obligations of the Corporation that are, by their terms, expressly subordinated in right of payment to the 2021 Senior Notes and pari passu in right of payment with all existing and future unsecured obligations of the Corporation that are not so subordinated. The 2021 Senior Notes are effectively subordinated to secured indebtedness of the Corporation, including borrowings under its revolving credit facility described below, to the extent of the value of the assets securing such indebtedness. The 2021 Senior Notes also contain certain restrictive covenants that are customary for similar credit arrangements, including covenants that limit the Corporation’s ability to incur additional debt; declare or pay dividends; make distributions on or repurchase or redeem capital stock; make certain investments; enter into transactions with affiliates; grant or permit liens; sell assets; enter into sale and leaseback transactions; and consolidate, merge or sell all or substantially all of the Corporation’s assets. These restrictions are subject to customary baskets and financial covenant tests.

The total fair value of the Corporation’s publicly traded debt, based on quoted market prices, was \$239,562 (at a carrying value of \$225,181) and \$237,453 (at a carrying value of \$232,688) at February 29, 2012 and February 28, 2011, respectively.

### Credit Facility

The Corporation is a party to a \$400,000 credit agreement (the “Credit Agreement”), under which there were no borrowings outstanding as of February 29, 2012 and February 28, 2011; however, the Corporation had \$19,240 of letters of credit outstanding as of February 29, 2012, which reduced the total credit availability thereunder.

Under the original terms of the Credit Agreement, the Corporation was permitted to borrow, on a revolving basis, up to \$350,000 (with an ability to increase this amount by \$50,000 to \$400,000) during a five year term from June 11, 2010 ending on June 11, 2015. On January 18, 2012, the Corporation amended its Credit Agreement, to,

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among other things, extend the expiration date of the Credit Agreement from June 11, 2015 to January 18, 2017, and increase the maximum principal amount that can be borrowed, on a revolving basis, from \$350,000 to \$400,000, with the continued ability to further increase such maximum principal amount from \$400,000 to \$450,000, subject to customary conditions.

The amendment also:

decreased the applicable margin paid on U.S. dollar loans bearing interest based on the London Inter-Bank Offer Rate ("LIBOR") and Canadian dollar loans bearing interest based on the Canadian Dollar Offer Rate, from a range of 2.25% to 3.50% per year to a range of 1.25% to 2.25%;

decreased the applicable margin paid on U.S. dollar loans bearing interest based on the U.S. base rate and the Canadian base rate from a range of 1.25% to 2.50% per year to a range of 0.25% to 1.25%; and

reduced commitment fees paid on the unused portion of the revolving credit facility from a range of 0.375% to 0.500% per annum to a range of 0.250% to 0.400%.

The obligations under the 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 first tier international subsidiaries.

The Credit Agreement also contains certain restrictive covenants that are customary for similar credit arrangements. For example, the Credit Agreement contains covenants relating to financial reporting and notification, compliance with laws, preserving existence, maintenance of books and records, how the Corporation may use proceeds from borrowings, and maintenance of properties and insurance. In addition, the Credit Agreement includes covenants that limit the Corporation's ability to incur additional debt; declare or pay dividends; make distributions on or repurchase or redeem capital stock; make certain investments; enter into transactions with affiliates; grant or permit liens; sell assets; enter into sale and leaseback transactions; and consolidate, merge or sell all or substantially all of the Corporation's assets. 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. These restrictions are subject to customary baskets.

### Accounts Receivable Facility

The Corporation is also a party to an accounts receivable facility that provides funding of up to \$70,000, under which there were no borrowings outstanding as of February 29, 2012 and February 28, 2011; however, outstanding letters of credit issued under the accounts receivable program totaled \$12,551 as of February 29, 2012, which reduced the total credit availability thereunder. Until the facility was amended on September 21, 2011, the account receivable facility provided funding of up to \$80 million.

Under the terms of the accounts receivable facility, the Corporation and certain of its subsidiaries sell accounts receivable to AGC Funding Corporation (a wholly-owned, consolidated subsidiary of the Corporation), 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.

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 that ranges from 30 to 40 basis points on the unfunded portion of the accounts receivable securitization facility, based on the level of utilization, together with customary administrative fees on letters of credit that have been issued and on outstanding amounts funded under the facility. Funding under the facility may be used for working capital, general corporate purposes and the issuance of letters of credit.

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The accounts receivable facility 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 Credit Agreement.

At February 29, 2012, the Corporation was in compliance with its financial covenants under the borrowing agreements described above. Interest paid in cash on short-term and long-term debt was \$34,946 in 2012, \$21,637 in 2011 and \$23,294 in 2010.

### **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 \$9,401, \$9,759 and \$9,338 for 2012, 2011 and 2010, respectively. In addition, the Corporation matches a portion of 401(k) employee contributions. The Corporation's matching contributions were \$5,976, \$4,875 and \$4,787 for 2012, 2011 and 2010, respectively.

The Corporation also has a defined contribution plan for its European subsidiary which covers the employees in the United Kingdom. Under this plan, the employees contribute to the plan and the Corporation matches a portion of the employee contributions. The Corporation's matching contributions were \$2,012, \$1,226 and \$1,745 for 2012, 2011 and 2010, respectively.

The Corporation also participates in a multiemployer pension plan covering certain domestic employees who are part of a collective bargaining agreement. Total pension expense for the multiemployer plan, representing contributions to the plan, was \$513, \$467 and \$417 in 2012, 2011 and 2010, 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 generally funds these deferred compensation liabilities by making contributions to a rabbi trust. On December 8, 2011, the Corporation froze the deferred compensation plans. Accordingly, participants are no longer permitted to make new deferral elections, although deferral elections previously made will continue to be honored and amounts already deferred may be re-deferred in accordance with deferred compensation plans. In accordance with ASC Topic 710-10-25, "Compensation - Recognition - Deferred Compensation - Rabbi Trusts," 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 29, 2012 with a cost of \$2,772 compared to approximately 0.2 million common shares with a cost of \$3,368 at February 28, 2011.

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 2012 or 2011. The Gibson Retirement Plan was underfunded at February 29, 2012 and February 28, 2011.

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

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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 2011 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	
	2012	2011	2012	2011
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of year	\$170,160	\$162,845	\$91,035	\$110,921
Service cost	1,106	957	726	2,290
Interest cost	8,353	8,757	3,929	6,014
Participant contributions	29	28	4,585	4,165
Retiree drug subsidy payments	-	-	1,072	1,670
Plan amendments	924	198	-	(7,263)
Actuarial loss (gain)	15,310	5,825	(10,726)	(18,639)
Benefit payments	(11,036)	(10,567)	(8,277)	(8,123)
Settlements	-	52	-	-
Currency exchange rate changes	(502)	2,065	-	-
Benefit obligation at end of year	184,344	170,160	82,344	91,035
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year	107,881	102,092	66,935	66,928
Actual return on plan assets	7,172	11,311	(1,301)	7,130
Employer contributions	2,736	3,187	(4,379)	(3,165)
Participant contributions	29	28	4,585	4,165
Benefit payments	(11,036)	(10,567)	(8,277)	(8,123)
Settlements	-	52	-	-
Currency exchange rate changes	(441)	1,778	-	-
Fair value of plan assets at end of year	106,341	107,881	57,563	66,935
Funded status at end of year	<u><u>\$(78,003)</u></u>	<u><u>\$(62,279)</u></u>	<u><u>\$(24,781)</u></u>	<u><u>\$(24,100)</u></u>

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

	Pension Plans		Postretirement Benefits	
	2012	2011	2012	2011
Accrued compensation and benefits	\$ (2,257 )	\$ (2,347 )	\$ -	\$ -
Other liabilities	(75,746 )	(59,932 )	(24,781 )	(24,101 )
Net amount recognized	<u>\$ (78,003 )</u>	<u>\$ (62,279 )</u>	<u>\$ (24,781 )</u>	<u>\$ (24,101 )</u>

Amounts recognized in accumulated other comprehensive income:

Net actuarial loss (gain)	\$ 69,632	\$ 56,938	\$ (3,081 )	\$ 1,268
Net prior service cost (credit)	1,531	847	(8,855 )	(11,316 )
Net transition obligation	37	43	-	-
Accumulated other comprehensive loss (income)	<u>\$ 71,200</u>	<u>\$ 57,828</u>	<u>\$ (11,936 )</u>	<u>\$ (10,048 )</u>

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 \$3,256, \$240 and \$6, respectively. For the postretirement benefit plan, the estimated net gain 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 (\$2,750), respectively.

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

	Pension Plans		Postretirement Benefits	
	2012	2011	2012	2011
Weighted average discount rate used to determine:				
Benefit obligations at measurement date				
U.S.	4.00-4.25%	5.25%	4.00%	5.50%
International	4.45%	5.15%	N/A	N/A
Net periodic benefit cost				
U.S.	5.25%	5.50-5.75%	5.50%	5.75%
International	5.15%	5.50%	N/A	N/A
Expected long-term return on plan assets:				
U.S.	7.00%	7.00%	7.00%	7.00%
International	5.50%	5.50%	N/A	N/A
Rate of compensation increase:				
U.S.	6.50%	6.50%	N/A	N/A
International	3.00%	3.00%	N/A	N/A
Health care cost trend rates:				
For year following February 28 or 29	N/A	N/A	9.50%	10.00%
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	2021

For 2012, 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.

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For 2012, 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.

	2012	2011
Effect of a 1% increase in health care cost trend rate on:		
Service cost plus interest cost	\$210	\$915
Accumulated postretirement benefit obligation	3,854	7,571
Effect of a 1% decrease in health care cost trend rate on:		
Service cost plus interest cost	(184 )	(739 )
Accumulated postretirement benefit obligation	(3,332 )	(6,030 )

The following table presents selected pension plan information:

	2012	2011
For all pension plans:		
Accumulated benefit obligation	\$ 177,489	\$ 164,823
For pension plans that are not fully funded:		
Projected benefit obligation	184,041	170,160
Accumulated benefit obligation	177,186	164,823
Fair value of plan assets	106,038	107,881

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

	2012	2011	2010
Components of net periodic benefit cost:			
Service cost	\$1,106	\$957	\$730
Interest cost	8,353	8,757	9,279
Expected return on plan assets	(6,858 )	(6,588 )	(5,637 )
Amortization of transition obligation	6	6	6
Amortization of prior service cost	240	178	261
Amortization of actuarial loss	2,126	133	1,942
Settlements	-	(3 )	126
Net periodic benefit cost	4,973	3,440	6,707
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Actuarial loss	14,996	1,175	6,069
Prior service cost	924	198	53
Amortization of prior service cost	(240 )	(178 )	(261 )
Amortization of actuarial loss	(2,126 )	(133 )	(1,942 )
Amortization of transition obligation	(6 )	(6 )	(6 )
Settlements	-	3	(126 )
Total recognized in other comprehensive income	13,548	1,059	3,787
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$18,521</u>	<u>\$4,499</u>	<u>\$10,494</u>



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

	2012	2011	2010
Components of net periodic benefit cost:			
Service cost	\$726	\$2,290	\$2,365
Interest cost	3,929	6,014	7,359
Expected return on plan assets	(4,310)	(4,503 )	(4,107 )
Amortization of prior service credit	(2,461)	(7,712 )	(7,418 )
Amortization of actuarial (gain) loss	(766 )	1,078	2,386
Net periodic benefit cost	(2,882)	(2,833 )	585
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Actuarial gain	(5,115)	(21,265)	(21,723)
Prior service credit added during the year	-	(7,263 )	-
Amortization of actuarial loss (gain)	766	(1,078 )	(2,386 )
Amortization of prior service credit	2,461	7,712	7,418
Total recognized in other comprehensive income	(1,888)	(21,894)	(16,691)
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (4,770)</u>	<u>\$ (24,727)</u>	<u>\$ (16,106)</u>

At February 29, 2012 and February 28, 2011, the assets of the plans are held in trust and allocated as follows:

	Pension Plans		Postretirement Benefits		
	2012	2011	2012	2011	Target Allocation
Equity securities:					
U.S.	51 %	51 %	30%	43%	15%-30%
International	31 %	31 %	N/A	N/A	N/A
Debt securities:					
U.S.	48 %	48 %	69%	54%	65%-85%
International	64 %	67 %	N/A	N/A	N/A
Cash and cash equivalents:					
U.S.	1 %	1 %	1%	3%	0%-15%
International	5 %	2 %	N/A	N/A	N/A

As of February 29, 2012, 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 30/65/5 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 approximately 2.5 years to maturity with a credit rating of 'A' or better. This policy is subject to review and change.

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The following table summarizes the fair value of the defined benefit pension plan assets at February 29, 2012:

	Fair value at February 29, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
U.S. plans:			
Short-term investments	\$ 710	\$ -	\$ 710
Equity securities (collective funds)	41,322	-	41,322
Fixed-income funds	39,510	-	39,510
International plans:			
Short-term investments	1,163	-	1,163
Equity securities (collective funds)	7,753	-	7,753
Fixed-income funds	15,883	-	15,883
Total:	<u>\$ 106,341</u>	<u>\$ -</u>	<u>\$ 106,341</u>

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 (collective funds)	42,776	-	42,776
Fixed-income funds	40,717	-	40,717
International plans:			
Short-term investments	639	-	639
Equity securities (collective funds)	7,191	-	7,191
Fixed-income funds	15,869	-	15,869
Total:	<u>\$ 107,881</u>	<u>\$ -</u>	<u>\$ 107,881</u>

The following table summarizes the fair value of the postretirement benefit plan assets at February 29, 2012:

	Fair value at February 29, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Short-term investments	\$ 849	\$ -	\$ 849
Equity securities (common stocks)	17,245	17,245	-
Fixed-income funds	39,469	-	39,469
Total:	<u>\$ 57,563</u>	<u>\$ 17,245</u>	<u>\$ 40,318</u>

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 (common stocks)	29,229	29,229	-

Fixed-income funds	36,530	-	36,530
Total:	<u>\$ 66,935</u>	<u>\$ 29,229</u>	<u>\$ 37,706</u>

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*Short-term investments:* Short-term investments, which are primarily money market funds, are valued based on exit prices or net asset values. These investments are generally classified as Level 2 since the valuations use observable inputs.

*Equity securities:* The fair value of collective funds is valued at the closing net asset value or at the executed exchange trade prices. Pricing for these securities is typically provided by a recognized pricing service. Generally, these collective fund investments are classified as Level 2 because the valuations are based on observable inputs. Common stock is valued at the closing price reported on the active market on which the individual securities are traded. The investment in common stocks is classified as Level 1 because a quoted price in an active market is available.

*Fixed-income funds:* Fixed income funds primarily consist of U.S. and foreign-issued corporate notes and bonds, convertible bonds, asset-backed securities, government agency obligations, government obligations, municipal bonds and interest-bearing commercial paper. The fair value of these securities is valued using evaluated prices provided by a recognized pricing service. Because the evaluated prices are based on observable inputs, such as dealer quotes, available trade information, spread, bids and offers, prepayment speeds, U.S. Treasury curves and interest rate movements, securities in this category are classified as Level 2.

Although the Corporation does not anticipate that contributions to the Gibson Retirement Plan will be required in 2013, 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 \$2,111 to the Supplemental Executive Retirement Plan in 2013. 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 expects to contribute \$200 to the postretirement benefit plan in 2013.

The benefits expected to be paid out are as follows:

	Pension Plans	Postretirement Benefits	
		Excluding Effect of Medicare Part D Subsidy	Including Effect of Medicare Part D Subsidy
2013	\$11,024	\$ 5,325	\$ 4,610
2014	11,230	5,370	4,703
2015	11,315	5,454	4,730
2016	11,161	5,547	4,754
2017	11,496	5,584	5,390
2018 - 2022	57,264	27,996	27,046

### 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 approximately 10 years. Rental expense under operating leases for the years ended February 29, 2012, February 28, 2011 and February 28, 2010 is as follows:

	2012	2011	2010
Gross rentals	\$30,641	\$33,452	\$47,473
Sublease rentals	(11,332)	(16,387)	(24,891)
Net rental expense	<u>\$19,309</u>	<u>\$17,065</u>	<u>\$22,582</u>

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At February 29, 2012, future minimum rental payments for noncancelable operating leases, net of aggregate future minimum noncancelable sublease rentals, are as follows:

Gross rentals:	
2013	\$13,796
2014	10,056
2015	7,482
2016	5,868
2017	5,519
Later years	9,410
	52,131
Sublease rentals	(22,143)
Net rentals	<u>\$29,988</u>

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 following table summarizes the financial assets measured at fair value as of the measurement date, February 29, 2012, and the basis for that measurement, by level within the fair value hierarchy:

	Balance as of February 29, 2012	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:				
Deferred compensation plan assets(1)	<u>\$9,198</u>	<u>\$ 9,198</u>	<u>\$ -</u>	<u>\$ -</u>

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)	<u>6,871</u>	<u>6,871</u>	<u>-</u>	<u>-</u>
Total	<u>\$10,094</u>	<u>\$ 10,094</u>	<u>\$ -</u>	<u>\$ -</u>
Assets measured on a non-recurring basis:				
Assets held for sale	<u>\$5,282</u>	<u>\$ -</u>	<u>\$ 5,282</u>	<u>\$ -</u>

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

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As of February 29, 2012, the active employees' medical plan trust was terminated. During the prior year, the fair value of the investments in the active employees' medical plan trust was considered a Level 1 valuation as it was based on the quoted market value per share of each individual security investment in an active market.

The deferred compensation plan includes mutual fund assets. Assets held in mutual funds were recorded at fair value, which was considered a Level 1 valuation as it is based on each fund's quoted market value per share in an active market. Although the Corporation is under no obligation to fund employees' nonqualified accounts, the fair value of the related nonqualified deferred compensation liability is based on the fair value of the mutual fund assets.

Certain assets are measured at fair value on a nonrecurring basis and are subject to fair value adjustments only in certain circumstances. During the fourth quarter of 2010, assets held for sale relating to the Corporation's party goods product lines 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. These assets related to the party good product lines were sold in the third quarter of 2012.

### **NOTE 15 - COMMON SHARES AND STOCK BASED COMPENSATION**

At February 29, 2012 and February 28, 2011, 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.

Under the Corporation's stock option plans, when options to purchase common shares are granted to directors, officers or other key employees, they are granted 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. There were no stock options granted during 2012.

Stock option transactions and prices are summarized as follows:

	Number of Class	Weighted-Average	Weighted-Average	Aggregate
	A Options	Average	Remaining	Intrinsic Value
		Exercise Price	Contractual	
			Term (in years)	(in thousands)
Outstanding at February 28, 2011	4,526,821	\$ 20.12	6.0	\$ 14,278
Granted	-	-		
Exercised	(682,297)	23.25		
Expired	(32,391)	20.67		
Forfeited	(214,706)	24.72		
Outstanding at February 29, 2012	3,597,427	\$ 20.96	5.2	\$ 3,375
Exercisable at February 29, 2012	3,339,219	\$ 20.69	5.2	\$ 3,375





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	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, 2011	1,166,395	\$ 19.96	5.7	\$ 2,578
Granted	-	-		
Exercised	(245,250)	24.60		
Expired	(63,564)	22.26		
Forfeited	-	-		
Outstanding at February 29, 2012	857,581	\$ 23.06	4.7	\$ 420
Exercisable at February 29, 2012	722,415	\$ 24.11	4.5	\$ -

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

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

The weighted average fair value per share of options granted during 2011 and 2010 was \$10.43 and \$2.83, respectively.

During 2009, performance shares of 59,864 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 was based on the percentage of the officer's target incentive award, if any, that the officer achieved 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 and related compensation expense was recorded.

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 under the Plan to certain of the Corporation's employees, including executive officers of the Corporation. 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 two annual performance periods and the satisfaction of a service-based vesting period; however, if the management objectives were not achieved in either of the first two annual performance periods, the program provided that the recipient was eligible to earn all or a portion of any such shares upon satisfaction of the management objectives over a third annual performance period. The number of performance shares actually credited to a participant was based on achieving a corporate consolidated earnings before interest and taxes ("EBIT") goal at the end of each of the annual performance periods. Each of the annual performance periods had 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 were met, shares credited to the participant became 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 746,000 performance shares were credited to participants. As the management objectives for each of the first two performance periods were satisfied, there was no performance period for 2012.

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The following table summarizes the activity related to performance shares during 2012:

	Number of Class A Performance Shares	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2011	751,500	1.3	\$ 16,270
Credited	-		
Vested	(482,500)		
Forfeited	(20,000)		
Unvested at February 29, 2012	249,000	1.0	\$ 3,735

	Number of Class B Performance Shares	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2011	141,000	1.3	\$ 3,053
Credited	-		
Vested	(94,000)		
Forfeited	-		
Unvested at February 29, 2012	47,000	1.0	\$ 705

The fair value of the performance shares was 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 2012 and 2011, the Corporation 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 or three 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 2012:

	Number of Class A Restricted Stock Units	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2011	110,749	0.7	\$ 2,398
Granted	248,416		
Vested	(50,803 )		
Forfeited	(16,867 )		
Unvested at February 29, 2012	291,495	0.6	\$ 4,372

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	Number of Class B Restricted Stock Units	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2011	29,675	1.1	\$ 642
Granted	54,870		
Vested	(10,276 )		
Forfeited	—		
Unvested at February 29, 2012	74,269	1.0	\$ 1,114

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

	2012		2011	
Risk-free interest rate	0.67	%	1.09	%
Dividend yield	2.6	%	2.3	%
Expected stock volatility	0.59		0.90	
Expected life in years	1.6		1.6	

The fair value per share of the restricted share units in 2012 and 2011 was \$22.64 and \$23.65, respectively.

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.

Total stock-based compensation expense, recognized in "Administrative and general expenses" on the Consolidated Statement of Operations, was \$10,982, \$13,017 and \$5,819 in 2012, 2011 and 2010, respectively. As of February 29, 2012, the Corporation had unrecognized compensation expense of approximately \$508, \$996, and \$2,901 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 29, 2012, February 28, 2011 and February 28, 2010, was \$13,310, \$18,842, and \$5,834, respectively. The total intrinsic value from the exercise of share-based payment awards was \$17,117, \$16,666 and \$1,985 in 2012, 2011 and 2010, respectively. The actual tax benefit realized from the exercise of share-based payment awards totaled \$6,705, \$6,510 and \$762 for the years ended February 29, 2012, February 28, 2011 and February 28, 2010, respectively.

The number of shares available for future grant at February 29, 2012 is 963,234 Class A common shares and 139,920 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 merchandising as the primary channel. As permitted under ASC Topic 280, "Segment Reporting," certain operating segments have been aggregated into the International Social Expression Products segment. The aggregated operating segments have similar economic characteristics, products, production processes, types of customers and distribution methods. Approximately 55%, 54% and 51% of the North American Social Expression Products segment's revenue in 2012, 2011 and 2010, respectively, is attributable to its top five customers. Approximately 48%, 44% and 45% of the International Social Expression Products segment's revenue in 2012, 2011 and 2010, 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

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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 a variety of brands including the American Greetings, Carlton Cards and Papyrus brands. See Note 2 for further information.

AG Interactive distributes social expression products, including electronic greetings 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.

During the current year, certain items that were previously considered corporate expenses are now included in the calculation of segment earnings for the North American Social Expression Products segment. This change is the result of modifications to organizational structures and is intended to better align the segment financial results with the responsibilities of segment management and the way management evaluates the Corporation's operations. In addition, segment results are now reported using actual foreign exchange rates for the periods presented. Previously, segment results were reported at constant exchange rates to eliminate the impact of foreign currency fluctuations. Prior year segment results have been presented to be consistent with the current methodologies.

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 insurance programs, among other costs, are included in the unallocated items. In 2010, unallocated items included the negotiated settlement of a lawsuit totaling \$24,000.

### *Operating Segment Information*

	Total Revenue		
	2012	2011	2010
North American Social Expression Products	\$1,228,548	\$1,196,809	\$1,245,211
Intersegment items	-	-	(5,039)
Net	1,228,548	1,196,809	1,240,172
International Social Expression Products	347,866	261,712	254,032
Retail Operations	-	-	11,839
AG Interactive	68,514	78,206	80,446
Non-reportable segments	50,216	61,167	53,975
Unallocated	-	-	387
	<u>\$1,695,144</u>	<u>\$1,597,894</u>	<u>\$1,640,851</u>





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	Segment Earnings (Loss) Before Tax		
	2012	2011	2010
North American Social Expression Products	\$149,655	\$194,199	\$ 217,244
Intersegment items	-	-	(3,465)
Net	149,655	194,199	213,779
International Social Expression Products	20,276	19,572	16,846
Retail Operations	-	-	(35,115)
AG Interactive	13,942	13,991	11,419
Non-reportable segments	17,034	9,477	7,634
Unallocated:			
Interest expense	(53,073)	(25,304)	(26,246)
Profit sharing expense	(9,401)	(9,759)	(9,338)
Stock-based compensation expense	(10,982)	(13,017)	(5,819)
Corporate overhead expense	(29,636)	(33,152)	(52,206)
	(103,092)	(81,232)	(93,609)
	<u>\$97,815</u>	<u>\$156,007</u>	<u>\$120,954</u>

	Depreciation and Intangible Assets Amortization			Capital Expenditures		
	2012	2011	2010	2012	2011	2010
North American Social Expression Products	\$29,382	\$30,065	\$32,515	\$49,452	\$28,880	\$22,152
International Social Expression Products	4,771	4,431	4,659	5,561	3,502	1,293
Retail Operations	-	-	413	-	-	27
AG Interactive	2,622	4,143	5,122	1,949	2,762	2,611
Non-reportable segments	1,661	1,701	1,820	2,223	1,130	260
Unallocated	789	708	636	11,758	72	207
	<u>\$39,225</u>	<u>\$41,048</u>	<u>\$45,165</u>	<u>\$70,943</u>	<u>\$36,346</u>	<u>\$26,550</u>

	Assets	
	2012	2011
North American Social Expression Products	\$1,032,326	\$961,045
International Social Expression Products	155,530	124,862
AG Interactive	10,799	18,039
Non-reportable segments	36,251	39,204
Unallocated and intersegment items	314,558	404,099
	<u>\$1,549,464</u>	<u>\$1,547,249</u>

### *Geographical Information*

	Total Revenue			Fixed Assets - Net	
	2012	2011	2010	2012	2011
United States	\$1,214,715	\$1,207,072	\$1,267,837	\$252,945	\$218,354
United Kingdom	296,472	216,309	209,059	21,136	21,099
Other international	183,957	174,513	163,955	3,516	2,196
	<u>\$1,695,144</u>	<u>\$1,597,894</u>	<u>\$1,640,851</u>	<u>\$277,597</u>	<u>\$241,649</u>



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### *Product Information*

	Total Revenue		
	2012	2011	2010
Everyday greeting cards	\$832,454	\$755,799	\$767,062
Seasonal greeting cards	411,605	377,831	369,325
Gift packaging	241,641	223,093	221,489
Other revenue	31,863	32,355	37,566
All other products	177,581	208,816	245,409
	<u>\$1,695,144</u>	<u>\$1,597,894</u>	<u>\$1,640,851</u>

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

### *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 \$5,247, \$6,944 and \$10,814 in 2012, 2011 and 2010, 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 following table summarizes the severance charges by segment:

	2012	2011	2010
North American Social Expression Products	\$4,610	\$4,737	\$8,517
International Social Expression Products	162	773	263
Retail Operations	-	-	618
AG Interactive	381	900	802
Non-reportable	94	37	232
Unallocated	-	497	382
Total	<u>\$5,247</u>	<u>\$6,944</u>	<u>\$10,814</u>

The remaining balance of the severance accrual was \$6,761 and \$8,002 at February 29, 2012 and February 28, 2011, 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.

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### NOTE 17 - INCOME TAXES

Income (loss) from continuing operations before income taxes:

	2012	2011	2010
United States	\$73,811	\$135,859	\$129,115
International	24,004	20,148	(8,161)
	<u>\$97,815</u>	<u>\$156,007</u>	<u>\$120,954</u>

Income tax expense from the Corporation's continuing operations has been provided as follows:

	2012	2011	2010
Current:			
Federal	\$6,793	\$23,263	\$7,730
International	8,767	8,980	2,079
State and local	9,666	8,104	4,303
	<u>25,226</u>	<u>40,347</u>	<u>14,112</u>
Deferred	15,391	28,642	25,268
	<u>\$40,617</u>	<u>\$68,989</u>	<u>\$39,380</u>

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

	2012	2011	2010
Income tax expense at statutory rate	\$34,235	\$54,602	\$42,334
State and local income taxes, net of federal tax benefit	3,870	5,568	1,431
Corporate-owned life insurance	(726)	(1,909)	(4,688)
International items, net of foreign tax credits	135	697	(2,490)
Worthless stock deduction on international subsidiary	-	(53)	(6,043)
Exchange loss of international liquidation	-	-	2,562
Accruals and settlements	4,031	8,866	6,313
Other	(928)	1,218	(39)
Income tax at effective tax rate	<u>\$40,617</u>	<u>\$68,989</u>	<u>\$39,380</u>

During 2012, of the \$27,154 goodwill impairment charge, \$5,900 had no tax basis, and therefore, is permanently nondeductible. The effect of this is included in the "International items, net of foreign tax credits" line above.

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.

Income taxes paid from continuing operations were \$30,420 in 2012, \$23,519 in 2011 and \$12,881 in 2010.

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

	February 29, 2012	February 28, 2011
Deferred tax assets:		
Employee benefit and incentive plans	\$ 62,205	\$ 54,186
Goodwill and other intangible assets	56,720	50,371
Net operating loss carryforwards	26,260	29,850
Foreign tax credit carryforward	25,957	26,638
Reserves not currently deductible	27,631	31,923
Accrued expenses deductible as paid	9,778	10,082
Deferred revenue	6,501	13,327
Deferred capital loss	8,215	8,490
Charitable contributions carryforward	367	1,271
Inventory costing	2,194	-
Other (each less than 5 percent of total assets)	12,514	7,812
	<u>238,342</u>	<u>233,950</u>
Valuation allowance	(20,670 )	(24,042 )
Total deferred tax assets	<u>217,672</u>	<u>209,908</u>
Deferred tax liabilities:		
Property, plant and equipment	37,640	21,654
Inventory costing	-	2,453
Other	2,440	3,404
Total deferred tax liabilities	<u>40,080</u>	<u>27,511</u>
Net deferred tax assets	<u>\$ 177,592</u>	<u>\$ 182,397</u>

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

	February 29, 2012	February 28, 2011
Deferred and refundable income taxes (current)	\$ 57,450	\$ 61,475
Deferred and refundable income taxes (noncurrent)	121,056	121,806
Deferred income taxes and noncurrent income taxes payable	(914 )	(884 )
Net deferred tax assets	<u>\$ 177,592</u>	<u>\$ 182,397</u>

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 29, 2012, the valuation allowance of \$20,670 related principally to certain international and domestic net operating loss carryforwards and deferred capital losses.

At February 29, 2012, the Corporation had deferred tax assets of approximately \$5,952 for international net operating loss carryforwards, of which \$4,387 has no expiration dates and \$1,565 has expiration dates ranging

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from 2028 through 2032. 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 \$14,310, \$5,998, \$367 and \$25,957, respectively. The federal net operating loss carryforwards have expiration dates ranging from 2020 to 2028. The state net operating loss carryforwards have expiration dates ranging from 2013 to 2032. The charitable contribution carryforward has an expiration date of 2015. The FTC carryforwards have expiration dates ranging from 2015 to 2019.

Deferred taxes have not been provided on approximately \$76,119 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 29, 2012, the Corporation had unrecognized tax benefits of \$30,360 that, if recognized, would have a favorable effect on the Corporation's income tax expense of \$19,160, compared to unrecognized tax benefits of \$43,323 that, if recognized, would have a favorable effect on the Corporation's income tax expense of \$32,811 at February 28, 2011. It is reasonably possible that the Corporation's unrecognized tax positions as of February 29, 2012 could decrease approximately \$11,187 during 2013 due to anticipated settlements and resulting cash payments related to open years after 1996, which are currently under examination.

The following chart reconciles the Corporation's total gross unrecognized tax benefits for the years ended February 29, 2012, February 28, 2011 and February 28, 2010:

	2012	2011	2010
Balance at beginning of year	\$43,323	\$45,661	\$34,760
Additions based on tax positions related to current year	270	2,177	12,673
Additions for tax positions of prior years	5,404	1,239	4,656
Reductions for tax positions of prior years	(8,959)	(2,405)	(6,345)
Settlements	(9,444)	(2,972)	(83)
Statute lapse	(234)	(377)	-
Balance at end of year	<u>\$30,360</u>	<u>\$43,323</u>	<u>\$45,661</u>

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 29, 2012, the Corporation recognized a net expense of \$6,530 for interest and penalties on unrecognized tax benefits and income taxes. As of February 29, 2012, the total amount of gross accrued interest and penalties related to unrecognized tax benefits and income taxes netted to a payable of \$8,558. During the year ended February 28, 2011, the Corporation recognized a net expense of \$16,621 for interest and penalties related to unrecognized tax benefits and refundable 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.

The Corporation is subject to examination by the Internal Revenue Service 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.

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### 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 29, 2012 and February 28, 2011:

	<u>Fiscal 2012</u>	<u>Quarter Ended</u>			
		<u>May 27</u>	<u>Aug 26</u>	<u>Nov 25</u>	<u>Feb 29</u>
Net sales		\$398,124	\$361,141	\$458,535	\$445,481
Total revenue		403,696	370,194	465,007	456,247
Gross profit		240,195	202,943	227,963	250,535
Net income (loss)		32,593	14,476	20,246	(10,117)
Earnings (loss) per share		\$0.80	\$0.36	\$0.51	\$(0.27)
Earnings (loss) per share – assuming dilution		0.78	0.35	0.50	(0.27)
Dividends declared per share		0.15	0.15	0.15	0.15

The fourth quarter included a pretax loss of \$30,812 related to the extinguishment of the Corporation's 7.375% senior notes and 7.375% notes due 2016. The fourth quarter also included pretax goodwill impairment charges of \$21,254 for the North American Social Expression Products segment and \$5,900 for the UK Reporting Unit.

Quarterly earnings per share amounts do not add to the full year primarily due to share repurchases during the periods and the anti-dilutive impact of potentially dilutive securities in periods in which the Corporation recorded a net loss.

	<u>Fiscal 2011</u>	<u>Quarter Ended</u>			
		<u>May 28</u>	<u>Aug 27</u>	<u>Nov 26</u>	<u>Feb 28</u>
Net sales		\$393,460	\$334,691	\$423,323	\$414,065
Total revenue		397,663	344,172	431,470	424,589
Gross profit		235,447	188,978	224,146	234,600
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.



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### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no disagreements with our independent registered public accounting firm on accounting or financial disclosure matters within the three year period ended February 29, 2012, or in any period subsequent to such date.

#### **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.

American Greetings carries out a variety of on-going 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 concluded that the Corporation's disclosure controls and procedures were effective as of February 29, 2012.

##### *Changes in Internal Control Over Financial Reporting.*

As previously reported, including most recently under "Item 4 – Controls and Procedures" in our quarterly report on Form 10-Q for the quarter ended November 25, 2011, management concluded that our internal control over financial reporting was previously not effective based on the material weakness that arose out of a deficiency in controls with respect to accounting for income taxes that resulted in the understatement of a deferred tax asset related to inventory. Management has remediated this material weakness since the filing of that report. Specifically, during the quarter ended February 29, 2012, we implemented the following changes in processes and controls within our tax function, which management believes sufficiently support its conclusion that it has completed its remediation efforts of the previously reported material weakness in internal control over financial reporting:

- we placed a senior accounting professional in a leadership position within the tax department and have retained tax professionals to facilitate additional levels of review;

- we have conducted a review of the tax department to ensure that the lines of communication, processes, procedures and controls are effective; and

- we have enhanced the documentation of all deferred tax items.

Based on management's assessment, the controls over the accounting for income taxes and deferred tax assets are deemed to be operating effectively as of February 29, 2012.

##### *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 condition, or that the degree of compliance with the policies or procedures may deteriorate. American Greetings' management assessed the effectiveness of the Corporation's internal control over financial reporting as of February 29, 2012. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).



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Based on management' s assessment under COSO' s "Internal Control-Integrated Framework," management believes that as of February 29, 2012, American Greetings' internal control over financial reporting is effective.

Ernst & Young LLP, independent registered public accounting firm, has issued an audit report on the effectiveness of internal control over financial reporting. This attestation report is set forth below.

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### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Board of Directors and Shareholders  
American Greetings Corporation

We have audited American Greetings Corporation's internal control over financial reporting as of February 29, 2012, 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 opinion, American Greetings Corporation maintained, in all material respects, effective internal control over financial reporting as of February 29, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of American Greetings Corporation as of February 29, 2012 and February 28, 2011, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended February 29, 2012 of American Greetings Corporation and our report dated April 30, 2012 expressed an unqualified audit opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio  
April 30, 2012

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### **Item 9B. Other Information**

Not applicable.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

We hereby incorporate by reference the information called for by this Item 10 from the information contained in (i) our Proxy Statement in connection with our Annual Meeting of Shareholders to be held on June 15, 2012 under the headings “Proposal One – Election of Directors,” “Security Ownership – Section 16(a) Beneficial Ownership Reporting Compliance” and “Corporate Governance” and (ii) for information regarding executive officers, Part I of this Annual Report.

### **Item 11. Executive Compensation**

We hereby incorporate by reference the information called for by this Item 11 from the information contained in our Proxy Statement in connection with our Annual Meeting of Shareholders to be held on June 15, 2012 under the headings “Compensation Discussion and Analysis,” “Fiscal 2012 Information Concerning Executive Officers,” “Director Compensation,” “Risks Related to Compensation Policies and Practices” and “Compensation Committee Report.”

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

We hereby incorporate by reference the information called for by this Item 12 from the information contained in our Proxy Statement in connection with our Annual Meeting of Shareholders to be held on June 15, 2012 under the heading “Security Ownership.”

## **EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information about our common shares that may be issued under our equity compensation plans as of February 29, 2012.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> (a)	<u>Weighted-average exercise price of outstanding options, warrants and rights</u> (b)	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> (c)
Equity compensation plans approved by security holders(1)	5,270,588	\$ 21.37	1,103,154
Equity compensation plans not approved by security holders	-	N/A	-
<b>Total</b>	<b>5,270,588</b>	<b>\$ 21.37</b>	<b>1,103,154</b>

(1) Column (a) includes the following:

3,597,427 Class A common shares and 857,581 Class B common shares that may be issued in connection with the exercise of outstanding stock options;

249,000 Class A common shares and 47,000 Class B common shares that may be issued upon the satisfaction of the remaining service-based vesting period with respect to outstanding performance shares;

291,495 Class A common shares and 74,269 Class B common shares that may be issued upon the satisfaction of the service-based vesting period with respect to outstanding restricted stock units; and



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80,707 Class A common shares and 73,109 Class B common shares representing share equivalents that have been credited to the account of certain officers or directors who have deferred receipt of shares earned and vested under our 1997 Equity and Performance Incentive Plan or our 2007 Omnibus Incentive Compensation Plan or that were to be paid in lieu of cash directors fees under the 1995 Director Stock Plan, which will be issued under these plans upon the expiration of the deferral period.

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

Column (c) includes 963,234 Class A common shares and 139,920 Class B common shares, which shares may generally be issued under the Corporation's equity compensation plans upon the exercise of stock options or stock appreciation rights and/or vesting of awards of deferred shares, performance shares or restricted stock units.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

We hereby incorporate by reference the information called for by this Item 13 from the information contained in our Proxy Statement in connection with our Annual Meeting of Shareholders to be held on June 15, 2012 under the headings "Certain Relationships and Related Transactions" and "Corporate Governance."

### **Item 14. Principal Accounting Fees and Services**

We hereby incorporate by reference the information called for by this Item 14 from the information contained in our Proxy Statement in connection with our Annual Meeting of Shareholders to be held on June 15, 2012 under the heading "Independent Registered Public Accounting Firm."

## **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	49
	Consolidated Statement of Operations – Years ended February 29, 2012, February 28, 2011 and February 28, 2010	50
	Consolidated Statement of Financial Position – February 29, 2012 and February 28, 2011	51
	Consolidated Statement of Cash Flows – Years ended February 29, 2012, February 28, 2011 and February 28, 2010	52
	Consolidated Statement of Shareholders' Equity – Years ended February 29, 2012, February 28, 2011 and February 28, 2010	53
	Notes to Consolidated Financial Statements – Years ended February 29, 2012, February 28, 2011 and February 28, 2010	54
	Quarterly Results of Operations (Unaudited)	89
2.	Financial Statement Schedules	
	Schedule II – Valuation and Qualifying Accounts	S-1
3.	Exhibits required by Item 601 of Regulation S-K	



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<u>Item</u>	<u>Description</u>
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 fiscal quarter ended May 29, 2009, 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.
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	Indenture, dated November 30, 2011, between the Corporation, as Issuer, and The Bank of Nova Scotia Trust Company of New York, as Trustee. This Exhibit is filed herewith.
4.4	First Supplemental Indenture, dated November 30, 2011, between the Corporation, as Issuer, and The Bank of Nova Scotia Trust Company of New York, as Trustee, with respect to the Corporation's 7.375% Senior Notes due 2021. This Exhibit is filed herewith.
4.5	Form of Global Note for the 7.375% Senior Notes due 2021. This Exhibit is included in the First Supplemental Indenture, dated November 30, 2011, between the Corporation, as Issuer, and The Bank of Nova Scotia Trust Company of New York, as Trustee, with respect to the Corporation's 7.375% Senior Notes due 2021, which is filed herewith.

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<u>Item</u>	<u>Description</u>
10	Material Contracts
10.1	<p>Amended and Restated Credit Agreement, dated as of June 11, 2010 (the “Credit Agreement”), 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.</p> <p>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.</p>
10.2	<p>Amended and Restated Pledge and Security Agreement, dated as of June 11, 2010 (the “Pledge Agreement”), by and among the Corporation, each of the domestic subsidiaries of the Corporation identified therein and PNC Bank, National Association, as Collateral Agent.</p> <p>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.</p>
10.3	<p>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.</p> <p>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.</p>
10.4	<p>First Amendment to Credit Agreement, dated as of January 18, 2012.</p> <p>This Exhibit is filed herewith.</p>
10.5	<p>First Amendment to Pledge and Security Agreement, dated as of January 18, 2012.</p> <p>This Exhibit is filed herewith.</p>
10.6	<p>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”).</p> <p>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.</p>
10.7	<p>First Amendment to Receivables Purchase Agreement, dated January 12, 2007.</p> <p>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.</p>
10.8	<p>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.</p> <p>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.</p>
10.9	<p>Third Amendment to Receivables Purchase Agreement, dated March 28, 2008.</p> <p>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.</p>

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<u>Item</u>	<u>Description</u>
10.10	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.
10.11	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. This Exhibit has been previously filed as an Exhibit to the Corporation's Annual Report on Form 10-K for the year ended February 28, 2011, and is incorporated herein by reference.
10.12	Sixth Amendment to Receivables Purchase Agreement, dated September 21, 2011. This Exhibit has been previously filed as an Exhibit to the Corporation's Quarterly Report on Form 10-Q for the quarter ended November 25, 2011, and is incorporated herein by reference.
10.13	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. This Exhibit has been previously filed as an Exhibit to the Corporation's Annual Report on Form 10-K for the year ended February 28, 2011, and is incorporated herein by reference.
10.14	Limited Guaranty, issued by the Corporation to Wells Fargo Retail Finance, LLC, dated April 17, 2009. This Exhibit has been previously filed as an Exhibit to the Corporation's Annual Report on Form 10-K for the year ended February 28, 2011, and is incorporated herein by reference.
*10.15	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.
*10.16	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.
*10.17	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.
*10.18	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.
*10.19	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 fiscal quarter ended August 31, 2005, and is incorporated herein by reference.
*10.20	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 fiscal quarter ended August 31, 2005, and is incorporated herein by reference.
*10.21	Amendment Two to American Greetings Corporation Executive Deferred Compensation Plan.

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<u>Item</u>	<u>Description</u>
	This Exhibit has been previously filed as an Exhibit to the Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2005, and is incorporated herein by reference.
*10.22	Amendment 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 fiscal quarter ended August 31, 2005, and is incorporated herein by reference.
*10.23	Amendment Number Four to American Greetings Corporation Executive Deferred Compensation Plan and Amendment Number One to 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.
*10.24	Amendment Number Five to American Greetings Corporation Executive Deferred Compensation Plan. This Exhibit has been previously filed as an Exhibit to the Corporation's Annual Report on Form 10-K for the year ended February 28, 2011, and is incorporated herein by reference.
*10.25	Amendment Number Six to American Greetings Corporation Executive Deferred Compensation Plan. This Exhibit is filed herewith.
*10.26	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 fiscal quarter ended August 31, 2005, and is incorporated herein by reference.
*10.27	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.
*10.28	Amendment Number One to American Greetings Corporation Outside Directors' Deferred Compensation Plan. This Exhibit is filed herewith.
*10.29	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.
*10.30	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.
*10.31	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.
*10.32	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.

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<u>Item</u>	<u>Description</u>
*10.33	American Greetings Corporation 2007 Omnibus Incentive Compensation Plan, as Amended May 1, 2011. 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 27, 2011, and is incorporated herein by reference.
*10.34	Description of Compensation Payable to Non-Employee Directors. This Exhibit has been previously filed as an Exhibit to the Corporation's Annual Report on Form 10-K for the year ended February 28, 2011, and is incorporated herein by reference.
*10.35	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 fiscal quarter ended November 23, 2007, and is incorporated herein by reference.
*10.36	Severance Agreement, dated as of February 28, 2011, between Robert Swellie 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, 2011, and is incorporated herein by reference.
*10.37	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.
*10.38	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.
*10.39	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.
*10.40	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.
*10.41	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.
*10.42	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.

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<u>Item</u>	<u>Description</u>
*10.43	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.
*10.44	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.
*10.45	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.
*10.46	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 fiscal quarter ended May 30, 2008, and is incorporated herein by reference.
*10.47	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.
*10.48	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 fiscal quarter ended May 28, 2010, and is incorporated herein by reference.
*10.49	Key Management Annual Incentive Plan (fiscal year 2012 description). 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 27, 2011, and is incorporated herein by reference.
*10.50	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.
*10.51	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.
*10.52	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.



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<u>Item</u>	<u>Description</u>
*10.53	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.
*10.54	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 fiscal quarter ended May 25, 2007, and is incorporated herein by reference.
*10.55	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 fiscal quarter ended August 24, 2007, and is incorporated herein by reference.
*10.56	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.
*10.57	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.
*10.58	Form of Employee Restricted Stock Unit Agreement (for grants prior to April 30, 2012). This Exhibit has been previously filed as an Exhibit to the Corporation's Annual Report on Form 10-K for the year ended February 28, 2011, and is incorporated herein by reference.
*10.59	Form of Employee Restricted Stock Unit Agreement (for grants on or after April 30, 2012). This Exhibit is filed herewith.
*10.60	Form of Director Restricted Stock Unit 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, 2011, and is incorporated herein by reference.
21	Subsidiaries of the Corporation This Exhibit is filed herewith.
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.

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<u>Item</u>	<u>Description</u>
101	<p>The following materials from the Corporation's Annual Report on Form 10-K for the fiscal year ended February 29, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Operations for the years ended February 29, 2012, February 28, 2011 and February 28, 2010, (ii) Consolidated Statement of Financial Position at February 29, 2012 and February 28, 2011, (iii) Consolidated Statement of Cash Flows for the years ended February 29, 2012, February 28, 2011 and February 28, 2010, (iv) Consolidated Statement of Shareholders' Equity for the years ended February 29, 2012, February 28, 2011 and February 28, 2010, and (v) Notes to Consolidated Financial Statements for the year ended February 29, 2012.</p> <p>In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K 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.</p>

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

(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

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.



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## 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: April 30, 2012

By: /s/ Catherine M. Kilbane

**Catherine M. Kilbane, Senior Vice President,  
General Counsel and Secretary**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURE		TITLE	DATE	
/s/	Morry Weiss	Chairman of the Board; Director	)	April 30, 2012
Morry Weiss			)	
			)	
/s/	Zev Weiss	Chief Executive Officer (principal executive officer); Director	)	
Zev Weiss			)	
			)	
/s/	Jeffrey Weiss	President and Chief Operating Officer; Director	)	
Jeffrey Weiss			)	
			)	
/s/	Scott S. Cowen	Director	)	
Scott S. Cowen			)	
			)	
/s/	Jeffrey D. Dunn	Director	)	
Jeffrey D. Dunn			)	
			)	
/s/	William E. MacDonald, III	Director	)	
William E. MacDonald, III			)	
			)	
/s/	Michael J. Merriman, Jr.	Director	)	
Michael J. Merriman, Jr.			)	
			)	
/s/	Charles A. Ratner	Director	)	
Charles A. Ratner			)	
			)	
/s/	Jerry Sue Thornton	Director	)	
Jerry Sue Thornton			)	
			)	
/s/	Stephen J. Smith	Senior Vice President and Chief Financial Officer (principal financial officer)	)	
Stephen J. Smith			)	
			)	

/s/ Joseph B. Cipollone

Joseph B. Cipollone

Vice President and Chief Accounting Officer  
(principal accounting officer)

)  
)  
)

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**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**  
**AMERICAN GREETINGS CORPORATION AND SUBSIDIARIES**

(In thousands of dollars)

<u>COLUMN A</u>	<u>COLUMN B</u>	<u>COLUMN C</u>		<u>COLUMN D</u>	<u>COLUMN E</u>
		<u>ADDITIONS</u>			
		(1)	(2)		
<u>Description</u>	<u>Balance at</u>	<u>Charged to</u>	<u>Charged (Credited)</u>	<u>Deductions-</u>	<u>Balance</u>
	<u>Beginning of</u>	<u>Costs</u>	<u>to Other</u>	<u>Describe</u>	<u>at End</u>
	<u>Period</u>	<u>and</u>	<u>Accounts-Describe</u>		<u>of Period</u>
		<u>Expenses</u>			
Year ended February 29, 2012:					
Deduction from asset account:					
Allowance for doubtful accounts	\$ 5,374	\$4,776	\$ 64 (A)	\$5,734 (B)	\$ 4,480
Allowance for seasonal sales returns	\$ 34,058	\$152,786	\$ (159) (A)	\$152,400 (C)	\$ 34,285
Allowance for other assets	\$ 10,700	\$603	\$ -	\$1,303 (D)	\$ 10,000
Year ended February 28, 2011:					
Deduction from asset account:					
Allowance for doubtful accounts	\$ 2,963	\$3,834	\$ (47) (A)	\$1,376 (B)	\$ 5,374
Allowance for seasonal sales returns	\$ 36,443	\$164,389	\$ 896 (A)	\$167,670 (C)	\$ 34,058
Allowance for other assets	\$ 12,400	\$(455 )	\$ -	\$1,245 (D)	\$ 10,700
Year ended February 28, 2010:					
Deduction from asset account:					
Allowance for doubtful accounts	\$ 5,006	\$478	\$ 264 (A)	\$2,785 (B)	\$ 2,963
Allowance for seasonal sales returns	\$ 47,121	\$179,109	\$ 1,854 (A)	\$191,641 (C)	\$ 36,443
Allowance for other assets	\$ 30,897	\$(3,786 )	\$ -	\$14,711 (D)	\$ 12,400

Note A: Translation adjustment on foreign subsidiary balances.

Note B: Accounts charged off, less recoveries.

Note C: Sales returns charged to the allowance account for actual returns.

Note D: Deferred contract costs charged to the allowance account.

**AMERICAN GREETINGS CORPORATION**

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**INDENTURE**

Dated as of November 30, 2011

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**THE BANK OF NOVA SCOTIA TRUST COMPANY OF NEW YORK**  
as Trustee

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AMERICAN GREETINGS CORPORATION

Reconciliation and tie between Trust Indenture Act of 1939 and  
Indenture, dated as of November 30, 2011

§ 310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(a)(5)	7.10
(b)	7.10
§ 311(a)	7.11
(b)	7.11
(c)	Not Applicable
§ 312(a)	2.6
(b)	10.3
(c)	10.3
§ 313(a)	7.6
(b)(1)	7.6
(b)(2)	7.6
(c)(1)	7.6
(d)	7.6
§ 314(a)	4.2, 10.5
(b)	Not Applicable
(c)(1)	10.4
(c)(2)	10.4
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	10.5
(f)	Not Applicable
§ 315(a)	7.1
(b)	7.5
(c)	7.1
(d)	7.1
(e)	6.14
§ 316(a)	2.10
(a)(1)(A)	6.12
(a)(1)(B)	6.13
(b)	6.8
§ 317(a)(1)	6.3
(a)(2)	6.4
(b)	2.5
§ 318(a)	10.1

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Note: This reconciliation and tie shall not, for any purpose, be deemed to be part of the Indenture.



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Indenture dated as of November 30, 2011 between American Greetings Corporation, an Ohio corporation (“*Company*”), and The Bank of Nova Scotia Trust Company of New York, a trust company organized and existing under the laws of the State of New York, as trustee (“*Trustee*”).

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Securities issued under this Indenture.

## ARTICLE I. DEFINITIONS AND INCORPORATION BY REFERENCE

### Section 1.1. Definitions.

“*Additional Amounts*” means any additional amounts which are required hereby or by any Security, under circumstances specified herein or therein, to be paid by the Company in respect of certain taxes imposed on Holders specified herein or therein and which are owing to such Holders.

“*Affiliate*” of any specified person means any other person directly or indirectly controlling or controlled by or under common control with such specified person. For the purposes of this definition, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities or by agreement or otherwise.

“*Agent*” means any Registrar, Paying Agent or Service Agent.

“*Board of Directors*” means the Board of Directors of the Company or any duly authorized committee thereof.

“*Board Resolution*” means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been adopted by the Board of Directors or pursuant to authorization by the Board of Directors and to be in full force and effect on the date of the certificate and delivered to the Trustee.

“*Business Day*” means, unless otherwise provided by Board Resolution, Officer’s Certificate or supplemental indenture hereto for a particular Series, any day except a Saturday, Sunday or a legal holiday in The City of New York on which banking institutions are authorized or required by law, regulation or executive order to close.

“*Capital Stock*” means any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock.

“*Company*” means the party named as such above until a successor replaces it and thereafter means the successor.

“*Company Order*” means a written order of the Company, signed by an Officer of the Company, and delivered to the Trustee.

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*“Company Request”* means a written request signed in the name of the Company by its Chief Executive Officer, the President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

*“Corporate Trust Office”* means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered.

*“Default”* means any event which is, or after notice or passage of time or both would be, an Event of Default.

*“Depository”* means, with respect to the Securities of any Series issuable or issued in whole or in part in the form of one or more Global Securities, the person designated as Depository for such Series by the Company, which Depository shall be a clearing agency registered under the Exchange Act; and if at any time there is more than one such person, “Depository” as used with respect to the Securities of any Series shall mean the Depository with respect to the Securities of such Series.

*“Discount Security”* means any Security that provides for an amount less than the stated principal amount thereof to be due and payable upon declaration of acceleration of the maturity thereof pursuant to Section 6.2.

*“Dollars”* and *“\$”* means the currency of The United States of America.

*“ECU”* means the European Currency Unit as determined by the Commission of the European Union.

*“Exchange Act”* means the Securities Exchange Act of 1934, as amended.

*“Foreign Currency”* means any currency or currency unit issued by a government other than the government of The United States of America.

*“Foreign Government Obligations”* means, with respect to Securities of any Series that are denominated in a Foreign Currency, (i) direct obligations of the government that issued or caused to be issued such currency for the payment of which obligations its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by or acting as an agency or instrumentality of such government the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by such government, which, in either case under clauses (i) or (ii), are not callable or redeemable at the option of the issuer thereof.

*“GAAP”* means accounting principles generally accepted in the United States of America set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect as of the date of determination.

*“Global Security”* or *“Global Securities”* means a Security or Securities, as the case may be, in the form established pursuant to Section 2.2 evidencing all or part of

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a Series of Securities, issued to the Depositary for such Series or its nominee, and registered in the name of such Depositary or nominee.

“*Holder*” or “*Securityholder*” means a person in whose name a Security is registered.

“*Indenture*” means this Indenture as amended or supplemented from time to time and shall include the form and terms of particular Series of Securities established as contemplated hereunder.

“*interest*” with respect to any Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

“*Maturity*,” when used with respect to any Security, means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

“*Officer*” means, with respect to the Company, the Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer, the Secretary, any Executive or Senior Vice President, or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title “Vice President”), the Treasurer or any Assistant Treasurer or Controller, or Secretary or any Assistant Secretary.

“*Officer’s Certificate*” when used with respect to the Company, means a certificate that is delivered to the Trustee and that is signed by an Officer of the Company. The Officer giving an Officer’s Certificate pursuant to Section 4.3 shall be the principal executive, financial or accounting officer of the Company.

“*Opinion of Counsel*” means a written opinion of legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

“*person*” means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“*principal*” of a Security means the principal of the Security plus, when appropriate, the premium, if any, on, and any Additional Amounts in respect of, the Security.

“*Responsible Officer*” means any officer of the Trustee in its Corporate Trust Office and also means, with respect to a particular corporate trust matter, any other officer to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with a particular subject.

“*SEC*” means the Securities and Exchange Commission.

“*Security*” or “*Securities*” means the debentures, notes or other debt instruments of the Company of any Series authenticated and delivered under this Indenture.

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“*Series*” or “*Series of Securities*” means each series of debentures, notes or other debt instruments of the Company created pursuant to Sections 2.1 and 2.2 hereof.

“*Stated Maturity*” when used with respect to any Security, means the date specified in such Security as the fixed date on which the principal of such Security or interest is due and payable.

“*Subsidiary*” of any specified person means any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such person or one or more of the other Subsidiaries of that person or a combination thereof.

“*TIA*” means the Trust Indenture Act of 1939 (15 U.S. Code §§ 77aaa-77bbbb) as in effect on the date of this Indenture; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, “*TIA*” means, to the extent required by any such amendment, the Trust Indenture Act as so amended.

“*Trustee*” means the person named as the “*Trustee*” in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “*Trustee*” shall mean or include each person who is then a Trustee hereunder, and if at any time there is more than one such person, “*Trustee*” as used with respect to the Securities of any Series shall mean the Trustee with respect to Securities of that Series.

“*U.S. Government Obligations*” means securities which are (i) direct obligations of The United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of The United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by The United States of America, and which in the case of (i) and (ii) are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt, *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation evidenced by such depository receipt.

#### Section 1.2. Other Definitions.

	<u>TERM</u>	<u>DEFINED IN</u> <u>SECTION</u>
	“ <i>Bankruptcy Law</i> ”	6.1
	“ <i>Custodian</i> ”	6.1
	“ <i>Event of Default</i> ”	6.1
	“ <i>Journal</i> ”	10.15

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<i>“Judgment Currency”</i>	10.16
<i>“Legal Holiday”</i>	10.7
<i>“mandatory sinking fund payment”</i>	11.1
<i>“Market Exchange Rate”</i>	10.15
<i>“New York Banking Day”</i>	10.16
<i>“optional sinking fund payment”</i>	11.1
<i>“Paying Agent”</i>	2.4
<i>“Registrar”</i>	2.4
<i>“Required Currency”</i>	10.16
<i>“Service Agent”</i>	2.4
<i>“successor person”</i>	5.1

### Section 1.3. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

*“Commission”* means the SEC.

*“indenture securities”* means the Securities.

*“indenture security holder”* means a Securityholder.

*“indenture to be qualified”* means this Indenture.

*“indenture trustee”* or *“institutional trustee”* means the Trustee.

*“obligor”* on the indenture securities means the Company and any successor obligor upon the Securities.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA and not otherwise defined herein are used herein as so defined.

### Section 1.4. Rules of Construction.

Unless the context otherwise requires:

- (a) a term has the meaning assigned to it;
- (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;
- (c) “or” is not exclusive;
- (d) words in the singular include the plural, and in the plural include the singular; and

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(e) provisions apply to successive events and transactions.

## ARTICLE II. THE SECURITIES

### Section 2.1. Issuable in Series.

The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued in one or more Series. All Securities of a Series shall be identical except as may be set forth or determined in the manner provided in a Board Resolution, supplemental indenture or Officer' s Certificate detailing the adoption of the terms thereof pursuant to authority granted under a Board Resolution. In the case of Securities of a Series to be issued from time to time, the Board Resolution, Officer' s Certificate or supplemental indenture detailing the adoption of the terms thereof pursuant to authority granted under a Board Resolution may provide for the method by which specified terms (such as interest rate, maturity date, record date or date from which interest shall accrue) are to be determined. Securities may differ between Series in respect of any matters, provided that all Series of Securities shall be equally and ratably entitled to the benefits of the Indenture.

### Section 2.2. Establishment of Terms of Series of Securities.

At or prior to the issuance of any Securities within a Series, the following shall be established (as to the Series generally, in the case of Subsection 2.2.1 and either as to such Securities within the Series or as to the Series generally in the case of Subsections 2.2.2 through 2.2.23) by or pursuant to a Board Resolution, and set forth or determined in the manner provided in a Board Resolution, supplemental indenture or Officer' s Certificate:

2.2.1. the title of the Series (which shall distinguish the Securities of that particular Series from the Securities of any other Series);

2.2.2. the price or prices (expressed as a percentage of the principal amount thereof) at which the Securities of the Series will be issued;

2.2.3. any limit upon the aggregate principal amount of the Securities of the Series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the Series pursuant to Section 2.7, 2.8, 2.11, 3.6 or 9.6);

2.2.4. the date or dates on which the principal of the Securities of the Series is payable;

2.2.5. the rate or rates (which may be fixed or variable) per annum or, if applicable, the method used to determine such rate or rates (including, but not limited to, any commodity, commodity index, stock exchange index or financial index) at which the Securities of the Series shall bear interest, if any, the date or dates from which such interest, if any, shall accrue, the date or dates on which such interest, if any, shall commence and be payable and any regular record date for the interest payable on any interest payment date;

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2.2.6. the place or places where the principal of and interest, if any, on the Securities of the Series shall be payable, where the Securities of such Series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of such Series and this Indenture may be served, and the method of such payment, if by wire transfer, mail or other means;

2.2.7. if applicable, the period or periods within which, the price or prices at which and the terms and conditions upon which the Securities of the Series may be redeemed, in whole or in part, at the option of the Company;

2.2.8. the obligation, if any, of the Company to redeem or purchase the Securities of the Series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the Series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

2.2.9. the dates, if any, on which and the price or prices at which the Securities of the Series will be repurchased by the Company at the option of the Holders thereof and other detailed terms and provisions of such repurchase obligations;

2.2.10. if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which the Securities of the Series shall be issuable;

2.2.11. the forms of the Securities of the Series and whether the Securities will be issuable as Global Securities;

2.2.12. if other than the principal amount thereof, the portion of the principal amount of the Securities of the Series that shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 6.2;

2.2.13. the currency of denomination of the Securities of the Series, which may be Dollars or any Foreign Currency, including, but not limited to, the ECU, and if such currency of denomination is a composite currency other than the ECU, the agency or organization, if any, responsible for overseeing such composite currency;

2.2.14. the designation of the currency, currencies or currency units in which payment of the principal of and interest, if any, on the Securities of the Series will be made;

2.2.15. if payments of principal of or interest, if any, on the Securities of the Series are to be made in one or more currencies or currency units other than that or those in which such Securities are denominated, the manner in which the exchange rate with respect to such payments will be determined;

2.2.16. the manner in which the amounts of payment of principal of or interest, if any, on the Securities of the Series will be determined, if such amounts may be determined by reference to an index based on a currency or currencies or by reference to a commodity, commodity index, stock exchange index or financial index;

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2.2.17. the provisions, if any, relating to any security provided for the Securities of the Series;

2.2.18. any addition to or change in the Events of Default which applies to any Securities of the Series and any change in the right of the Trustee or the requisite Holders of such Securities to declare the principal amount thereof due and payable pursuant to Section 6.2;

2.2.19. any addition to or change in the covenants set forth in Articles IV or V which applies to Securities of the Series;

2.2.20. any other terms of the Securities of the Series (which may supplement, modify or delete any provision of this Indenture insofar as it applies to such Series);

2.2.21. any depositaries, interest rate calculation agents, exchange rate calculation agents or other agents with respect to Securities of such Series if other than those appointed herein;

2.2.22. the provisions, if any, relating to conversion of any Securities of such Series, including if applicable, the conversion price, the conversion period, provisions as to whether conversion will be mandatory, at the option of the Holders thereof or at the option of the Company, the events requiring an adjustment of the conversion price and provisions affecting conversion if such Series of Securities are redeemed; and

2.2.23. whether the Securities of such Series will be senior debt securities or subordinated debt securities and, if applicable, a description of the subordination terms thereof.

All Securities of any one Series need not be issued at the same time and may be issued from time to time, consistent with the terms of this Indenture, if so provided by or pursuant to the Board Resolution, supplemental indenture hereto or Officer' s Certificate referred to above.

### Section 2.3. Execution and Authentication.

A duly authorized Officer shall sign the Securities for the Company by manual or facsimile signature.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

The Trustee shall at any time, and from time to time, authenticate Securities for original issue in the principal amount provided in the Board Resolution, supplemental indenture hereto or Officer' s Certificate, upon receipt by the Trustee of a Company Order. Such Company Order may authorize authentication and delivery pursuant to oral or electronic instructions from



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the Company or its duly authorized agent or agents, which oral instructions shall be promptly confirmed in writing. Each Security shall be dated the date of its authentication.

The aggregate principal amount of Securities of any Series outstanding at any time may not exceed any limit upon the maximum principal amount for such Series set forth in the Board Resolution, supplemental indenture hereto or Officer's Certificate delivered pursuant to Section 2.2, except as provided in Section 2.8.

Prior to the issuance of Securities of any Series, the Trustee shall have received and (subject to Section 7.2) shall be fully protected in relying on: (a) the Board Resolution, supplemental indenture hereto or Officer's Certificate establishing the form of the Securities of that Series or of Securities within that Series and the terms of the Securities of that Series or of Securities within that Series, (b) an Officer's Certificate complying with Section 10.4, and (c) an Opinion of Counsel complying with Section 10.4.

The Trustee shall have the right to decline to authenticate and deliver any Securities of such Series: (a) if the Trustee, being advised by counsel, determines that such action may not be taken lawfully; or (b) if the Trustee in good faith by its board of directors or trustees, executive committee or a trust committee of directors and/or vice-presidents shall determine that such action would expose the Trustee to personal liability to Holders of any then outstanding Series of Securities.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

#### Section 2.4. Registrar and Paying Agent.

The Company shall maintain, with respect to each Series of Securities, at the place or places specified with respect to such Series pursuant to Section 2.2, an office or agency where Securities of such Series may be presented or surrendered for payment ("*Paying Agent*"), where Securities of such Series may be surrendered for registration of transfer or exchange ("*Registrar*") and where notices and demands to or upon the Company in respect of the Securities of such Series and this Indenture may be served ("*Service Agent*"). The Registrar shall keep a register with respect to each Series of Securities and to their transfer and exchange. The Company will give prompt written notice to the Trustee of the name and address, and any change in the name or address, of each Registrar, Paying Agent or Service Agent. If at any time the Company shall fail to maintain any such required Registrar, Paying Agent or Service Agent or shall fail to furnish the Trustee with the name and address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more co-registrars, additional paying agents or additional service agents and may from time to time rescind such

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designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligations to maintain a Registrar, Paying Agent and Service Agent in each place so specified pursuant to Section 2.2 for Securities of any Series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the name or address of any such co-registrar, additional paying agent or additional service agent. The term “*Registrar*” includes any co-registrar; the term “*Paying Agent*” includes any additional paying agent; and the term “*Service Agent*” includes any additional service agent.

The Company hereby appoints the Trustee the initial Registrar, Paying Agent and Service Agent for each Series unless another Registrar, Paying Agent or Service Agent, as the case may be, is appointed prior to the time Securities of that Series are first issued.

#### Section 2.5. Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust, for the benefit of Securityholders of any Series of Securities, or the Trustee, all money held by the Paying Agent for the payment of principal of or interest on the Series of Securities, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary of the Company) shall have no further liability for the money. If the Company or a Subsidiary of the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of Securityholders of any Series of Securities all money held by it as Paying Agent.

#### Section 2.6. Securityholder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders of each Series of Securities and shall otherwise comply with TIA § 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least ten days before each interest payment date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Securityholders of each Series of Securities.

#### Section 2.7. Transfer and Exchange.

Where Securities of a Series are presented to the Registrar or a co-registrar with a request to register a transfer or to exchange them for an equal principal amount of Securities of the same Series, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met. To permit registrations of transfers and exchanges, the Trustee shall authenticate Securities at the Registrar's request. No service charge shall be made for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Company may require payment of a sum sufficient to cover any transfer tax or similar

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governmental charge payable in connection therewith (other than any such transfer tax or similar governmental charge payable upon exchanges pursuant to Sections 2.11, 3.6 or 9.6).

Neither the Company nor the Registrar shall be required (a) to issue, register the transfer of, or exchange Securities of any Series for the period beginning at the opening of business fifteen days immediately preceding the mailing of a notice of redemption of Securities of that Series selected for redemption and ending at the close of business on the day of such mailing, or (b) to register the transfer of or exchange Securities of any Series selected, called or being called for redemption as a whole or the portion being redeemed of any such Securities selected, called or being called for redemption in part.

Section 2.8. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same Series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and make available for delivery, in lieu of any such destroyed, lost or stolen Security, a new Security of the same Series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any Series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that Series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

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#### Section 2.9. Outstanding Securities.

The Securities outstanding at any time are all the Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest on a Global Security effected by the Trustee in accordance with the provisions hereof and those described in this Section as not outstanding.

If a Security is replaced pursuant to Section 2.8, it ceases to be outstanding until the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the Paying Agent (other than the Company, a Subsidiary of the Company or an Affiliate of the Company) holds on the Maturity of Securities of a Series money sufficient to pay such Securities payable on that date, then on and after that date such Securities of the Series cease to be outstanding and interest on them ceases to accrue.

A Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

In determining whether the Holders of the requisite principal amount of outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of a Discount Security that shall be deemed to be outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 6.2.

#### Section 2.10. Treasury Securities.

In determining whether the Holders of the required principal amount of Securities of a Series have concurred in any request, demand, authorization, direction, notice, consent or waiver, Securities of a Series owned by the Company or any Affiliate of the Company shall be disregarded, except that for the purposes of determining whether the Trustee shall be protected in relying on any such request, demand, authorization, direction, notice, consent or waiver only Securities of a Series that the Trustee knows are so owned shall be so disregarded.

#### Section 2.11. Temporary Securities.

Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities upon a Company Order. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee upon request shall authenticate definitive Securities of the same Series and date of maturity in exchange for temporary Securities. Until so exchanged, temporary securities shall have the same rights under this Indenture as the definitive Securities.

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#### Section 2.12. Cancellation.

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for transfer, exchange, payment, replacement or cancellation and shall destroy such canceled Securities (subject to the record retention requirement of the Exchange Act) and deliver a certificate of such destruction to the Company. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation.

#### Section 2.13. Defaulted Interest.

If the Company defaults in a payment of interest on a Series of Securities, it shall pay the defaulted interest, plus, to the extent permitted by law, any interest payable on the defaulted interest, to the persons who are Securityholders of the Series on a subsequent special record date. The Company shall fix the record date and payment date. At least 10 days before the record date, the Company shall mail to the Trustee and to each Securityholder of the Series a notice that states the record date, the payment date and the amount of interest to be paid. The Company may pay defaulted interest in any other lawful manner.

#### Section 2.14. Global Securities.

2.14.1. Terms of Securities. A Board Resolution, a supplemental indenture hereto or an Officer's Certificate shall establish whether the Securities of a Series shall be issued in whole or in part in the form of one or more Global Securities and the Depositary for such Global Security or Securities.

2.14.2. Transfer and Exchange. Notwithstanding any provisions to the contrary contained in Section 2.7 of the Indenture and in addition thereto, any Global Security shall be exchangeable pursuant to Section 2.7 of the Indenture for Securities registered in the names of Holders other than the Depositary for such Security or its nominee only if (i) such Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time such Depositary ceases to be a clearing agency registered under the Exchange Act, and, in either case, the Company fails to appoint a successor Depositary registered as a clearing agency under the Exchange Act within 90 days of such event or (ii) the Company executes and delivers to the Trustee an Officer's Certificate to the effect that such Global Security shall be so exchangeable. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Securities registered in such names as the Depositary shall direct in writing in an aggregate principal amount equal to the principal amount of the Global Security with like tenor and terms.

Except as provided in this Section 2.14.2, a Global Security may not be transferred except as a whole by the Depositary with respect to such Global Security to a nominee of such Depositary, by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such a successor Depositary.

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2.14.3. Legend. Any Global Security issued hereunder shall bear a legend in substantially the following form:

“This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of the Depositary or a nominee of the Depositary. This Security is exchangeable for Securities registered in the name of a person other than the Depositary or its nominee only in the limited circumstances described in the Indenture, and may not be transferred except as a whole by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such a successor Depositary.”

2.14.4. Acts of Holders. The Depositary, as a Holder, may appoint agents and otherwise authorize participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action which a Holder is entitled to give or take under the Indenture.

2.14.5. Payments. Notwithstanding the other provisions of this Indenture, unless otherwise specified as contemplated by Section 2.2, payment of the principal of and interest, if any, on any Global Security shall be made to the Holder thereof.

2.14.6. Consents, Declaration and Directions. Except as provided in Section 2.14.5, the Company, the Trustee and any Agent shall treat a person as the Holder of such principal amount of outstanding Securities of such Series represented by a Global Security as shall be specified in a written statement of the Depositary with respect to such Global Security, for purposes of obtaining any consents, declarations, waivers or directions required to be given by the Holders pursuant to this Indenture.

#### Section 2.15. CUSIP Numbers.

The Company in issuing the Securities may use “CUSIP” numbers (if then generally in use), and, if so, the Trustee shall use “CUSIP” numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other elements of identification printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

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Section 2.16. Form of Trustee' s Certification of Authentication.

The Trustee' s certificate of authentication on all Securities shall be in substantially the following form:

This is one of the Securities of the Series designated herein and referred to in the within-mentioned Indenture.

The Bank of Nova Scotia Trust  
Company of New York,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

ARTICLE III. REDEMPTION

Section 3.1. Notice to Trustee.

The Company may, with respect to any Series of Securities, reserve the right to redeem and pay the Series of Securities or may covenant to redeem and pay the Series of Securities or any part thereof prior to the Stated Maturity thereof at such time and on such terms as provided for in such Securities. If a Series of Securities is redeemable and the Company wants or is obligated to redeem prior to the Stated Maturity thereof all or part of the Series of Securities pursuant to the terms of such Securities, it shall notify the Trustee of the redemption date and the principal amount of Series of Securities to be redeemed. The Company shall give the notice to the Trustee at least 30 days before the redemption date (or such shorter notice as may be acceptable to the Trustee).

Section 3.2. Selection of Securities to be Redeemed.

Unless otherwise indicated for a particular Series by a Board Resolution, a supplemental indenture hereto or an Officer' s Certificate, if less than all the Securities of a Series are to be redeemed, the Trustee shall select the Securities of the Series to be redeemed in any manner that the Trustee deems fair and appropriate. The Trustee shall make the selection from Securities of the Series outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities of the Series that have denominations larger than \$1,000. Securities of the Series and portions of them it selects shall be in amounts of \$1,000 or whole multiples of \$1,000 or, with respect to Securities of any Series issuable in other denominations pursuant to Section 2.2.10, the minimum principal denomination for each Series and integral multiples thereof. Provisions of this Indenture that apply to Securities of a Series called for redemption also apply to portions of Securities of that Series called for redemption.

Section 3.3. Notice of Redemption.

Unless otherwise indicated for a particular Series by Board Resolution, a supplemental indenture hereto or an Officer' s Certificate, at least 15 days but not more than 60

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days before a redemption date, the Company shall mail a notice of redemption by first-class mail to each Holder whose Securities are to be redeemed.

The notice shall identify the Securities of the Series to be redeemed and shall state:

- (a) the redemption date;
- (b) the redemption price;
- (c) the name and address of the Paying Agent;
- (d) that Securities of the Series called for redemption must be surrendered to the Paying Agent to collect the redemption price;
- (e) that interest on Securities of the Series called for redemption ceases to accrue on and after the redemption date;
- (f) the CUSIP number, if any; and
- (g) any other information as may be required by the terms of the particular Series or the Securities of a Series being redeemed.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense. In such event, the Company shall provide the Trustee with the information required by this Section at least 30 days before the redemption date.

#### Section 3.4. Effect of Notice of Redemption.

Once notice of redemption is mailed or published as provided in Section 3.3, Securities of a Series called for redemption become due and payable on the redemption date and at the redemption price. A notice of redemption may not be conditional. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price plus accrued interest to the redemption date.

#### Section 3.5. Deposit of Redemption Price.

On or before 10:00 a.m., New York City time, on the redemption date, the Company shall deposit with the Paying Agent money sufficient to pay the redemption price of and accrued interest, if any, on all Securities to be redeemed on that date.

#### Section 3.6. Securities Redeemed in Part.

Upon surrender of a Security that is redeemed in part, the Trustee shall authenticate for the Holder a new Security of the same Series and the same maturity equal in principal amount to the unredeemed portion of the Security surrendered.



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## ARTICLE IV. COVENANTS

### Section 4.1. Payment of Principal and Interest.

The Company covenants and agrees for the benefit of the Holders of each Series of Securities that it will duly and punctually pay the principal of and interest, if any, on the Securities of that Series in accordance with the terms of such Securities and this Indenture.

### Section 4.2. SEC Reports.

The Company shall deliver to the Trustee copies of the annual reports and other reports and documents (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company files with the SEC pursuant to Section 13 or 15(d) of the Exchange Act within 15 days after the Company files such reports or documents with the SEC, regardless of when such reports or documents are required to be filed with the SEC. The Company also shall comply with the other provisions of TIA § 314(a).

### Section 4.3. Compliance Certificate.

The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, an Officer's Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officer with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that, to the best of his/her knowledge, the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he may have knowledge).

The Company will, so long as any of the Securities are outstanding, deliver to the Trustee, promptly upon becoming aware of any Default or Event of Default, an Officer's Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

### Section 4.4. Stay, Extension and Usury Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture or the Securities; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

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Section 4.5. Corporate Existence.

Subject to Article V, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and rights (charter and statutory); provided, however, that the Company shall not be required to preserve any such right if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries taken as a whole and that the loss thereof is not adverse in any material respect to the Holders.

ARTICLE V. SUCCESSORS

Section 5.1. When Company May Merge, Etc.

The Company shall not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of its properties and assets to, any person (a “*successor person*”) unless:

(a) the Company is the surviving corporation or the successor person (if other than the Company) is a corporation, limited liability company or limited partnership organized and validly existing under the laws of any U.S. domestic jurisdiction and expressly assumes the Company’s obligations on the Securities and under this Indenture; and

(b) immediately after giving effect to the transaction, no Default or Event of Default, shall have occurred and be continuing.

The Company shall deliver to the Trustee an Officer’s Certificate to the foregoing effect and an Opinion of Counsel stating that the transaction and any supplemental indenture comply with this Indenture.

Notwithstanding the above, any Subsidiary of the Company may consolidate with, merge into or transfer all or part of its properties to the Company. Neither an Officer’s Certificate nor an Opinion of Counsel shall be required to be delivered in connection therewith.

Section 5.2. Successor Corporation Substituted.

Upon any consolidation or merger, or any sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.1, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, lease, conveyance or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor person has been named as the Company herein; provided, however, that the predecessor Company in the case of a sale, conveyance or other disposition (other than a lease) shall be released from all obligations and covenants under this Indenture and the Securities.

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## ARTICLE VI. DEFAULTS AND REMEDIES

### Section 6.1. Events of Default.

“*Event of Default*,” wherever used herein with respect to Securities of any Series, means any one of the following events, unless in the establishing Board Resolution, supplemental indenture or Officer’s Certificate, it is provided that such Series shall not have the benefit of said Event of Default:

(a) default in the payment of any interest on any Security of that Series when it becomes due and payable, and continuance of such default for a period of 30 days (unless the entire amount of such payment is deposited by the Company with the Trustee or with a Paying Agent prior to the expiration of such period of 30 days); or

(b) default in the payment of principal of or premium on any Security of that Series at its Maturity or when such principal otherwise becomes due and payable whether at Maturity, upon redemption, upon purchase, upon acceleration or otherwise; or

(c) default in the performance of any agreement or covenant of the Company in this Indenture (other than a covenant that has been included in this Indenture solely for the benefit of Series of Securities other than that Series), which default continues uncured for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the outstanding Securities of that Series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder; or

(d) the Company pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(iv) generally is unable to pay its debts as the same become due; or

(e) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company in an involuntary case,

(ii) appoints a Custodian of the Company or for all or substantially all of its property, or

(iii) orders the liquidation of the Company,

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and the order or decree remains unstayed and in effect for 60 days; or

(f) any other Event of Default provided with respect to Securities of that Series, which is specified in a Board Resolution, a supplemental indenture hereto or an Officer's Certificate, in accordance with Section 2.2.18.

The term "*Bankruptcy Law*" means title 11, U.S. Code or any similar Federal or State law for the relief of debtors. The term "*Custodian*" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Section 6.2. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default with respect to Securities of any Series at the time outstanding occurs and is continuing (other than an Event of Default referred to in Section 6.1(d) or (e)) then in every such case the Trustee or the Holders of not less than 25% in principal amount of the outstanding Securities of that Series may declare the principal amount (or, if any Securities of that Series are Discount Securities, such portion of the principal amount as may be specified in the terms of such Securities) of and accrued and unpaid interest, if any, on all of the Securities of that Series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) and accrued and unpaid interest, if any, shall become immediately due and payable. If an Event of Default specified in Section 6.1(d) or (e) shall occur, the principal amount (or specified amount) of and accrued and unpaid interest, if any, on all outstanding Securities shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after such a declaration of acceleration with respect to any Series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the outstanding Securities of that Series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if all Events of Default with respect to Securities of that Series, other than the non-payment of the principal and interest, if any, of Securities of that Series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 6.13.

No such rescission shall affect any subsequent Default or impair any right consequent thereon.

Section 6.3. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(a) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(b) default is made in the payment of principal of any Security at the Maturity thereof, or

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(c) default is made in the deposit of any sinking fund payment when and as due by the terms of a Security,

*then*, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal and any overdue interest at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or deemed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to any Securities of any Series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such Series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

#### Section 6.4. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same,

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and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.5. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

Section 6.6. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under Section 7.7; and

Second: To the payment of the amounts then due and unpaid for principal of and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal and interest, respectively; and

Third: To the Company or to such other person as a court of competent jurisdiction shall direct.

Section 6.7. Limitation on Suits.

No Holder of any Security of any Series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that Series;

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(b) the Holders of not less than 25% in principal amount of the outstanding Securities of that Series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders have offered to the Trustee reasonably satisfactory indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the outstanding Securities of that Series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

#### Section 6.8. Unconditional Right of Holders to Receive Principal and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest, if any, on such Security on the Stated Maturity or Stated Maturities expressed in such Security (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

#### Section 6.9. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

#### Section 6.10. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in Section 2.8, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or

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otherwise, shall not, to the extent permitted by law, prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.11. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 6.12. Control by Holders.

The Holders of a majority in principal amount of the outstanding Securities of any Series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such Series, provided that

(a) such direction shall not be in conflict with any rule of law or with this Indenture,

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(c) subject to the provisions of Section 6.1, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer of the Trustee, determine that the proceeding so directed would involve the Trustee in personal liability.

Section 6.13. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the outstanding Securities of any Series may on behalf of the Holders of all the Securities of such Series waive any past Default or any existing Event of Default hereunder with respect to such Series and its consequences, except a continuing Default or an Event of Default in the payment of the principal of or interest on any Security of such Series (provided, however, that the Holders of a majority in principal amount of the outstanding Securities of any Series may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.14. Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in



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any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the outstanding Securities of any Series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or interest on any Security on or after the Stated Maturity or Stated Maturities expressed in such Security (or, in the case of redemption, on the redemption date).

## ARTICLE VII. TRUSTEE

### Section 7.1. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) The Trustee need perform only those duties that are specifically set forth in this Indenture and no others.

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon Officer' s Certificates or Opinions of Counsel furnished to the Trustee and conforming to the requirements of this Indenture; however, in the case of any such Officer' s Certificates or Opinions of Counsel which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall examine such Officer' s Certificates and Opinions of Counsel to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) This paragraph does not limit the effect of paragraph (b) of this Section.

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(iii) The Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it with respect to Securities of any Series in

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good faith in accordance with the direction of the Holders of a majority in principal amount of the outstanding Securities of such Series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such Series.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraph (a), (b) and (c) of this Section.

(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) No provision of this Indenture shall require the Trustee to risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk is not reasonably assured to it.

(h) The Paying Agent, the Registrar and any authenticating agent shall be entitled to the protections, immunities and standard of care as are set forth in paragraphs (a), (b) and (c) of this Section with respect to the Trustee.

#### Section 7.2. Rights of Trustee.

(a) The Trustee may rely on and shall be protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officer' s Certificate and/or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer' s Certificate and/or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care. No Depositary shall be deemed an agent of the Trustee and the Trustee shall not be responsible for any act or omission by any Depositary.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers, provided that the Trustee' s conduct does not constitute negligence or bad faith.

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(e) The Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder without negligence and in good faith and in reliance thereon.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Securities unless such Holders shall have offered to the Trustee reasonably satisfactory security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(h) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities generally or the Securities of a particular Series and this Indenture.

#### Section 7.3. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. The Trustee is also subject to Sections 7.10 and 7.11.

#### Section 7.4. Trustee's Disclaimer.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement in the Securities other than its authentication.

#### Section 7.5. Notice of Defaults.

If a Default or Event of Default occurs and is continuing with respect to the Securities of any Series and if it is known to a Responsible Officer of the Trustee, the Trustee shall mail to each Securityholder of the Securities of that Series notice of a Default or Event of Default within 90 days after it occurs or, if later, after a Responsible Officer of the Trustee has knowledge of such Default or Event of Default. Except in the case of a Default or Event of Default in payment of principal of or interest on any Security of any Series, the Trustee may withhold the notice if and so long as its corporate trust committee or a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Securityholders of that Series.

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#### Section 7.6. Reports by Trustee to Holders.

Within 60 days after November 15 in each year, the Trustee shall transmit by mail to all Securityholders, as their names and addresses appear on the register kept by the Registrar, a brief report dated as of such November 15, in accordance with, and to the extent required under, TIA § 313.

A copy of each report at the time of its mailing to Securityholders of any Series shall be filed with the SEC and each stock exchange on which the Securities of that Series are listed. The Company shall promptly notify the Trustee when Securities of any Series are listed on any stock exchange.

#### Section 7.7. Compensation and Indemnity.

The Company shall pay to the Trustee from time to time compensation for its services as the Company and the Trustee shall from time to time agree upon in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out of pocket expenses incurred by it. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

The Company shall indemnify each of the Trustee and any predecessor Trustee (including the cost of defending itself) against any loss, liability or expense, including taxes (other than taxes based upon, measured by or determined by the income of the Trustee) incurred by it except as set forth in the next paragraph in the performance of its duties under this Indenture as Trustee or Agent. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have one separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. This indemnification shall apply to officers, directors, employees, shareholders and agents of the Trustee.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee or by any officer, director, employee, shareholder or agent of the Trustee through negligence or bad faith.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities of any Series on all money or property held or collected by the Trustee, except that held in trust to pay principal of and interest on particular Securities of that Series.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(d) or (e) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

The provisions of this Section shall survive the termination of this Indenture.

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#### Section 7.8. Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign with respect to the Securities of one or more Series by so notifying the Company at least 30 days prior to the date of the proposed resignation. The Holders of a majority in principal amount of the Securities of any Series may remove the Trustee with respect to that Series by so notifying the Trustee and the Company. The Company may remove the Trustee with respect to Securities of one or more Series if:

- (a) the Trustee fails to comply with Section 7.10;
- (b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;
- (c) a Custodian or public officer takes charge of the Trustee or its property; or
- (d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee with respect to the Securities of any one or more Series does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least a majority in principal amount of the Securities of the applicable Series may petition any court of competent jurisdiction for the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately after that, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee subject to the lien provided for in Section 7.7, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee with respect to each Series of Securities for which it is acting as Trustee under this Indenture. A successor Trustee shall mail a notice of its succession to each Securityholder of each such Series. Notwithstanding replacement of the Trustee pursuant to this Section 7.8, the Company's obligations under Section 7.7 hereof shall continue for the benefit of the retiring Trustee with respect to expenses and liabilities incurred by it prior to such replacement.

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Section 7.9. Successor Trustee by Merger, etc.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

Section 7.10. Eligibility; Disqualification.

This Indenture shall always have a Trustee who satisfies the requirements of TIA § 310(a)(1), (2) and (5). The Trustee shall always have a combined capital and surplus of at least \$25,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA § 310(b).

Section 7.11. Preferential Collection of Claims Against Company.

The Trustee is subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated.

ARTICLE VIII. SATISFACTION AND DISCHARGE; DEFEASANCE

Section 8.1. Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Order cease to be of further effect (except as hereinafter provided in this Section 8.1), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(a) either

- (i) all Securities theretofore authenticated and delivered (other than Securities that have been destroyed, lost or stolen and that have been replaced or paid) have been delivered to the Trustee for cancellation; or
- (ii) all such Securities not theretofore delivered to the Trustee for cancellation
  - (1) have become due and payable, or
  - (2) will become due and payable at their Stated Maturity within one year, or
  - (3) have been called for redemption or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, or
  - (4) are deemed paid and discharged pursuant to Section 8.3, as applicable;

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and the Company, in the case of (1), (2) or (3) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust an amount sufficient for the purpose of paying and discharging the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit (in the case of Securities which have become due and payable on or prior to the date of such deposit) or to the Stated Maturity or redemption date, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.7, and, if money shall have been deposited with the Trustee pursuant to clause (a) of this Section, the provisions of Sections 2.4, 2.7, 2.8, 8.2 and 8.5 shall survive.

**Section 8.2. Application of Trust Funds; Indemnification.**

(a) Subject to the provisions of Section 8.5, all money deposited with the Trustee pursuant to Section 8.1, all money and U.S. Government Obligations or Foreign Government Obligations deposited with the Trustee pursuant to Section 8.3 or 8.4 and all money received by the Trustee in respect of U.S. Government Obligations or Foreign Government Obligations deposited with the Trustee pursuant to Section 8.3 or 8.4, shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the persons entitled thereto, of the principal and interest for whose payment such money has been deposited with or received by the Trustee or to make mandatory sinking fund payments or analogous payments as contemplated by Sections 8.3 or 8.4.

(b) The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against U.S. Government Obligations or Foreign Government Obligations deposited pursuant to Sections 8.3 or 8.4 or the interest and principal received in respect of such obligations other than any payable by or on behalf of Holders.

(c) The Trustee shall deliver or pay to the Company from time to time upon Company Request any U.S. Government Obligations or Foreign Government Obligations or money held by it as provided in Sections 8.3 or 8.4 which, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, are then in excess of the amount thereof which then would have been required to be deposited for the purpose for which such U.S. Government Obligations or Foreign Government Obligations or money were deposited or received. This provision shall not authorize the sale by the Trustee of any

Section 8.3. Legal Defeasance of Securities of any Series.

Unless this Section 8.3 is otherwise specified, pursuant to Section 2.2.20, to be inapplicable to Securities of any Series, the Company shall be deemed to have paid and discharged the entire indebtedness on all the outstanding Securities of any Series on the 91st day after the date of the deposit referred to in subparagraph (d) hereof, and the provisions of this Indenture, as it relates to such outstanding Securities of such Series, shall no longer be in effect (and the Trustee, at the expense of the Company, shall, at Company Request, execute proper instruments acknowledging the same), except as to:

- (a) the rights of Holders of Securities of such Series to receive, from the trust funds described in subparagraph (d) hereof,
  - (i) payment of the principal of and each installment of principal of and interest on the outstanding Securities of such Series on the Stated Maturity of such principal or installment of principal or interest and (ii) the benefit of any mandatory sinking fund payments applicable to the Securities of such Series on the day on which such payments are due and payable in accordance with the terms of this Indenture and the Securities of such Series;
- (b) the provisions of Sections 2.4, 2.7, 2.8, 8.2, 8.3 and 8.5; and
- (c) the rights, powers, trust and immunities of the Trustee hereunder;

provided that, the following conditions shall have been satisfied:

- (d) the Company shall have deposited or caused to be irrevocably deposited (except as provided in Section 8.2(c)) with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for and dedicated solely to the benefit of the Holders of such Securities (i) in the case of Securities of such Series denominated in Dollars, cash in Dollars and/or U.S. Government Obligations, or (ii) in the case of Securities of such Series denominated in a Foreign Currency (other than a composite currency), money and/or Foreign Government Obligations, which through the payment of interest and principal in respect thereof in accordance with their terms, will provide (and without reinvestment and assuming no tax liability will be imposed on such Trustee), not later than one day before the due date of any payment of money, an amount in cash, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge each installment of principal of and interest, if any, on and any mandatory sinking fund payments in respect of all the Securities of such Series on the dates such installments of interest or principal and such sinking fund payments are due;
- (e) such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound;



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(f) no Default or Event of Default with respect to the Securities of such Series shall have occurred and be continuing on the date of such deposit or during the period ending on the 91st day after such date;

(g) the Company shall have delivered to the Trustee an Officer' s Certificate and an Opinion of Counsel to the effect that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the Securities of such Series will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred;

(h) the Company shall have delivered to the Trustee an Officer' s Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of the Securities of such Series over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company; and

(i) the Company shall have delivered to the Trustee an Officer' s Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the defeasance contemplated by this Section have been complied with.

#### Section 8.4. Covenant Defeasance.

Unless this Section 8.4 is otherwise specified pursuant to Section 2.2.20 to be inapplicable to Securities of any Series, the Company may omit to comply with respect to the Securities of any Series with any term, provision or condition set forth under Sections 4.2, 4.3, 4.4, 4.5, and 5.1 as well as any additional covenants specified in a supplemental indenture for such Series of Securities or a Board Resolution or an Officer' s Certificate delivered pursuant to Section 2.2.20 (and the failure to comply with any such covenants shall not constitute a Default or Event of Default with respect to such Series under Section 6.1) and the occurrence of any event specified in a supplemental indenture for such Series of Securities or a Board Resolution or an Officer' s Certificate delivered pursuant to Section 2.2.18 and designated as an Event of Default shall not constitute a Default or Event of Default hereunder, with respect to the Securities of such Series, provided that the following conditions shall have been satisfied:

(a) With reference to this Section 8.4, the Company has deposited or caused to be irrevocably deposited (except as provided in Section 8.2(c)) with the Trustee as trust funds in trust for the purpose of making the following payments specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities (i) in the case of Securities of such Series denominated in Dollars, cash in Dollars and/or U.S. Government Obligations, or (ii) in the case of Securities of such Series denominated in a Foreign Currency (other than a composite currency), money and/or Foreign Government Obligations, which through the payment of interest and principal in respect thereof in

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accordance with their terms, will provide (and without reinvestment and assuming no tax liability will be imposed on such Trustee), not later than one day before the due date of any payment of money, an amount in cash, sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge each installment of principal of and interest, if any, on and any mandatory sinking fund payments in respect of the Securities of such Series on the dates such installments of interest or principal and such sinking fund payments are due;

(b) Such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(c) No Default or Event of Default with respect to the Securities of such Series shall have occurred and be continuing on the date of such deposit;

(d) The Company shall have delivered to the Trustee an Opinion of Counsel to the effect that Holders of the Securities of such Series will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and covenant defeasance had not occurred;

(e) The Company shall have delivered to the Trustee an Officer's Certificate stating the deposit was not made by the Company with the intent of preferring the Holders of the Securities of such Series over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company; and

(f) The Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the covenant defeasance contemplated by this Section have been complied with.

#### Section 8.5. Repayment to Company.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal and interest that remains unclaimed for two years. After that, Securityholders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

#### Section 8.6. Reinstatement.

If the Trustee or the Paying Agent is unable to apply any money deposited with respect to Securities of any Series in accordance with Section 8.1 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company

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under this Indenture with respect to the Securities of such Series and under the Securities of such Series shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.1 until such time as the Trustee or the Paying Agent is permitted to apply all such money in accordance with Section 8.1; provided, however, that if the Company has made any payment of principal of or interest on or any Additional Amounts with respect to any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money held by the Trustee or Paying Agent.

## ARTICLE IX. AMENDMENTS AND WAIVERS

### Section 9.1. Without Consent of Holders.

The Company and the Trustee may amend or supplement this Indenture or the Securities of one or more Series without the consent of any Securityholder:

- (a) to secure any Securities;
- (b) to add covenants for the protection of the Holders of Securities;
- (c) to cure any ambiguity, defect or inconsistency;
- (d) to comply with Article V;
- (e) to provide for uncertificated Securities in addition to or in place of certificated Securities;
- (f) to make any change that does not adversely affect the rights of any Securityholder;
- (g) to provide for the issuance of and establish the form and terms and conditions of Securities of any Series as permitted by this Indenture;
- (h) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more Series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee; or
- (i) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA.

### Section 9.2. With Consent of Holders.

The Company and the Trustee may enter into a supplemental indenture with the written consent of the Holders of at least a majority in principal amount of the outstanding Securities of each Series affected by such supplemental indenture (including consents obtained in connection with a tender offer or exchange offer for the Securities of such Series), for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the

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rights of the Securityholders of each such Series. Except as provided in Section 6.13, the Holders of at least a majority in principal amount of the outstanding Securities of any Series by notice to the Trustee (including consents obtained in connection with a tender offer or exchange offer for the Securities of such Series) may waive compliance by the Company with any provision of this Indenture or the Securities with respect to such Series.

It shall not be necessary for the consent of the Holders of Securities under this Section 9.2 to approve the particular form of any proposed supplemental indenture or waiver, but it shall be sufficient if such consent approves the substance thereof. After a supplemental indenture or waiver under this section becomes effective, the Company shall mail to the Holders of Securities affected thereby, a notice briefly describing the supplemental indenture or waiver. Any failure by the Company to mail or publish such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver.

### Section 9.3. Limitations.

Without the consent of each Securityholder affected, an amendment or waiver may not:

- (a) reduce the principal amount of Securities whose Holders must consent to an amendment, supplement or waiver;
- (b) reduce the rate of or extend the time for payment of interest (including default interest) on any Security;
- (c) reduce the principal or change the Stated Maturity of any Security or reduce the amount of, or postpone the date fixed for, the payment of any sinking fund or analogous obligation;
- (d) reduce the principal amount of Discount Securities payable upon acceleration of the Maturity thereof;
- (e) waive a Default or Event of Default in the payment of the principal of or interest, if any, on any Security (except a rescission of acceleration of the Securities of any Series by the Holders of at least a majority in principal amount of the outstanding Securities of such Series and a waiver of the payment default that resulted from such acceleration);
- (f) make the principal of or interest, if any, on any Security payable in any currency other than that stated in the Security;
- (g) make any change in Sections 6.8, 6.13 or 9.3 (this sentence); or
- (h) waive a redemption payment with respect to any Security, provided that such redemption is made at the Company's option.

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#### Section 9.4. Compliance with Trust Indenture Act.

Every amendment to this Indenture or the Securities of one or more Series shall be set forth in a supplemental indenture hereto that complies with the TIA as then in effect.

#### Section 9.5. Revocation and Effect of Consents.

Until an amendment is set forth in a supplemental indenture or a waiver becomes effective, a consent to it by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his Security or portion of a Security if the Trustee receives the notice of revocation before the date of the supplemental indenture or the date the waiver becomes effective.

Any amendment or waiver once effective shall bind every Securityholder of each Series affected by such amendment or waiver unless it is of the type described in any of clauses (a) through (h) of Section 9.3. In that case, the amendment or waiver shall bind each Holder of a Security who has consented to it and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security.

#### Section 9.6. Notation on or Exchange of Securities.

The Trustee may place an appropriate notation about an amendment or waiver on any Security of any Series thereafter authenticated. The Company in exchange for Securities of that Series may issue and the Trustee shall authenticate upon request new Securities of that Series that reflect the amendment or waiver.

#### Section 9.7. Trustee Protected.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 7.1) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee shall sign all supplemental indentures, except that the Trustee need not sign any supplemental indenture that adversely affects its rights.

### ARTICLE X. MISCELLANEOUS

#### Section 10.1. Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required or deemed to be included in this Indenture by the TIA, such required or deemed provision shall control.

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## Section 10.2. Notices.

Any notice or communication by the Company or the Trustee to the other, or by a Holder to the Company or the Trustee, is duly given if in writing and delivered in person or mailed by first-class mail:

if to the Company:

American Greetings Corporation  
One American Road  
Cleveland, Ohio 44144  
Attention: Corporate Secretary  
Telephone: (216) 252-7300

if to the Trustee:

The Bank of Nova Scotia Trust Company of New York  
One Liberty Plaza, 23 Floor  
New York, NY 10006  
Attention: Trust Officer  
Telephone: (212) 225-5427  
Fax: (212) 225-5436

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Securityholder shall be mailed by first-class mail to his address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Securityholder of any Series or any defect in it shall not affect its sufficiency with respect to other Securityholders of that or any other Series.

If a notice or communication is mailed or published in the manner provided above, within the time prescribed, it is duly given, whether or not the Securityholder receives it.

If the Company mails a notice or communication to Securityholders, it shall mail a copy to the Trustee and each Agent at the same time.

## Section 10.3. Communication by Holders with Other Holders.

Securityholders of any Series may communicate pursuant to TIA § 312(b) with other Securityholders of that Series or any other Series with respect to their rights under this Indenture or the Securities of that Series or all Series. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

## Section 10.4. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

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(a) an Officer' s Certificate stating that, in the opinion of the signer, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 10.5. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA § 314(a)(4)) shall comply with the provisions of TIA § 314(e) and shall include:

(a) a statement that the person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Section 10.6. Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or a meeting of Securityholders of one or more Series. Any Agent may make reasonable rules and set reasonable requirements for its functions.

Section 10.7. Legal Holidays.

Unless otherwise provided by Board Resolution, Officer' s Certificate or supplemental indenture hereto for a particular Series, a "Legal Holiday" is any day that is not a Business Day. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

Section 10.8. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

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Section 10.9. Counterparts.

This Indenture may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Section 10.10. Governing Laws.

**THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SUCH STATE, WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF.**

Section 10.11. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary of the Company. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 10.12. Successors.

All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

Section 10.13. Severability.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 10.14. Table of Contents, Headings, Etc.

The Table of Contents, Cross Reference Table, and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 10.15. Securities in a Foreign Currency or in ECU.

Unless otherwise specified in a Board Resolution, a supplemental indenture hereto or an Officer's Certificate delivered pursuant to Section 2.2 of this Indenture with respect to a particular Series of Securities, whenever for purposes of this Indenture any action may be taken by the Holders of a specified percentage in aggregate principal amount of Securities of all Series or all Series affected by a particular action at the time outstanding and, at such time, there are outstanding Securities of any Series which are denominated in a coin or currency other than Dollars (including ECUs), then the principal amount of Securities of such Series which shall be deemed to be outstanding for the purpose of taking such action shall be that amount of Dollars that could be obtained for such amount at the Market Exchange Rate at such time. For purposes



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of this Section 10.15, “*Market Exchange Rate*” shall mean the noon Dollar buying rate in New York City for cable transfers of that currency as published by the Federal Reserve Bank of New York; provided, however, in the case of ECUs, Market Exchange Rate shall mean the rate of exchange determined by the Commission of the European Union (or any successor thereto) as published in the Official Journal of the European Union (such publication or any successor publication, the “*Journal*”). If such Market Exchange Rate is not available for any reason with respect to such currency, the Trustee shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York or, in the case of ECUs, the rate of exchange as published in the Journal, as of the most recent available date, or quotations or, in the case of ECUs, rates of exchange from one or more major banks in The City of New York or in the country of issue of the currency in question or, in the case of ECUs, in Luxembourg or such other quotations or, in the case of ECUs, rates of exchange as the Trustee, upon consultation with the Company, shall deem appropriate. The provisions of this paragraph shall apply in determining the equivalent principal amount in respect of Securities of a Series denominated in currency other than Dollars in connection with any action taken by Holders of Securities pursuant to the terms of this Indenture.

All decisions and determinations of the Trustee regarding the Market Exchange Rate or any alternative determination provided for in the preceding paragraph shall be in its sole discretion and shall, in the absence of manifest error, to the extent permitted by law, be conclusive for all purposes and irrevocably binding upon the Company and all Holders.

#### Section 10.16. Judgment Currency.

The Company agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of or interest or other amount on the Securities of any Series (the “*Required Currency*”) into a currency in which a judgment will be rendered (the “*Judgment Currency*”), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the day on which final unappealable judgment is entered, unless such day is not a New York Banking Day, then the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the New York Banking Day preceding the day on which final unappealable judgment is entered and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable, and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, “*New York Banking Day*” means any day except a Saturday, Sunday or a legal holiday in The City of New York on which banking institutions are authorized or required by law, regulation or executive order to close.

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## ARTICLE XI. SINKING FUNDS

### Section 11.1. Applicability of Article.

The provisions of this Article shall be applicable to any sinking fund for the retirement of the Securities of a Series, except as otherwise permitted or required by any form of Security of such Series issued pursuant to this Indenture.

The minimum amount of any sinking fund payment provided for by the terms of the Securities of any Series is herein referred to as a “*mandatory sinking fund payment*” and any other amount provided for by the terms of Securities of such Series is herein referred to as an “*optional sinking fund payment*.” If provided for by the terms of Securities of any Series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 11.2. Each sinking fund payment shall be applied to the redemption of Securities of any Series as provided for by the terms of the Securities of such Series.

### Section 11.2. Satisfaction of Sinking Fund Payments with Securities.

The Company may, in satisfaction of all or any part of any sinking fund payment with respect to the Securities of any Series to be made pursuant to the terms of such Securities (1) deliver outstanding Securities of such Series to which such sinking fund payment is applicable (other than any of such Securities previously called for mandatory sinking fund redemption) and (2) apply as credit Securities of such Series to which such sinking fund payment is applicable and which have been repurchased by the Company or redeemed either at the election of the Company pursuant to the terms of such Series of Securities (except pursuant to any mandatory sinking fund) or through the application of permitted optional sinking fund payments or other optional redemptions pursuant to the terms of such Securities, provided that such Securities have not been previously so credited. Such Securities shall be received by the Trustee, together with an Officer's Certificate with respect thereto, not later than 15 days prior to the date on which the Trustee begins the process of selecting Securities for redemption, and shall be credited for such purpose by the Trustee at the price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly. If as a result of the delivery or credit of Securities in lieu of cash payments pursuant to this Section 11.2, the principal amount of Securities of such Series to be redeemed in order to exhaust the aforesaid cash payment shall be less than \$100,000, the Trustee need not call Securities of such Series for redemption, except upon receipt of a Company Order that such action be taken, and such cash payment shall be held by the Trustee or a Paying Agent and applied to the next succeeding sinking fund payment, provided, however, that the Trustee or such Paying Agent shall from time to time upon receipt of a Company Order pay over and deliver to the Company any cash payment so being held by the Trustee or such Paying Agent upon delivery by the Company to the Trustee of Securities of that Series purchased by the Company having an unpaid principal amount equal to the cash payment required to be released to the Company.

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### Section 11.3. Redemption of Securities for Sinking Fund.

Not less than 45 days (unless otherwise indicated in the Board Resolution, supplemental indenture hereto or Officer' s Certificate in respect of a particular Series of Securities) prior to each sinking fund payment date for any Series of Securities, the Company will deliver to the Trustee an Officer' s Certificate specifying the amount of the next ensuing mandatory sinking fund payment for that Series pursuant to the terms of that Series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting of Securities of that Series pursuant to Section 11.2, and the optional amount, if any, to be added in cash to the next ensuing mandatory sinking fund payment, and the Company shall thereupon be obligated to pay the amount therein specified. Not less than 30 days (unless otherwise indicated in the Board Resolution, Officer' s Certificate or supplemental indenture in respect of a particular Series of Securities) before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 3.2 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 3.3. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 3.4, 3.5 and 3.6.

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

AMERICAN GREETINGS  
CORPORATION, As Issuer

By: /s/ Gregory M. Steinberg

Name: Gregory M. Steinberg

Its: Treasurer

THE BANK OF NOVA SCOTIA TRUST  
COMPANY OF NEW YORK,  
As Trustee

By: /s/ Warren A. Goshine

Name: Warren A. Goshine

Its: Vice President

**AMERICAN GREETINGS CORPORATION**

as Issuer,

and

**THE BANK OF NOVA SCOTIA TRUST COMPANY OF NEW YORK**

as Trustee

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**FIRST SUPPLEMENTAL INDENTURE**

Dated as of November 30, 2011

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7.375% Senior Notes due 2021

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## AMERICAN GREETINGS CORPORATION

### Reconciliation and tie between Trust Indenture Act of 1939 and Supplemental Indenture, dated as of November 30, 2011\*

Trust Indenture Act of 1939 Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(a)(5)	7.10
(b)	7.08; 7.10; 11.02
311(a)	7.11
(b)	7.11
312(a)	2.05
(b)	11.03
(c)	11.03
313(a)	7.06
(b)(1)	7.06
(b)(2)	7.06
(c)	7.06; 11.02
(d)	7.06
314(a)	4.02; 4.08; 11.02
(b)	Not Applicable
(c)(1)	11.04; 11.05
(c)(2)	11.04; 11.05
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	11.05
(f)	Not Applicable
315(a)	7.01; 7.02
(b)	7.05; 11.02
(c)	7.01
(d)	6.05; 7.01; 7.02
(e)	6.11
316(a) (last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	8.02
(b)	6.07
(c)	8.04
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318(a)	11.01

\* Note: This reconciliation and tie shall not, for any purpose, be deemed to be part of the Supplemental Indenture.

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FIRST SUPPLEMENTAL INDENTURE (this “*Supplemental Indenture*”), dated as of November 30, 2011, between American Greetings Corporation, an Ohio corporation (the “*Issuer*”), and The Bank of Nova Scotia Trust Company of New York, a trust company organized and existing under the laws of the State of New York, as trustee (the “*Trustee*”).

WHEREAS, the Issuer has heretofore executed and delivered an Indenture, dated as of November 30, 2011 (the “*Base Indenture*”), between the Issuer and the Trustee, providing for the issuance from time to time of one or more series of the Issuer’s securities;

WHEREAS, the Issuer desires to execute this Supplemental Indenture pursuant to Section 2.1 of the Base Indenture to provide for the issuance, and pursuant to Section 2.2 of the Base Indenture, to establish the form of a series of its senior notes designated as its (i) 7.375% Senior Notes due 2021 issued on the date hereof (the “*Initial Notes*”), in an initial aggregate principal amount of \$225,000,000, and (ii) any additional notes of such series (“*Additional Notes*,” and together with the Initial Notes, the “*Notes*”) that may be issued on any other issue date. The Notes are a series of Securities as referred to in Section 2.1 of the Base Indenture;

WHEREAS, this Supplemental Indenture restates in their entirety the terms of the Base Indenture as supplemented by this Supplemental Indenture and does not incorporate the terms of the Base Indenture, and the Notes shall be governed by the terms of this Supplemental Indenture rather than the Base Indenture. The changes, modifications and supplements to the Base Indenture affected by this Supplemental Indenture shall be applicable only with respect to, and shall only govern the terms of, the Notes, except as otherwise provided herein, and shall not apply to any other securities that may be issued under the Base Indenture unless a supplemental indenture with respect to such other securities specifically incorporates such changes, modifications and supplements;

WHEREAS, the Issuer has delivered to the Trustee an Opinion of Counsel and an Officer’s Certificate pursuant to Section 10.4 of the Base Indenture to the effect that the execution and delivery of the Supplemental Indenture is authorized or permitted under the Base Indenture and that all conditions precedent provided for in the Base Indenture to the execution and delivery of this Supplemental Indenture to be complied with by the Issuer have been complied with;

WHEREAS, the Issuer has requested that the Trustee execute and deliver this Supplemental Indenture;

WHEREAS, all necessary acts and things have been done to make (i) the Notes, when duly issued and executed by the Issuer and authenticated and delivered hereunder, the valid and binding obligations of the Issuer and (ii) this Supplemental Indenture a valid and binding agreement of the Issuer in accordance with the terms of this Supplemental Indenture;

WHEREAS, the Issuer has received good and valuable consideration for the execution and delivery of this Supplemental Indenture, and the Issuer will derive substantial direct and indirect benefits from the issuance of the Notes.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

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Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders (as defined below) of the Notes:

## ARTICLE I

### DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. Definitions. “*Acquired Indebtedness*” means (1) with respect to any Person that becomes a Restricted Subsidiary after the Issue Date, Indebtedness of such Person and its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary and (2) with respect to the Issuer or any Restricted Subsidiary, any Indebtedness of a Person (other than the Issuer or a Restricted Subsidiary) existing at the time such Person is merged with or into the Issuer or a Restricted Subsidiary, or Indebtedness expressly assumed by the Issuer or any Restricted Subsidiary in connection with the acquisition of an asset or assets from another Person, which Indebtedness was not, in any case, incurred by such other Person in connection with, or in contemplation of, such merger or acquisition.

“*Additional Notes*” has the meaning provided in the preamble to this Supplemental Indenture.

“*Affiliate*” of any Person means any other Person which directly or indirectly controls or is controlled by, or is under direct or indirect common control with, the referent Person. For purposes of this definition, “*control*” of a Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise. No Person (other than the Issuer or any Subsidiary of the Issuer) in whom a Receivables Subsidiary makes an Investment in connection with a Qualified Receivables Transaction will be deemed to be an Affiliate of the Issuer or any of its Subsidiaries solely by reason of such Investment.

“*Agent*” means any Registrar, Paying Agent, co-Registrar, Authenticating Agent or agent for services of notices and demands.

“*amend*” means to amend, supplement, restate, amend and restate or otherwise modify, including successively, and “*amendment*” shall have a correlative meaning.

“*Applicable Premium*” means, with respect to a Note at any Redemption Date, the greater of:

- (1) 1.0% of the principal amount of such Note; and
- (2) the excess of:

(A) the present value at such Redemption Date of (i) the redemption price of such Note on December 1, 2016, such redemption price being that described above, plus (ii) all required remaining scheduled interest payments due on such Note through December 1, 2016, other than accrued interest to such redemption date,

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computed using a discount rate equal to the Treasury Rate plus 50 basis points per annum discounted on a semi-annual bond equivalent basis, over

(B) the principal amount of such Note on such Redemption Date.

Calculation of the Applicable Premium shall be made by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate; *provided, however*, that such calculation shall not be a duty or obligation of the Trustee.

“*asset*” means any asset or property.

“*Asset Acquisition*” means:

(1) an Investment by the Issuer or any Restricted Subsidiary of the Issuer in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary of the Issuer, or shall be merged or consolidated with or into the Issuer or any Restricted Subsidiary of the Issuer, or

(2) the acquisition by the Issuer or any Restricted Subsidiary of the Issuer of all or substantially all of the assets of any other Person or any division or line of business of any other Person.

“*Asset Sale*” means any sale, issuance, conveyance, transfer, lease, assignment or other disposition by the Issuer or any Restricted Subsidiary to any Person other than the Issuer or any Restricted Subsidiary (including by means of a Sale and Leaseback Transaction or a merger or consolidation) (collectively, for purposes of this definition, a “*transfer*”), in one transaction or a series of related transactions, of any assets of the Issuer or any of its Restricted Subsidiaries other than in the ordinary course of business. For purposes of this definition, the term “*Asset Sale*” shall not include:

(1) transfers of cash or Cash Equivalents;

(2) transfers of assets (including Equity Interests) that are governed by, and made in accordance with, Article 5 hereof;

(3) Permitted Investments and Restricted Payments permitted under Section 4.11 hereof;

(4) the creation of or realization on any Lien permitted under this Supplemental Indenture;

(5) transfers of damaged, worn-out or obsolete equipment or assets;

(6) sales of accounts receivable and related assets of the type specified in the definition of “*Qualified Receivables Transaction*” to a Receivables Subsidiary for the fair market value thereof;

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(7) transfers of accounts receivable and related assets of the type specified in the definition of “Qualified Receivables Transaction” (or a fractional undivided interest therein) by a Receivables Subsidiary in a Qualified Receivables Transaction;

(8) *provided* that no Event of Default has occurred and is continuing, dispositions of accounts receivable in connection with the collection or compromise thereof;

(9) foreclosures on assets;

(10) the lease or sublease of any real or personal property in the ordinary course of business;

(11) any transfer constituting a taking, condemnation or other eminent domain proceeding;

(12) *provided* that no Event of Default has occurred and is continuing, any surrender or waiver of contract rights or the settlement, release or surrender of any contract, tort or other litigation claims;

(13) sales or grants of licenses or sublicenses to use the trademarks, copyrights, patents, trade secrets, know-how and other Intellectual Property, and licenses, leases or subleases of other assets, of the Issuer or any Restricted Subsidiary;

(14) sales of inventory in the ordinary course of business;

(15) the transfer of the Issuer’s existing office headquarters located at One American Road, Cleveland, Ohio, 44144 (the “*Existing World Headquarters*”) and transfers of any furniture, fixtures and equipment located at the Existing World Headquarters.

(16) any transfer or series of related transfers that involve assets having a Fair Market Value not to exceed \$10.0 million; and

(17) the issuance of Equity Interests by any Restricted Subsidiary as directors’ qualifying shares or if such Equity Interests are required by applicable law to be held by a Person other than the Issuer or a Restricted Subsidiary.

“*Attributable Indebtedness*,” when used with respect to any Sale and Leaseback Transaction, means, as at the time of determination, the present value (discounted at a rate borne by the Notes, compounded on a semi-annual basis) of the total obligations of the lessee for rental payments during the remaining term of the lease included in any such Sale and Leaseback Transaction; *provided, however*, that if such Sale and Leaseback Transaction results in a Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Capitalized Lease Obligations.”

“*Bankruptcy Law*” means Title 11 of the United States Code, as amended, or any similar federal or state law for the relief of debtors.

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“*Board of Directors*” means, with respect to any Person, (i) in the case of any corporation, the board of directors of such Person, (ii) in the case of any limited liability company, the board of managers (or, if such limited liability company is member managed and does not have a board of managers, the members) of such Person, (iii) in the case of any partnership, the Board of Directors of the general partner of such Person and (iv) in any other case, the functional equivalent of the foregoing or, in each case, other than for purposes of the definition of “Change of Control,” any duly authorized committee of such body.

“*Board Resolution*” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“*Business Day*” means a day other than a Saturday, Sunday or other day on which banking institutions in New York are authorized or required by law to close.

“*Capitalized Lease*” means a lease required to be capitalized for financial reporting purposes in accordance with GAAP.

“*Capitalized Lease Obligations*” of any Person means the obligations of such Person to pay rent or other amounts under a Capitalized Lease, and the amount of such obligation shall be the capitalized amount thereof determined in accordance with GAAP.

“*Cash Equivalents*” means:

(1) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than one year from the date of acquisition;

(2) securities issued or directly and fully guaranteed or insured by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof having one of the two highest ratings obtainable from Moody’s or S&P and having maturities of not more than one year from the date of acquisition;

(3) U.S. dollar denominated time deposits, certificates of deposit and bankers’ acceptances of (x) any lender under the Credit Agreement, (y) any domestic commercial bank of recognized standing having capital and surplus in excess of \$500,000,000 or (z) any bank (or the parent company of such bank) whose short-term commercial paper rating from S&P is at least A-1, A-2 or the equivalent thereof or from Moody’s is at least P-1, P-2 or the equivalent thereof (any such bank, an “*Approved Bank*”), in each case with maturities of not more than six months from the date of acquisition;

(4) commercial paper issued by any lender under the Credit Agreement or Approved Bank or by the parent company of any lender under the Credit Agreement or Approved Bank and commercial paper issued by, or guaranteed by, any industrial or financial company with a short-term commercial paper rating of at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody’s, or

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guaranteed by any industrial company with a long-term unsecured debt rating of at least A or A2, or the equivalent of each thereof, from S&P or Moody's, as the case may be, and in each case maturing within one year after the date of acquisition;

(5) fully collateralized repurchase agreements entered into with any lender under the Credit Agreement or Approved Bank having a term of not more than 30 days and covering securities described in clause (1) above;

(6) investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (1) through (5) above;

(7) investments in money market funds access to which is provided as part of "sweep" accounts maintained with a lender under the Credit Agreement or an Approved Bank; and

(8) with respect to any Foreign Subsidiary of the Issuer, the approximate equivalent of any of clauses (1) through (7) above in the jurisdiction in which such Foreign Subsidiary is organized.

"*Certificated Notes*" means one or more certificated Notes in registered form.

"*Change of Control*" means the occurrence of any of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation or the pledge of assets under any Credit Facility permitted to be incurred under this Supplemental Indenture), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) other than a Permitted Holder or a Related Party of a Permitted Holder; or

(2) the first day on which a majority of the members of the Board of Directors of the Issuer are not Continuing Directors; or

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above), other than the Permitted Holders and their Related Parties, becomes the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of the Issuer, measured by voting power rather than number of shares; or

(4) the adoption of a plan relating to the liquidation or dissolution of the Issuer.

For purposes of this definition, a Person shall not be deemed to have beneficial ownership of securities subject to a stock purchase agreement, merger agreement or similar agreement until the consummation of the transactions contemplated by such agreement.

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“*Commission*” means the United States Securities and Exchange Commission, as from time to time constituted, or if at any time after the execution of this Supplemental Indenture such Commission is not existing and performing the applicable duties now assigned to it, then the body or bodies performing such duties at such time.

“*Consolidated Amortization Expense*” for any period means the amortization expense of the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP and including, without duplication, amortization expense with respect to discontinued operations.

“*Consolidated Cash Flow*” for any period means, without duplication, the sum of the amounts for such period of:

(1) Consolidated Net Income, *plus*

(2) in each case only to the extent (and in the same proportion) deducted in determining Consolidated Net Income and with respect to the portion of Consolidated Net Income attributable to any Restricted Subsidiary only if a corresponding amount would be permitted at the date of determination to be distributed to the Issuer by such Restricted Subsidiary, pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its shareholders,

(a) Consolidated Income Tax Expense,

(b) Consolidated Amortization Expense (but only to the extent not included in Consolidated Interest Expense),

(c) Consolidated Depreciation Expense,

(d) Consolidated Interest Expense (including debt issuance costs and other financing fees and expenses incurred in connection with the Transactions) and all other costs and expenses arising from or related to the issuance of the Notes and the reasonable costs and expenses arising from or related to the incurrence of the Credit Facilities to the extent such other costs and expenses were deducted in computing Consolidated Net Income, and

(e) all other non-cash items reducing the Consolidated Net Income (excluding any non-cash charge that results in an accrual of a reserve for cash charges in any future period) for such period,

in each case determined on a consolidated basis in accordance with GAAP, *minus*

(3) the aggregate amount of all non-cash items, determined on a consolidated basis, to the extent such items increased Consolidated Net Income for such period.

“*Consolidated Depreciation Expense*” for any period means the depreciation expense of the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in



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accordance with GAAP and including, without duplication, depreciation expense with respect to discontinued operations.

“*Consolidated Income Tax Expense*” for any period means the provision for taxes of the Issuer and the Restricted Subsidiaries or any penalty or interest related thereto, determined on a consolidated basis in accordance with GAAP and including, without duplication, provision for taxes with respect to discontinued operations.

“*Consolidated Interest Coverage Ratio*” means the ratio of Consolidated Cash Flow during the most recent four consecutive full fiscal quarters for which financial statements are available (the “*Four-Quarter Period*”) ending on or prior to the date of the transaction giving rise to the need to calculate the Consolidated Interest Coverage Ratio (the “*Transaction Date*”) to Consolidated Interest Expense for the Four-Quarter Period. For purposes of this definition, Consolidated Cash Flow and Consolidated Interest Expense shall be calculated after giving effect on a pro forma basis for the period of such calculation to:

(1) the incurrence of any Indebtedness or the issuance of any Preferred Stock of the Issuer or any Restricted Subsidiary (and the application of the proceeds thereof) and any repayment of other Indebtedness or redemption of other Preferred Stock (and the application of the proceeds therefrom) (other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to any revolving credit arrangement) occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if such incurrence, repayment, issuance or redemption, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four-Quarter Period; and

(2) any Asset Sale or Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Issuer or any Restricted Subsidiary (including any Person who becomes a Restricted Subsidiary as a result of such Asset Acquisition incurring Acquired Indebtedness and giving effect to any Asset Sale or Asset Acquisition made by any Person who becomes a Restricted Subsidiary as a result of such Asset Sale or Asset Acquisition) and also including any Consolidated Cash Flow (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Securities Act) associated with any such Asset Sale or Asset Acquisition) occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if such Asset Sale or Asset Acquisition (including the incurrence of, or assumption or liability for, any such Indebtedness or Acquired Indebtedness) occurred on the first day of the Four-Quarter Period.

In calculating Consolidated Interest Expense for purposes of determining the denominator (but not the numerator) of this Consolidated Interest Coverage Ratio:

(1) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be

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deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date;

(2) if interest on any Indebtedness actually incurred on the Transaction Date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the Transaction Date will be deemed to have been in effect during the Four-Quarter Period; and

(3) notwithstanding clause (1) or (2) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Hedging Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of these agreements.

“*Consolidated Interest Expense*” for any period means the sum, without duplication, of the total interest expense of the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP and including, without duplication,

(1) imputed interest on Capitalized Lease Obligations and Attributable Indebtedness,

(2) commissions, discounts and other fees and charges owed with respect to letters of credit securing financial obligations, bankers’ acceptance financing and receivables financings,

(3) the net costs associated with Hedging Obligations related to interest rates,

(4) amortization of debt issuance costs, debt discount or premium and other financing fees and expenses (other than debt issuance costs and other financing fees and expenses incurred in connection with the Transactions),

(5) the interest portion of any deferred payment obligations,

(6) all other non-cash interest expense,

(7) capitalized interest,

(8) the product of (a) all dividend payments on any series of Disqualified Equity Interests of the Issuer or any Preferred Stock of any Restricted Subsidiary (other than any such Disqualified Equity Interests or any Preferred Stock held by the Issuer or a Wholly-Owned Restricted Subsidiary or to the extent paid in Qualified Equity Interests), *multiplied by* (b) a fraction, the numerator of which is one and the denominator of which is one *minus* the then current combined federal, state and local statutory tax rate of the Issuer and the Restricted Subsidiaries, expressed as a decimal,

(9) all interest payable with respect to discontinued operations, and

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(10) interest actually paid by the Issuer or any Restricted Subsidiary under any Indebtedness described in clause (7) or (8) of the definition of Indebtedness.

“*Consolidated Net Income*” for any period means the net income (or loss) of the Issuer and the Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; *provided* that there shall be excluded from such net income (to the extent otherwise included therein), without duplication:

(1) the net income (or loss) of any Person (other than a Restricted Subsidiary) in which any Person other than the Issuer and the Restricted Subsidiaries has an ownership interest (including, without limitation, any Person whose results are consolidated with the Issuer or any Restricted Subsidiary that is not a Subsidiary of the Issuer), except to the extent that cash in an amount equal to any such income has actually been received by the Issuer or any of its Wholly-Owned Restricted Subsidiaries during such period;

(2) except to the extent includible in the consolidated net income of the Issuer pursuant to the foregoing clause (1), the net income (or loss) of any Person that accrued prior to the date that (a) such Person becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or any Restricted Subsidiary or (b) the assets of such Person are acquired by the Issuer or any Restricted Subsidiary;

(3) the net income of any Restricted Subsidiary during such period to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary during such period, except that the Issuer’s equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining Consolidated Net Income;

(4) for the purposes of calculating the Restricted Payments Basket only, in the case of a successor to the Issuer by consolidation, merger or transfer of its assets, any income (or loss) of the successor prior to such merger, consolidation or transfer of assets;

(5) any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized during such period by the Issuer or any Restricted Subsidiary upon (a) the acquisition of any securities, or the extinguishment of any Indebtedness, of the Issuer or any Restricted Subsidiary or (b) any Asset Sale by the Issuer or any Restricted Subsidiary;

(6) gains and losses due solely to fluctuations in currency values and the related tax effects according to GAAP;

(7) unrealized gains and losses with respect to Hedging Obligations;

(8) the cumulative effect of any change in accounting principles; and

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(9) any extraordinary or nonrecurring gain (or extraordinary or nonrecurring loss), together with any related provision for taxes on any such extraordinary or nonrecurring gain (or the tax effect of any such extraordinary or nonrecurring loss), including any impairment or asset write-down, realized by the Issuer or any Restricted Subsidiary during such period.

In addition any return of capital with respect to an Investment that increased the Restricted Payments Basket pursuant to clause (iii)(D) of Section 4.11(a) hereof or decreased the amount of Investments outstanding pursuant to clause (12) of the definition of “Permitted Investments” shall be excluded from Consolidated Net Income for purposes of calculating the Restricted Payments Basket.

For purposes of this definition of “Consolidated Net Income,” “*nonrecurring*” means any gain or loss as of any date that is not reasonably likely to recur within the two years following such date; *provided* that if there was a gain or loss similar to such gain or loss within the two years preceding such date, such gain or loss shall not be deemed nonrecurring.

“*Consolidated Total Assets*” means, as of any date of determination, the aggregate amount of total assets of the Issuer and its Restricted Subsidiaries, all determined on a consolidated basis in accordance with GAAP.

“*Continuing Directors*” means, as of any date of determination, any member of the Board of Directors of the Issuer who: (1) was a member of such Board of Directors on the date of this Supplemental Indenture; or (2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

“*Corporate Trust Office*” means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of execution of this Supplemental Indenture is located at One Liberty Plaza, 23 Floor, New York, NY 10006 or such other office designated in writing by the Trustee.

“*Coverage Ratio Exception*” has the meaning set forth in the proviso in Section 4.10(a) hereof.

“*Credit Agreement*” means the Amended and Restated Credit Agreement dated June 11, 2010 by and among the Issuer, as Borrower, various lending institutions party thereto, PNC Bank, National Association, as the global administrative agent, as the swing line lender, as 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, including any notes, guarantees, collateral and security documents, instruments and agreements executed in connection therewith (including Hedging Obligations related to the Indebtedness incurred thereunder), and in each case as amended, as amended and restated, as modified, or as refinanced, refunded or replaced in whole or in part (including by sales of debt securities) from time to time including by or pursuant to any agreement or instrument (including an indenture) that extends the maturity of any Indebtedness thereunder, increases the amount of

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available borrowings thereunder or adds Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, whether with the same or any other agents, lender or group of lenders, purchasers or debt holders.

“*Credit Facilities*” means one or more debt facilities (which may be outstanding at the same time and including, without limitation, the Credit Agreement, but excluding any Qualified Receivables Transaction that may be outstanding at any time), commercial paper facilities, indentures, bonds, notes or debt purchase agreements, including agreements pursuant to which Capitalized Lease Obligations are issued or agreements in connection with Sale and Leaseback Transactions pursuant to which Indebtedness is deemed to be incurred, in each case with banks or other lenders, investors or a trustee providing for revolving credit loans, term loans or the issuance of debt securities, and in each case as amended and restated, as modified, or as refinanced, refunded or replaced in whole or in part (including by sales of debt securities) from time to time including by or pursuant to any agreement or instrument (including an indenture) that extends the maturity of any Indebtedness thereunder, increases the amount of available borrowings thereunder or adds Subsidiaries of the Issuer as additional borrowers or guarantors thereunder), whether with the same or any other agents, lender or group of lenders, purchasers or debt holders.

“*Custodian*” means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

“*Default*” means (1) any Event of Default or (2) any event, act or condition that, after notice or the passage of time or both, would be an Event of Default.

“*Depository*” means, with respect to the Notes issued in the form of one or more Global Notes, The Depository Trust Company or another Person designated as Depository by the Issuer, which Person must be a clearing agency registered under the Exchange Act.

“*Designated Non-cash Consideration*” means the Fair Market Value of non-cash consideration received by the Issuer or a Restricted Subsidiary in connection with an Asset Sale that is designated as Designated Non-cash Consideration pursuant to an Officer’s Certificate delivered to the Trustee, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of or collection on such Designated Non-cash Consideration.

“*Designation*” has the meaning given to this term described under Section 4.18 hereof.

“*Designation Amount*” has the meaning given to this term described under Section 4.18 hereof.

“*Disqualified Equity Interests*” of any Person means any class of Equity Interests of such Person that, by its terms, or by the terms of any related agreement or of any security into which it is convertible, puttable or exchangeable, is, or upon the happening of any event or the passage of time would be, required to be redeemed by such Person, whether or not at the option of the holder thereof, or matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, in whole or in part, on or prior to the date which is 91 days after the final maturity date of the Notes; *provided, however*, that any class of Equity Interests of such Person that, by its

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terms, authorizes such Person to satisfy in full its obligations with respect to the payment of dividends or upon maturity, redemption (pursuant to a sinking fund or otherwise) or repurchase thereof or otherwise by the delivery of Equity Interests that are not Disqualified Equity Interests, and that is not convertible, puttable or exchangeable for Disqualified Equity Interests or Indebtedness, will not be deemed to be Disqualified Equity Interests so long as such Person satisfies its obligations with respect thereto solely by the delivery of Equity Interests that are not Disqualified Equity Interests; *provided*, further, however, that any Equity Interests that would not constitute Disqualified Equity Interests but for provisions thereof giving holders thereof (or the holders of any security into or for which such Equity Interests are convertible, exchangeable or exercisable) the right to require the Issuer to redeem such Equity Interests upon the occurrence of a change in control or an asset sale occurring prior to the 91st day after the final maturity date of the Notes shall not constitute Disqualified Equity Interests if the change of control or asset sale provisions applicable to such Equity Interests are no more favorable to such holders than the provisions described under Sections 4.15 and 4.12 hereof, respectively, and such Equity Interests specifically provide that the Issuer will not redeem any such Equity Interests pursuant to such provisions prior to the Issuer's purchase of the Notes as required pursuant to the provisions described under Sections 4.15 and 4.12 hereof, respectively.

*"Equity Interests"* of any Person means (1) any and all shares or other equity interests (including common stock, Preferred Stock, limited liability company interests and partnership interests) in such Person and (2) all rights to purchase, warrants or options (whether or not currently exercisable), participations or other equivalents of or interests in (however designated) such shares or other interests in such Person.

*"Exchange Act"* means the U.S. Securities Exchange Act of 1934, as amended.

*"Fair Market Value"* means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) that would be negotiated in an arm's-length transaction for cash between a willing seller and a willing and able buyer, neither of which is under any undue pressure or compulsion to complete the transaction, determined in good faith by the management of the Issuer; *provided*, that if the subject transaction involves the payment of more than \$40.0 million, Fair Market Value shall be determined in good faith by the Board of Directors of the Issuer, as evidenced by a resolution of such Board.

*"Fitch"* means Fitch, Inc. and its successors.

*"Foreign Subsidiary"* means any Restricted Subsidiary of the Issuer which (i) is not organized under the laws of (x) the United States or any state thereof or (y) the District of Columbia and (ii) conducts substantially all of its business operations outside the United States of America.

*"GAAP"* means generally accepted accounting principles in the United States, as in effect on the Issue Date.

*"guarantee"* means a direct or indirect guarantee by any Person of any Indebtedness of any other Person and includes any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of)

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Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services (unless such purchase arrangements are on arm's-length terms and are entered into in the ordinary course of business), to take-or-pay, or to maintain financial statement conditions or otherwise); or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); "guarantee," when used as a verb, and "guaranteed" have correlative meanings.

"*Guarantors*" means each Person that is required to, or at the election of the Issuer does, become a Guarantor by the terms of this Supplemental Indenture after the Issue Date, in each case, until such Person is released from its Note Guarantee in accordance with the terms of this Supplemental Indenture.

"*Hatchery*" means The Hatchery, LLC, a Delaware limited liability company.

"*Hedging Obligations*" of any Person means the net obligations of such Person under swap, cap, collar, forward purchase or similar agreements or arrangements dealing with interest rates, currency exchange rates or commodity prices, either generally or under specific contingencies.

"*Holder*" means any registered holder, from time to time, of the Notes.

"*Immaterial Subsidiary*" means, as of any date, any Restricted Subsidiary of the Issuer whose total assets, as of the last day of the most recently ended full fiscal quarter period for which financial statements are available immediately preceding such date, were less than \$2.0 million and whose total revenues for the most recently ended four full fiscal quarters for which financial statements are available immediately preceding such date, are less than \$2.0 million.

"*incur*" means, with respect to any Indebtedness or Obligation, incur, create, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to such Indebtedness or Obligation; *provided* that (1) the Indebtedness of a Person existing at the time such Person became a Restricted Subsidiary shall be deemed to have been incurred by such Restricted Subsidiary and (2) neither the accrual of interest nor the accretion of original issue discount or the accretion or accumulation of dividends on any Equity Interests shall be deemed to be an incurrence of Indebtedness.

"*Indebtedness*" of any Person at any date means, without duplication:

(1) all liabilities, contingent or otherwise, of such Person for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof);

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, letters of guaranty, bankers' acceptances and similar credit transactions;

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(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services due more than six months after such property is acquired or services performed, except trade payables incurred in the ordinary course of business, obligations to pay royalty fees or other payments under license agreements and accrued expenses incurred by such Person in the ordinary course of business in connection with obtaining goods, materials or services;

(5) the maximum fixed redemption or repurchase price of all Disqualified Equity Interests of such Person;

(6) all Capitalized Lease Obligations of such Person;

(7) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person;

(8) all Indebtedness of others guaranteed by such Person to the extent of such guarantee; *provided* that Indebtedness of the Issuer or its Subsidiaries that is guaranteed by the Issuer or the Issuer's Subsidiaries shall only be counted once in the calculation of the amount of Indebtedness of the Issuer and its Subsidiaries on a consolidated basis;

(9) all Attributable Indebtedness;

(10) to the extent not otherwise included in this definition, Hedging Obligations of such Person; and

(11) all obligations of such Person under conditional sale or other title retention agreements relating to assets purchased by such Person.

The amount of any Indebtedness which is incurred at a discount to the principal amount at maturity thereof as of any date shall be deemed to have been incurred at the accreted value thereof as of such date. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above, the maximum liability of such Person for any such contingent obligations at such date and, in the case of clause (7), the lesser of (a) the Fair Market Value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (b) the amount of the Indebtedness secured. For purposes of clause (5), the "maximum fixed redemption or repurchase price" of any Disqualified Equity Interests that do not have a fixed redemption or repurchase price shall be calculated in accordance with the terms of such Disqualified Equity Interests as if such Disqualified Equity Interests were redeemed or repurchased on any date on which an amount of Indebtedness outstanding shall be required to be determined pursuant to this Supplemental Indenture.

"*Independent Director*" means a director of the Issuer who:

(1) is independent with respect to the transaction at issue;

(2) does not have any material financial interest in the Issuer or any of its Affiliates (other than as a result of holding securities of the Issuer); and



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(3) has not and whose Affiliates or affiliated firm has not, at any time during the twelve months prior to the taking of any action hereunder, directly or indirectly, received, or entered into any understanding or agreement to receive, any compensation, payment or other benefit, of any type or form, from the Issuer or any of its Affiliates, other than customary directors' fees for serving on the Board of Directors of the Issuer or any Affiliate and reimbursement of out-of-pocket expenses for attendance at the Issuer' s or Affiliate' s board and board committee meetings;

*provided* that a director of the Issuer that otherwise meets the independence requirements of the New York Stock Exchange (or, if the Issuer' s common Equity Interests are listed on the NASDAQ Stock Market, the independence requirements of the NASDAQ Stock Market), as determined in the good faith judgment of the Issuer' s Board of Directors, shall not be disqualified from being an "Independent Director" solely as a result of clause (2) or (3).

*"Independent Financial Advisor"* means an accounting, appraisal or investment banking firm of nationally recognized standing that is, in the reasonable judgment of the Issuer' s Board of Directors, qualified to perform the task for which it has been engaged and disinterested and independent with respect to the Issuer and its Affiliates.

*"Initial Notes"* has the meaning provided in the preamble to this Supplemental Indenture.

*"interest"* means, with respect to the Notes, interest on the Notes.

*"Intellectual Property"* means all patents, patent applications, trademarks, trade names, service marks, copyrights, technology, trade secrets, proprietary information, domain names, know how and processes necessary for the conduct of the Issuer' s or any Restricted Subsidiary' s business as currently conducted.

*"Interest Payment Date"* means the stated maturity of an installment of interest on the Notes.

*"Investment Grade Rating"* means a rating equal to or higher than Baa3 (or the equivalent) by Moody' s and BBB- (or the equivalent) by S&P (or, if Fitch is then a Rating Agency, the equivalent investment grade credit rating from Fitch).

*"Investment Grade Status"* shall be deemed to have been reached on the date that the Notes have an Investment Grade Rating from both Rating Agencies, *provided* that no Default or Event of Default has occurred and is continuing on such date.

*"Investments"* of any Person means:

(1) all direct or indirect investments by such Person in any other Person in the form of loans, advances or capital contributions (excluding commission, travel and similar advances made to officers and employees in the ordinary course of business) or other credit extensions constituting Indebtedness of such other Person, excluding (i) accounts receivable, other extensions of trade credit, and any payments, credits, discounts, allowances and other incentives extended to customers in accordance with such Person' s customary practices and (ii) the acquisition of property and other assets

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from suppliers and other vendors in the ordinary course of business and any guarantee of Indebtedness of any other Person;

(2) all purchases (or other acquisitions for consideration) by such Person of Indebtedness, Equity Interests or other securities of any other Person (other than any such purchase that constitutes a Restricted Payment of the type described in clause (2) of the definition thereof);

(3) all other items that would be classified as investments on a balance sheet of such Person prepared in accordance with GAAP (including, if required by GAAP, purchases of assets outside the ordinary course of business); and

(4) the Designation of any Subsidiary as an Unrestricted Subsidiary.

Except as otherwise expressly specified in this definition, the amount of any Investment (other than an Investment made in cash) shall be the Fair Market Value thereof on the date such Investment is made. The amount of Investment pursuant to clause (4) shall be the Designation Amount determined in accordance with Section 4.18 hereof. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any Restricted Subsidiary, or any Restricted Subsidiary issues any Equity Interests, in either case, such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary, the Issuer shall be deemed to have made an Investment on the date of any such sale or other disposition equal to the Fair Market Value of the Equity Interests of and all other Investments in such Restricted Subsidiary retained. Notwithstanding the foregoing, purchases or redemptions of Equity Interests or Indebtedness of the Issuer, including the Notes, shall be deemed not to be Investments.

“*Issue Date*” means the date on which the Initial Notes are originally issued.

“*Lien*” means, with respect to any asset, any mortgage, deed of trust, lien (statutory or other), pledge, lease, easement, restriction, covenant, charge, security interest or other encumbrance of any kind or nature in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement.

“*Maturity Date*” means December 1, 2021.

“*Moody’s*” means Moody’s Investors Service, Inc., and its successors.

“*Net Available Proceeds*” means, with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents, net of:

(1) brokerage commissions and other fees and expenses (including fees, discounts and expenses of legal counsel, accountants and investment banks, consultants and placement agents) of such Asset Sale;

(2) provisions for taxes payable as a result of such Asset Sale (after taking into account any available tax credits or deductions and any tax sharing arrangements);

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(3) amounts required to be paid to any Person (other than the Issuer or any Restricted Subsidiary and other than under a Credit Facility) owning a beneficial interest in the assets subject to the Asset Sale or having a Lien thereon;

(4) payments of unassumed liabilities (not constituting Indebtedness) relating to the assets sold at the time of, or within 30 days after the date of, such Asset Sale; and

(5) appropriate amounts to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve required in accordance with GAAP against any adjustment in the sale price of such asset or assets or liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including pensions and other postemployment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officer's Certificate delivered to the Trustee; *provided, however*, that any amounts remaining after adjustments, revaluations or liquidations of such reserves shall constitute Net Available Proceeds.

*"Net Leverage Ratio"* means the ratio of (a) pro forma consolidated Indebtedness of the Issuer and its Restricted Subsidiaries less unrestricted cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries at the date of the transaction giving rise to the need to calculate the Net Leverage Ratio to (b) Consolidated Cash Flow for the Four Quarter Period.

*"Non-Recourse Debt"* means Indebtedness of an Unrestricted Subsidiary:

(1) as to which neither the Issuer nor any Restricted Subsidiary (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender; and

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Credit Agreement or Notes) of the Issuer or any Restricted Subsidiary to declare a default on the other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity.

*"Note Guarantee"* means the guarantee by each Guarantor of the obligations of the Issuer with respect to the Notes.

*"Notes"* means the Initial Notes and any Additional Notes treated as a single class of securities, as amended or supplemented from time to time in accordance with the terms hereof, that are issued pursuant to this Supplemental Indenture.

*"Obligation"* means any principal, interest, penalties, fees, indemnification, reimbursements, costs, expenses, damages and other liabilities payable under the documentation governing any Indebtedness.

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“*Officer*” means any of the following of the Issuer: the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the President, any Senior Vice President or Vice President, the Treasurer, the Assistant Treasurer, the Secretary or the Assistant Secretary.

“*Officer’s Certificate*” means a certificate signed by one Officer.

“*Opinion of Counsel*” means a written opinion delivered to the Trustee from legal counsel who may be counsel for the Issuer and who is reasonably acceptable to the Trustee complying with the requirements of this Supplemental Indenture.

“*Pari Passu Indebtedness*” means any Indebtedness of the Issuer or any Guarantor that ranks *pari passu* in right of payment with the Notes or the Note Guarantees, as applicable.

“*Permitted Business*” means the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date as described in the Prospectus Supplement and businesses that are the same as or reasonably related, ancillary or complementary thereto or reasonable extensions, developments or expansions thereof.

“*Permitted Holder*” mean any of Morry Weiss, Judith S. Weiss, Harry H. Stone, Gary Weiss, Jeffrey Weiss, Zev Weiss, Elie Weiss, and any other family member of Jacob Sapirstein (including lineal descendants, spouses of such descendants, the lineal descendants of any such spouse, the spouses of any such spouses’ lineal descendants), and trusts for estate planning purposes where any of the foregoing persons are beneficiaries or trustees of any such trust or trusts, including without limitation, voting trusts, the Irving I. Stone Limited Liability Co., The Irving Stone Irrevocable Trust originally dated April 21, 1947, as amended, and the Irving I. Stone Oversight Trust, the Irving Stone Support Foundation, The Irving I. Stone Foundation, the 540 Investment Company Limited Partnership and the American Greetings Corporation Retirement Profit Sharing and Savings Plan or any Person controlled by, or any successor Person to, any of the foregoing.

“*Permitted Investment*” means:

- (1) Investments by the Issuer or any Restricted Subsidiary in (a) any Restricted Subsidiary or (b) in any Person that will become immediately after such Investment a Restricted Subsidiary or that will merge or consolidate into the Issuer or a Restricted Subsidiary;
- (2) Investments in the Issuer by any Restricted Subsidiary;
- (3) loans and advances to directors, employees and officers of the Issuer and the Restricted Subsidiaries for bona fide business purposes and to purchase Equity Interests of the Issuer not in excess of \$5.0 million in aggregate principal amount at any one time outstanding;
- (4) Hedging Obligations entered into for *bona fide* hedging purposes of the Issuer or any Restricted Subsidiary not for the purpose of speculation;

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(5) cash and Cash Equivalents;

(6) receivables owing to the Issuer or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

(7) Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes;

(8) the Indebtedness of a Receivables Subsidiary to the Issuer or a Restricted Subsidiary and Indebtedness of a Restricted Subsidiary to the Issuer, in each case, in connection with a Qualified Receivables Transaction;

(9) Investments made by the Issuer or any Restricted Subsidiary as a result of consideration received in connection with an Asset Sale made in compliance with Section 4.12 hereof or from the sale of assets that did not constitute an Asset Sale;

(10) lease, utility and other similar deposits in the ordinary course of business;

(11) Investments made by the Issuer or a Restricted Subsidiary for consideration consisting only of Equity Interests of the Issuer (other than Disqualified Equity Interests);

(12) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary or in satisfaction of judgments;

(13) the acquisition by a Receivables Subsidiary in connection with a Qualified Receivables Transaction of Equity Interests of a trust or other Person established by such Receivables Subsidiary to effect such Qualified Receivables Transaction; and any other Investment by the Issuer or a Subsidiary of the Issuer in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person in connection with a Qualified Receivables Transaction; provided, that such other Investment is in the form of a note or other instrument that the Receivables Subsidiary or other Person is required to repay as soon as practicable from available cash collections less amounts required to be established as reserves pursuant to contractual agreements with entities that are not Affiliates of the Issuer entered into as part of a Qualified Receivables Transaction;

(14) Investments by the Issuer in Indebtedness of Schurman Fine Papers or payments of any amounts pursuant to the Schurman Loan Agreement and the Schurman Guaranty; and

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(15) other Investments in an aggregate amount not to exceed the greater of (i) 5.0% of Consolidated Total Assets and (ii) \$50.0 million, in each case at any one time outstanding (with each Investment being valued as of the date made and without regard to subsequent changes in value); *provided* that no Investment made in reliance on this clause (15) shall be made in any Person that is the direct or indirect holder of a majority of the outstanding Equity Interests of the Issuer.

The amount of Investments outstanding at any time pursuant to clause (15) above shall be deemed to be reduced:

(a) upon the disposition or repayment of or return on any Investment made pursuant to clause (15) above, by an amount equal to the return of capital with respect to such Investment to the Issuer or any Restricted Subsidiary (to the extent not included in the computation of Consolidated Net Income); and

(b) upon a Redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, by an amount equal to the lesser of (x) the Fair Market Value of the Issuer's proportionate interest in such Subsidiary immediately following such Redesignation, and (y) the aggregate amount of Investments in such Subsidiary that increased (and did not previously decrease) the amount of Investments outstanding pursuant to clause (15) above.

*"Permitted Liens"* means the following types of Liens:

(1) Liens for taxes, assessments or governmental charges or claims either (a) not delinquent or (b) contested in good faith by appropriate proceedings and as to which the Issuer or the Restricted Subsidiaries shall have set aside on its books such reserves as may be required pursuant to GAAP;

(2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;

(3) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(4) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods and Liens upon inventory on consignment incurred by the consignee or in connection with any scan-based trading arrangements by the retail customer thereof;

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(5) judgment Liens not giving rise to a Default so long as such Liens are adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which the proceedings may be initiated has not expired;

(6) easements, rights-of-way, zoning restrictions and other similar charges, restrictions or encumbrances in respect of real property or immaterial imperfections of title which do not, in the aggregate, impair in any material respect the ordinary conduct of the business of the Issuer and the Restricted Subsidiaries taken as a whole;

(7) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other assets relating to such letters of credit and products and proceeds thereof;

(8) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of the Issuer or any Restricted Subsidiary, including rights of offset and setoff;

(9) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more accounts maintained by the Issuer or any Restricted Subsidiary, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; *provided* that in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness;

(10) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Issuer or any Restricted Subsidiary;

(11) Liens arising from filing Uniform Commercial Code financing statements regarding leases;

(12) Liens securing all of the Notes and Liens securing any Note Guarantee;

(13) Liens securing Hedging Obligations entered into for *bona fide* hedging purposes of the Issuer or any Restricted Subsidiary and not for the purpose of speculation;

(14) Liens existing on the Issue Date securing Indebtedness outstanding on the Issue Date;

(15) Liens in favor of the Issuer or a Restricted Subsidiary;

(16) Liens securing Indebtedness under the Credit Facilities in an aggregate principal amount at any time outstanding not to exceed \$650.0 million;

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(17) Liens securing Purchase Money Indebtedness and Capitalized Lease Obligations; *provided* that such Liens shall not extend to any asset other than the specified asset being financed and additions and improvements thereon;

(18) Liens securing Acquired Indebtedness permitted to be incurred under this Supplemental Indenture; *provided* that the Liens do not extend to assets not subject to such Lien at the time of acquisition (other than improvements thereon) and are no more favorable to the lienholders than those securing such Acquired Indebtedness prior to the incurrence of such Acquired Indebtedness by the Issuer or a Restricted Subsidiary;

(19) Liens on assets of a Person existing at the time such Person is acquired or merged with or into or consolidated with the Issuer or any such Restricted Subsidiary (and not created in anticipation or contemplation thereof);

(20) Liens on assets of Foreign Subsidiaries securing Indebtedness of Foreign Subsidiaries;

(21) Liens to secure Refinancing Indebtedness of Indebtedness secured by Liens referred to in the foregoing clauses (12), (14), (17), (18) and (19); *provided* that in the case of Liens securing Refinancing Indebtedness of Indebtedness secured by Liens referred to in the foregoing clauses (14), (17), (18) and (19), such Liens do not extend to any additional assets (other than improvements thereon and replacements thereof);

(22) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(23) Liens on assets of the Issuer, a Restricted Subsidiary or a Receivables Subsidiary incurred in connection with a Qualified Receivables Transaction;

(24) Liens incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with respect to obligations (other than Indebtedness) that do not in the aggregate exceed \$50.0 million at any one time outstanding; and

(25) any license or sublicense of any Intellectual Property and related rights granted in the ordinary course of business.

“*Person*” means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

“*Plan of Liquidation*” with respect to any Person, means a plan that provides for, contemplates or the effectuation of which is preceded or accompanied by (whether or not substantially contemporaneously, in phases or otherwise): (1) the sale, lease, conveyance or other disposition of all or substantially all of the assets of such Person otherwise than as an entirety or substantially as an entirety; and (2) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition of all or substantially all of the remaining assets of such Person to holders of Equity Interests of such Person.



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*“Preferred Stock”* means, with respect to any Person, any and all preferred or preference stock or other equity interests (however designated) of such Person whether now outstanding or issued after the Issue Date.

*“principal”* means, with respect to the Notes, the principal of, and premium, if any, on the Notes.

*“Prospectus Supplement”* means the prospectus supplement related to the issuance of the Initial Notes on the Issue Date, dated November 16, 2011.

*“Publicly Traded Securities”* mean any equity securities listed on a national securities exchange of a Person with a publicly traded market capitalization of not less than \$500.0 million that are freely transferable without any restriction under the Securities Act; *provided* that the Issuer and its Subsidiaries own less than 5% of the Equity Interests in such Person after giving effect to such Asset Sale.

*“Purchase Money Indebtedness”* means Indebtedness, including Capitalized Lease Obligations, mortgage financings, industrial revenue bonds and similar tax-exempt financings of the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price of property, plant or equipment used in the business of the Issuer or any Restricted Subsidiary or the cost of installation, construction or improvement thereof; *provided, however*, that (1) the amount of such Indebtedness shall not exceed such purchase price or cost and (2) such Indebtedness shall be incurred within 90 days of such acquisition of such asset by the Issuer or such Restricted Subsidiary or such installation, construction or improvement.

*“Qualified Equity Interests”* of any Person means Equity Interests of such Person other than Disqualified Equity Interests; *provided* that such Equity Interests shall not be deemed Qualified Equity Interests to the extent sold or owed to a Subsidiary of such Person or financed, directly or indirectly, using funds (1) borrowed from such Person or any Subsidiary of such Person until and to the extent such borrowing is repaid or (2) contributed, extended, guaranteed or advanced by such Person or any Subsidiary of such Person (including, without limitation, in respect of any employee stock ownership or benefit plan). Unless otherwise specified, Qualified Equity Interests refer to Qualified Equity Interests of the Issuer.

*“Qualified Equity Offering”* means the issuance and sale of Qualified Equity Interests of the Issuer to Persons other than any Permitted Holder.

*“Qualified Receivables Transaction”* means any transaction or series of transactions entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries sells, conveys or otherwise transfers (directly or through the Issuer or a Restricted Subsidiary) to (i) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries) and (ii) any other Person (in the case of a transfer by a Receivables Subsidiary), or grants a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are

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customarily granted in connection with asset securitization transactions involving accounts receivable.

“*Rating Agencies*” means Moody’s and S&P or, if either Moody’s or S&P, or their successors, is no longer a “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) under the Exchange Act, Fitch, *provided* that Fitch is a “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) under the Exchange Act.

“*Receivables Subsidiary*” means a Subsidiary of the Issuer which engages in no activities other than in connection with the financing of accounts receivable and which is designated by the Board of Directors of the Issuer (as provided below or pursuant to the indenture dated May 24, 2006, by and between the Issuer and The Bank of Nova Scotia Trust Company of New York, as trustee) as a Receivables Subsidiary (a) no portion of the Indebtedness or any other Obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any Subsidiary of the Issuer (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction), (ii) is recourse to or obligates the Issuer or any Subsidiary of the Issuer in any way other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction or (iii) subjects any property or asset of the Issuer or any Subsidiary of the Issuer (other than accounts receivable and related assets as provided in the definition of “Qualified Receivables Transaction”), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction, (b) with which neither the Issuer nor any Subsidiary of the Issuer has any material contract, agreement, arrangement or understanding other than on terms no less favorable to the Issuer or such Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing accounts receivable and (c) with which neither the Issuer nor any Subsidiary of the Issuer has any obligation to maintain or preserve such Subsidiary’s financial condition or cause such Subsidiary to achieve certain levels of operating results. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the foregoing conditions.

“*Record Date*” for interest payable on any Interest Payment Date (except a date for payment of default interest) means the May 15 and November 15 (whether or not a Business Day) as the case may be, immediately preceding such Interest Payment Date.

“*redeem*” means to redeem, repurchase, purchase, defease, retire, discharge or otherwise acquire or retire for value; and “redemption” shall have a correlative meaning; *provided* that this definition shall not apply for purposes of paragraph 5 of the Notes.

“*Redemption Date*” when used with respect to any Note to be redeemed means the date fixed for such redemption pursuant to this Supplemental Indenture.

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“Redemption Price” when used with respect to any Note to be redeemed means the price fixed for such redemption pursuant to this Supplemental Indenture and the Notes.

“Redesignation” has the meaning given to such term described under Section 4.18 hereof.

“refinance” means to refinance, repay, prepay, replace, renew or refund.

“Refinancing Indebtedness” means Indebtedness of the Issuer or a Restricted Subsidiary incurred in exchange for, or the proceeds of which are used to redeem or refinance in whole or in part, any Indebtedness of the Issuer or any Restricted Subsidiary (the “Refinanced Indebtedness”); *provided that*:

(1) the principal amount (and accreted value, in the case of Indebtedness issued at a discount) of the Refinancing Indebtedness does not exceed the principal amount (and accreted value, as the case may be) of the Refinanced Indebtedness plus the amount of accrued and unpaid interest on the Refinanced Indebtedness, any reasonable premium paid to the holders of the Refinanced Indebtedness and reasonable expenses incurred in connection with the incurrence of the Refinancing Indebtedness;

(2) the obligor of Refinancing Indebtedness does not include any Person (other than the Issuer or any Guarantor) that is not an obligor of the Refinanced Indebtedness;

(3) if the Refinanced Indebtedness was subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, then such Refinancing Indebtedness, by its terms, is subordinate in right of payment to the Notes or the Note Guarantees, as the case may be, at least to the same extent as the Refinanced Indebtedness;

(4) the Refinancing Indebtedness has a final stated maturity either (a) no earlier than the Refinanced Indebtedness being repaid or amended or (b) after the maturity date of the Notes;

(5) the portion, if any, of the Refinancing Indebtedness that is scheduled to mature on or prior to the maturity date of the Notes has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred that is equal to or greater than the Weighted Average Life to Maturity of the portion of the Refinanced Indebtedness being repaid that is scheduled to mature on or prior to the maturity date of the Notes; and

(6) the proceeds of the Refinancing Indebtedness shall be used substantially concurrently with the incurrence thereof to redeem or refinance the Refinanced Indebtedness, unless the Refinanced Indebtedness is not then due and is not redeemable or prepayable at the option of the obligor thereof or is redeemable or prepayable only with notice, in which case such proceeds shall be held in a segregated account of the obligor of the Refinanced Indebtedness until the Refinanced Indebtedness becomes due or redeemable or prepayable or such notice period lapses and then shall be used to refinance the Refinanced Indebtedness; *provided that* in any event the Refinanced

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Indebtedness shall be redeemed or refinanced within one year of the incurrence of the Refinancing Indebtedness.

“*Related Party*” means (i) any controlling shareholder, 80% (or more) owned Subsidiary, or immediate family member (in the case of an individual) of any Permitted Holder, or (ii) any trust, corporation, partnership or other entity the beneficiaries, shareholders, partners, owners or Persons beneficially holding an 80% or more controlling interest of which consist of any one or more Permitted Holders and/or such other Persons referred to in the immediately preceding clause (i).

“*Restricted Payment*” means any of the following:

(1) the declaration or payment of any dividend or any other distribution on Equity Interests of the Issuer or any Restricted Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Equity Interests of the Issuer or any Restricted Subsidiary, including, without limitation, any payment in connection with any merger or consolidation involving the Issuer but excluding (a) dividends or distributions payable solely in Qualified Equity Interests or through accretion or accumulation of such dividends on such Equity Interests and (b) in the case of Restricted Subsidiaries, dividends or distributions payable to the Issuer or to a Restricted Subsidiary and *pro rata* dividends or distributions payable to minority shareholders of any Restricted Subsidiary;

(2) the redemption of any Equity Interests of the Issuer or any Restricted Subsidiary, including, without limitation, any payment in connection with any merger or consolidation involving the Issuer but excluding any such Equity Interests held by the Issuer or any Restricted Subsidiary; or

(3) any Investment other than a Permitted Investment.

“*Restricted Payments Basket*” has the meaning given to such term in Section 4.11(a) hereof.

“*Restricted Subsidiary*” means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

“*Rule 144A*” means Rule 144A promulgated under the Securities Act.

“*S&P*” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors.

“*Sale and Leaseback Transactions*” means with respect to any Person an arrangement with any bank, insurance company or other lender or investor or to which such lender or investor is a party, providing for the leasing by such Person of any asset of such Person which has been or is being sold or transferred by such Person to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such asset, but excluding any such arrangements between or among (a) the Issuer and one or more Restricted Subsidiaries and (b) Restricted Subsidiaries.

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“*Secretary’s Certificate*” means a certificate signed by the Secretary of the Issuer.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended.

“*Schurman Guaranty*” means the Limited Guaranty by the Issuer dated April 12, 2009 of certain Schurman Fine Papers obligations under the Schurman Loan and Security Agreement, as such Schurman Guaranty may be amended, supplemented, or modified from time to time, so long as such amendment, supplement or other modification is not, when taken as a whole, materially adverse to the Holders of the Notes compared to the Schurman Guaranty as in effect on the Issue Date.

“*Schurman Loan Agreement*” means the Loan Agreement dated April 17, 2009 between Schurman Fine Papers, as borrower, and the Issuer, as lender, as it may be amended, supplemented, modified, or refinanced from time to time, as long as such amendment, supplement, other modification or refinancing is not, when taken as a whole, materially adverse to the Holders of the Notes compared to the Schurman Loan Agreement as in effect on the Issue Date.

“*Schurman Loan and Security Agreement*” means the First Amended and Restated Loan and Security Agreement dated April 12, 2009 between Schurman Fine Papers, Papyrus Franchise Corporation, and 644064 N.B. Inc., and each of their respective subsidiaries which are borrowers thereunder from time to time, and Wells Fargo Retail Finance, LLC, as the agent, and each of the lenders thereunder, as it may be amended, supplemented, or modified from time to time, so long as such amendment, supplement or other modification is not, when take as a whole, materially adverse to the Holders of the Notes compared to the Schurman Loan and Security Agreement as in effect on the Issue Date.

“*Significant Subsidiary*” means (1) any Restricted Subsidiary that would be a “significant subsidiary” as defined in Regulation S-X promulgated pursuant to the Securities Act as such Regulation is in effect on the Issue Date and (2) any Restricted Subsidiary that, when aggregated with all other Restricted Subsidiaries that are not otherwise Significant Subsidiaries and as to which any event described in clause (h) or (i) of Section 6.01 hereof has occurred and is continuing, or which are being released from their Guarantees (in the case of clause (ix) of the provisions of Section 8.02 hereof), would constitute a Significant Subsidiary under clause (1) of this definition.

“*Subsidiary*” means, with respect to any Person:

(1) any corporation, limited liability company, association or other business entity of which more than 50% of the total voting power of the Equity Interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Board of Directors thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general

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partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

Unless otherwise specified, “Subsidiary” refers to a Subsidiary of the Issuer.

“*Subsidiary Guarantor*” means any Guarantor that is a Subsidiary.

“*Transactions*” means (i) the Issuer’s share repurchase program for repurchases of up to an additional \$35.0 million of Equity Interests, (ii) the purchase, including by means of a tender offer or redemption, by the Issuer of any notes issued by the Issuer pursuant to the indenture dated May 24, 2006 (as amended by the first supplemental indenture thereto dated February 24, 2009) and the indenture dated February 24, 2009, and the amendment of such indentures in connection therewith; and (iii) the offering of the Notes.

“*Treasury Rate*” means, with respect to a Redemption Date, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two Business Days prior to such Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such Redemption Date to December 1, 2016; *provided, however*, that if the period from such Redemption Date to December 1, 2016 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from such Redemption Date to December 1, 2016 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

“*Trust Indenture Act*” or “*TIA*” means the Trust Indenture Act of 1939, as amended.

“*Trust Officer*” means, when used with respect to the Trustee, any officer of the Trustee located at the Corporate Trust Office of the Trustee who has direct responsibility for the administration of this Supplemental Indenture and, for the purposes of Sections 7.01(c)(ii) and 7.05 hereof, also means, with respect to a particular corporate trust matter, any other officer, trust officer or person performing similar functions to whom such matter is referred because of his or her knowledge of and familiarity of the particular subject.

“*Trustee*” means the party named as such in this Supplemental Indenture until a successor replaces it pursuant to this Supplemental Indenture and thereafter means the successor.

“*Unrestricted Subsidiary*” means (1) any Subsidiary that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in accordance with Section 4.18 hereof and (2) any Subsidiary of an Unrestricted Subsidiary. As of the Issue Date, for the avoidance of doubt, Hatchery will be an Unrestricted Subsidiary.

“*U.S. Government Obligations*” means direct non-callable obligations of, or guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

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“*Voting Stock*” with respect to any Person, means securities of any class of Equity Interests of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock or other relevant equity interest has voting power by reason of any contingency) to vote in the election of members of the Board of Directors of such Person.

“*Weighted Average Life to Maturity*” when applied to any Indebtedness at any date, means the number of years obtained by dividing (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment by (2) the then outstanding principal amount of such Indebtedness.

“*Wholly-Owned Restricted Subsidiary*” means a Restricted Subsidiary of which 100% of the Equity Interests (except for directors’ qualifying shares or certain minority interests owned by other Persons solely due to local law requirements that there be more than one shareholder, but which interest is not in excess of what is required for such purpose) are owned directly by the Issuer or through one or more Wholly-Owned Restricted Subsidiaries.

#### Section 1.02. Incorporation by Reference of Trust Indenture Act.

Whenever this Supplemental Indenture refers to a provision of the TIA, the portion of such provision required to be incorporated herein in order for this Supplemental Indenture to be qualified under the TIA is incorporated by reference in and made a part of this Supplemental Indenture. The following TIA terms used in this Supplemental Indenture have the following meanings:

“*indenture securities*” means the Notes.

“*indenture securityholder*” means a Holder.

“*indenture to be qualified*” means this Supplemental Indenture.

“*indenture trustee*” or “*institutional trustee*” means the Trustee.

“*obligor on the indenture securities*” means the Issuer, the Guarantors or any other obligor on the Notes.

All other terms used in this Supplemental Indenture that are defined by the TIA, defined in the TIA by reference to another statute or defined by Commission rule have the meanings therein assigned to them.

#### Section 1.03. Rules of Construction. Unless the context otherwise requires:

- (a) a term has the meaning assigned to it herein, whether defined expressly or by reference;

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(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c) “or” is not exclusive;

(d) words in the singular include the plural, and in the plural include the singular;

(e) words used herein implying any gender shall apply to every gender; and

(f) “\$”, “U.S. Dollars” and “Dollars” each refers to United States dollars, or such other money of the United States of America that at the time of payment is legal tender for payment of public and private debts.

## ARTICLE II

### THE NOTES

Section 2.01. Form and Dating. The Initial Notes and the Trustee’s certificate of authentication shall be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or Depository rule or usage. The form of the Notes and any notation, legend or endorsement on them shall be satisfactory to both the Issuer and the Trustee. Each Note shall be dated the date of its issuance and shall show the date of its authentication.

The terms and provisions contained in the Notes, annexed hereto as Exhibit A, shall constitute, and are hereby expressly made, a part of this Supplemental Indenture and, to the extent applicable, the Issuer and the Trustee, by their execution and delivery of this Supplemental Indenture, expressly agree to such terms and provisions and to be bound thereby.

The Notes shall be issued initially in the form of one or more permanent global Notes (the “*Global Notes*”) in registered form, substantially in the form set forth in Exhibit A, and shall be deposited with the Trustee, as custodian for the Depository, duly executed by the Issuer and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of any Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depository, as hereinafter provided.

Section 2.02. Execution and Authentication. The Notes shall be executed on behalf of the Issuer by one Officer of the Issuer. Such signature may be either manual or facsimile.

If the Officer whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

A Note shall not be valid until an authorized signatory of the Trustee signs the certificate of authentication on the Note. Such signature shall be manual. Such signature shall be conclusive evidence that the Note has been authenticated under this Supplemental Indenture.



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The Trustee or an authentication agent (the “*Authenticating Agent*”) shall authenticate (i) Initial Notes for original issue on the date of this Supplemental Indenture in the aggregate principal amount not to exceed \$225,000,000, and (ii) Additional Notes for original issue following the date of this Supplemental Indenture in unlimited aggregate principal amount (so long as permitted by the terms of this Supplemental Indenture, including, without limitation, Section 4.10 hereof) for original issue upon a written order of the Issuer in the form of an Officer’s Certificate in aggregate principal amount as specified in such order. The Officer’s Certificate shall specify the amount of Notes to be authenticated, the date on which the Notes are to be authenticated and the aggregate principal amount of Notes outstanding on the date of authentication, and shall further specify the amount of such Notes to be issued as a Global Note or Certificated Notes. The aggregate principal amount of Notes outstanding at any time may not exceed such amount except as provided in Section 2.07 hereof.

Notwithstanding the foregoing, all Notes issued under this Supplemental Indenture shall vote and consent together on all matters (as to which any of such Notes may vote or consent) as one class and no series of Notes will have the right to vote or consent as a separate class on any matter.

The Trustee may appoint an Authenticating Agent to authenticate Notes. Any such appointment shall be evidenced by an instrument signed by a Trust Officer, a copy of which shall be furnished to the Issuer. An Authenticating Agent may authenticate Notes whenever the Trustee may do so. Each reference in this Supplemental Indenture to authentication by the Trustee includes authentication by such Authenticating Agent. An Authenticating Agent has the same right as an Agent to deal with the Issuer and Affiliates of the Issuer.

The Notes shall be issuable only in registered form without coupons and only in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Section 2.03. Registrar and Paying Agent. The Issuer shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange (“*Registrar*”), an office or agency where Notes may be presented for payment (“*Paying Agent*”) and an office or agency where notices and demands to or upon the Issuer in respect of the Notes and this Supplemental Indenture may be served. The Registrar shall keep a register of the Notes and of their transfer and exchange. The Registrar shall provide the Issuer a current copy of such register from time to time upon request of the Issuer. The Issuer may have one or more co-Registrars and one or more additional Paying Agents. Neither the Issuer nor any Affiliate of the Issuer may act as Paying Agent. The Issuer may change any Paying Agent, Registrar or co-Registrar without notice to any Holder.

The Issuer shall enter into an appropriate agency agreement with any Agent not a party to this Supplemental Indenture. The agreement shall implement the provisions of this Supplemental Indenture that relate to such Agent. The Issuer shall notify the Trustee of the name and address of any such Agent. If the Issuer fails to maintain a Registrar or Paying Agent, or agent for service of notices and demands, or fails to give the foregoing notice, the Trustee shall act as such. The Issuer initially appoints the Trustee as Registrar, Paying Agent and agent for service of notices and demands in connection with the Notes.

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Section 2.04. Paying Agent To Hold Assets in Trust. The Issuer shall require each Paying Agent other than the Trustee to agree in writing that each Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all assets held by the Paying Agent for the payment of principal of, premium, if any, or interest on the Notes (whether such assets have been distributed to it by the Issuer or any other obligor on the Notes), and shall notify the Trustee in writing of any Default in making any such payment. The Issuer at any time may require a Paying Agent to distribute all assets held by it to the Trustee and account for any assets disbursed and the Trustee may at any time during the continuance of any Payment Default, upon written request to a Paying Agent, require such Paying Agent to forthwith distribute to the Trustee all assets so held in trust by such Paying Agent together with a complete accounting of such sums. Upon distribution to the Trustee of all assets that shall have been delivered by the Issuer to the Paying Agent, the Paying Agent shall have no further liability for such assets.

Section 2.05. Noteholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Issuer shall furnish or cause the Registrar to furnish to the Trustee on or before each April 1 and October 1 in each year, and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders which list may be conclusively relied on by the Trustee.

Section 2.06. Transfer and Exchange. Subject to the provisions of Sections 2.15 and 2.16 hereof, when Notes are presented to the Registrar or a co-Registrar with a request to register the transfer of such Notes or to exchange such Notes for an equal principal amount of Notes of other authorized denominations of the same series, the Registrar or co-Registrar shall register the transfer or make the exchange as requested if its requirements for such transaction are met; *provided, however*, that the Notes presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Registrar or co-Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing. To permit registrations of transfer and exchanges, the Issuer shall execute and the Trustee shall authenticate Notes at the Registrar's or co-Registrar's request. No service charge shall be made for any registration of transfer or exchange, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge in connection therewith payable by the transferor of such Notes (other than any such transfer taxes or similar governmental charge payable upon exchanges or transfers pursuant to Section 2.10, 3.06, 4.12, 4.15 or 9.06 hereof, in which event the Issuer shall be responsible for the payment of such taxes).

Without the prior consent of the Issuer, the Registrar or co-Registrar shall not be required to register the transfer of or exchange of any Note (i) during a period beginning at the opening of 15 days before the delivery of a notice of redemption of Notes and ending at the close of business on the day of such delivery, (ii) selected for redemption in whole or in part pursuant to Article 3 hereof, except the unredeemed portion of any Note being redeemed in part, or (iii) between a Record Date and the next succeeding Interest Payment Date.

Any Holder of a Global Note shall, by acceptance of such Global Note, agree that transfers of beneficial interests in such Global Notes may be effected only through a book entry

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system maintained by the Holder of such Global Note (or its agent), and that ownership of a beneficial interest in the Note shall be required to be reflected in a book entry.

Section 2.07. Replacement Notes. If a mutilated Note is surrendered to the Trustee or if the Holder presents evidence to the satisfaction of the Issuer and the Trustee that the Note has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee shall authenticate a replacement Note. An indemnity or a security bond may be required by the Issuer or the Trustee that is sufficient in the judgment of the Issuer and the Trustee to protect the Issuer, the Trustee or any Agent from any loss which any of them may suffer if a Note is replaced. In every case of destruction, loss or theft, the applicant shall also furnish to the Issuer and to the Trustee evidence to their satisfaction of the destruction, loss or the theft of such Note and the ownership thereof. Each of the Issuer and the Trustee may charge for its expenses in replacing a Note. In the event any such mutilated, lost, destroyed or wrongfully taken Note has become due and payable, the Issuer in its discretion may pay such Note instead of issuing a new Note in replacement thereof. The provisions of this Section 2.07 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to replacement or payment of mutilated, lost, destroyed or wrongfully taken Notes.

Every replacement Note is an additional obligation of the Issuer.

Section 2.08. Outstanding Notes. Notes outstanding at any time are all Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, and those described in this Section 2.08 as not outstanding.

If a Note is replaced pursuant to Section 2.07 hereof (other than a mutilated Note surrendered for replacement), it ceases to be outstanding until the Issuer and the Trustee receive proof satisfactory to each of them that the replaced Note is held by a protected purchaser. A mutilated Note ceases to be outstanding upon surrender of such Note and replacement thereof pursuant to Section 2.07 hereof.

If on a Redemption Date or the Maturity Date, the Paying Agent holds U.S. legal tender sufficient to pay all of the principal and interest due on the Notes payable on that date and is not prohibited from paying such money to the Holders thereof pursuant to the terms of this Supplemental Indenture, then on and after that date such Notes cease to be outstanding and interest on them ceases to accrue.

Section 2.09. Treasury Notes. In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver, consent or notice, Notes owned by the Issuer or any of its Affiliates shall be considered as though they are not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which a Trust Officer of the Trustee actually knows are so owned shall be so considered. The Issuer shall notify the Trustee, in writing, when it or any of its Affiliates repurchases or otherwise acquires Notes, of the aggregate principal amount of such Notes so repurchased or otherwise acquired.

Section 2.10. Temporary Notes. Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee shall authenticate temporary Notes upon receipt of a written order

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of the Issuer in the form of an Officer's Certificate. The Officer's Certificate shall specify the amount of temporary Notes to be authenticated and the date on which the temporary Notes are to be authenticated. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Issuer considers appropriate for temporary Notes. Without unreasonable delay, the Issuer shall prepare and the Trustee shall authenticate upon receipt of a written order of the Issuer pursuant to Section 2.02 hereof definitive Notes in exchange for temporary Notes.

Section 2.11. Cancellation. The Issuer at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee, or at the direction of the Trustee, the Registrar or the Paying Agent, and no one else, shall cancel and, at the written direction of the Issuer, dispose of and deliver evidence of such disposal of all Notes surrendered for registration of transfer, exchange, payment or cancellation in accordance with their then existing procedures therefor. Subject to Section 2.07 hereof, the Issuer may not issue new Notes to replace Notes that it has paid or delivered to the Trustee for cancellation. If the Issuer shall acquire any of the Notes, such acquisition shall not operate as a redemption or satisfaction of the Indebtedness represented by such Notes unless and until the same are surrendered to the Trustee for cancellation pursuant to this Section 2.11. In no event shall the Trustee be required to destroy cancelled Notes.

Section 2.12. Defaulted Interest. The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium and interest on overdue interest (including post-petition interest in any proceeding under any Bankruptcy Law), to the extent lawful on demand at a rate that is 1% per annum in excess of the rate then in effect on the Notes.

If the Issuer defaults in a payment of interest on the Notes, it shall pay the defaulted interest, plus (to the extent lawful) any interest payable on the defaulted interest to the Persons who are Holders on a subsequent special record date, which date shall be the fifteenth day next preceding the date fixed by the Issuer for the payment of defaulted interest or the next succeeding Business Day if such date is not a Business Day. At least 15 days before the subsequent special record date, the Issuer shall deliver to each Holder, as of a recent date selected by the Issuer, with a copy to the Trustee, a notice that states the subsequent special record date, the payment date and the amount of defaulted interest, and interest payable on such defaulted interest, if any, to be paid.

Notwithstanding the foregoing, any interest which is paid prior to the expiration of the 30-day period set forth in Section 6.01(a) hereof shall be paid to Holders as of the Record Date for the Interest Payment Date for which interest has not been paid.

Section 2.13. Deposit of Moneys. Prior to 11:00 a.m., New York City time, on each Interest Payment Date, Redemption Date, Change of Control Payment Date, Net Proceeds Payment Date and Maturity Date, the Issuer shall have deposited with the Paying Agent in immediately available funds U.S. legal tender sufficient to make payments, if any, due on such Interest Payment Date, Redemption Date, Change of Control Payment Date, Net Proceeds Payment Date or Maturity Date, as the case may be, in a timely manner which permits the Trustee to remit payment to the Holders on such Interest Payment Date, Redemption Date,

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Change of Control Payment Date, Net Proceeds Payment Date or Maturity Date, as the case may be. The principal and interest on Global Notes shall be payable to the Depository or its nominee, as the case may be, as the sole registered owner and the sole Holder of the Global Notes represented thereby. The principal and interest on Notes in certificated form shall be payable at the office of the Paying Agent.

Section 2.14. CUSIP Number. The Issuer in issuing the Notes may use “CUSIP,” “ISIN” or such other numbers, and if so, the Trustee shall use such CUSIP, ISIN or such other numbers in notices of redemption or exchange as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP, ISIN or such other numbers printed in the notice or on the Notes, and that reliance may be placed only on the other identification numbers printed on the Notes. The Issuer shall promptly notify the Trustee of any change in the CUSIP, ISIN or such other number.

Section 2.15. Book-Entry Provisions for Global Notes.

(a) The Global Notes initially shall (i) be registered in the name of the Depository or the nominee of such Depository, (ii) be delivered to the Trustee as custodian for such Depository and (iii) bear legends as set forth in Section 2.17 hereof.

Members of, or participants in, the Depository (“*Agent Members*”) shall have no rights under this Supplemental Indenture with respect to any Global Note held on their behalf by the Depository or under the Global Notes, and the Depository may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the absolute owner of the Global Notes for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder.

(b) Interests of beneficial owners in the Global Notes may be transferred or exchanged for Certificated Notes in accordance with the rules and procedures of the Depository and the provisions of Section 2.16 hereof. In addition, if (i) the Depository (x) notifies the Issuer that it is no longer willing or able to act as Depository for any Global Note or (y) has ceased to be a clearing company registered under the Exchange Act and, in each case, a qualified successor depository is not appointed by the Issuer within 90 days of such notice or (ii) the Issuer, at its option, notifies the Trustee in writing that it elects to cause the issuance of Certified Notes, then, upon surrender by the relevant Holder of its Global Note, Certified Notes will be issued to each such Holder identified as being the beneficial owner.

(c) In connection with the transfer of Global Notes as an entirety to beneficial owners pursuant to paragraph (b), the Global Notes shall be deemed to be surrendered to the Trustee for cancellation, and the Issuer shall execute, and the Trustee shall, upon receipt of an authentication order from the Issuer in the form of an Officer’s Certificate, authenticate and deliver, to each beneficial owner identified by the Depository in writing in exchange for its beneficial interest in the Global Notes, an equal aggregate principal amount of Certificated Notes of authorized denominations.

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(d) The Holder of any Global Note may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Supplemental Indenture or the Notes.

Section 2.16. Registration of Transfers and Exchanges.

(a) *Transfer and Exchange of Certificated Notes.* When Certificated Notes are presented to the Registrar or co-Registrar with a request:

(i) to register the transfer of the Certificated Notes; or

(ii) to exchange such Certificated Notes for an equal principal amount of Certificated Notes of other authorized denominations,

the Registrar or co-Registrar shall register the transfer or make the exchange as requested if the requirements under this Supplemental Indenture as set forth in this Section 2.16 for such transactions are met; *provided, however*, that the Certificated Notes presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Registrar or co-Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

(b) *Restrictions on Transfer of a Certificated Note for a Beneficial Interest in a Global Note.* A Certificated Note may not be exchanged for a beneficial interest in a Global Note except upon satisfaction of the requirements set forth below. Upon receipt by the Registrar or co-Registrar of a Certificated Note, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Registrar or co-Registrar, together with written instructions from the Holder thereof directing the Registrar or co-Registrar to make, or to direct the Depository to make, an endorsement on the applicable Global Note to reflect an increase in the aggregate amount of the Notes represented by the Global Note, then the Registrar or co-Registrar shall cancel such Certificated Note and cause, or direct the Depository to cause, in accordance with the standing instructions and procedures existing between the Depository and the Registrar or co-Registrar, the principal amount of Notes represented by the Global Note to be increased accordingly.

(c) *Transfer of a Beneficial Interest in a Global Note for a Certificated Note.*

(i) Any Person having a beneficial interest in a Global Note may upon request exchange such beneficial interest for a Certificated Note. Upon receipt by the Registrar or co-Registrar of written instructions, or such other form of instructions as is customary for the Depository, from the Depository or its nominee on behalf of any Person having a beneficial interest in a Global Note and upon receipt by the Trustee of a written order or such other form of instructions as is customary for the Depository or the Person designated by the Depository as having such a beneficial interest containing registration instructions, then the Registrar or co-Registrar will cause, in accordance with the standing instructions and procedures existing between the Depository and the Registrar or co-Registrar, the aggregate principal amount of the applicable Global Note to be reduced and, following such reduction, the Issuer will execute and, upon receipt of an authentication order in the form of an Officer's Certificate in accordance with

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Section 2.02 hereof, the Trustee will authenticate and deliver to the transferee a Certificated Note in the appropriate principal amount.

(ii) Certificated Notes issued in exchange for a beneficial interest in a Global Note pursuant to this Section 2.16(c) shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Registrar or co-Registrar in writing. The Registrar or co-Registrar shall deliver such Certificated Notes to the Persons in whose names such Certificated Notes are so registered.

(d) *Restrictions on Transfer and Exchange of Global Notes.* Notwithstanding any other provisions of this Supplemental Indenture, a Global Note may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(e) *General.* None of the Issuer, the Trustee, any agent of the Issuer or the Trustee (including any Paying Agent or Registrar) will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a global security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2.15 hereof or this Section 2.16. The Issuer shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

Section 2.17. Legends. Each Global Note shall bear the following legend:

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE SUPPLEMENTAL INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY OR A SUCCESSOR DEPOSITORY. THIS NOTE IS NOT EXCHANGEABLE IN WHOLE OR IN PART FOR NOTES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE SUPPLEMENTAL INDENTURE, AND NO TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER OF THIS NOTE AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE SUPPLEMENTAL INDENTURE.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, AND TRANSFERS OF INTERESTS IN THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.16 OF THE SUPPLEMENTAL INDENTURE.

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## ARTICLE III

### REDEMPTION

Section 3.01. Notices to Trustee. If the Issuer elects to redeem Notes pursuant to paragraph 5 of the Notes, at least 60 days prior to the Redemption Date or such other period as the Trustee may agree to, the Issuer shall notify the Trustee in writing of the Redemption Date, the principal amount of Notes to be redeemed and the Redemption Price, and deliver to the Trustee an Officer's Certificate stating that such redemption will comply with the conditions contained herein and in the Notes, as appropriate.

Section 3.02. Selection of Notes To Be Redeemed. In the event that less than all of the Notes are to be redeemed at any time, selection of the Notes to be redeemed shall be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which such Notes are listed or, if such Notes are not then listed on a national security exchange, on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate; *provided, however*, that no Notes of a principal amount of \$2,000 or less shall be redeemed in part; *provided, further*, that if a partial redemption is made with the proceeds of any Qualified Equity Offering, selection of the Notes or portions thereof for redemption shall be made by the Trustee only on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to the procedures of the Depository), unless such method is otherwise prohibited. A new Note in a principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon delivery of the original Note to the Paying Agent and cancellation of the original Note. On and after the Redemption Date, interest will cease to accrue on Notes or portions thereof called for redemption as long as the Issuer has deposited with the Paying Agent funds in U.S. legal tender in satisfaction of the applicable Redemption Price pursuant to this Supplemental Indenture.

Section 3.03. Notice of Redemption. Notice of redemption shall be delivered at least 30 but not more than 60 days before the Redemption Date to each Holder to be redeemed, except that redemption notices may be delivered more than 60 days prior to a Redemption Date if the notice is issued in connection with a satisfaction and discharge of this Supplemental Indenture. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed.

The notice shall identify the Notes to be redeemed (including the CUSIP, ISIN or other number(s) thereof) and shall state:

- (a) the Redemption Date;
- (b) the Redemption Price and the amount of accrued interest, if any, to be paid;

(c) that, if any Note is being redeemed in part, the portion of the principal amount (equal to \$2,000 in principal amount or any integral multiple of \$1,000 in excess thereof) of such Note to be redeemed and that, on and after the Redemption Date, upon surrender of such



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Note, a new Note or Notes in principal amount equal to the unredeemed portion thereof will be issued;

(d) the name, address and telephone number of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent at the address specified to collect the Redemption Price plus accrued interest, if any;

(f) that, unless the Issuer defaults in making the redemption payment, interest on Notes called for redemption ceases to accrue on and after the Redemption Date and the only remaining right of the Holders is to receive payment of the Redemption Price plus accrued interest to the Redemption Date upon surrender of the Notes to the Paying Agent;

(g) the subparagraph of the Notes pursuant to which the Notes called for redemption are being redeemed; and

(h) if fewer than all the Notes are to be redeemed, the identification of the particular Notes (or portion thereof) to be redeemed, as well as the aggregate principal amount of Notes to be redeemed and the aggregate principal amount of Notes to be outstanding after such partial redemption.

Section 3.04. Effect of Notice of Redemption. Once the notice of redemption described in Section 3.03 hereof is delivered, Notes called for redemption become due and payable on the Redemption Date and at the Redemption Price, including any premium, plus accrued interest to the Redemption Date, if any. Upon surrender to the Paying Agent, such Notes shall be paid at the Redemption Price, including any premium, plus accrued interest to the Redemption Date, if any; *provided* that if the Redemption Date is after a Record Date and on or prior to the Interest Payment Date, the accrued interest shall be payable to the Holder of the redeemed Notes registered on the relevant Record Date.

Section 3.05. Deposit of Redemption Price.

(a) On or prior to 11:00 a.m., New York City time, on each Redemption Date, the Issuer shall have deposited with the Paying Agent in immediately available funds U.S. legal tender sufficient to pay the Redemption Price of and accrued interest on all Notes to be redeemed on that date.

(b) On and after any Redemption Date, if U.S. legal tender sufficient to pay the Redemption Price of and accrued interest on Notes called for redemption shall have been made available in accordance with clause (a), the Notes called for redemption will cease to accrue interest and the only right of the Holders of such Notes will be to receive payment of the Redemption Price of and, subject to the first proviso in Section 3.04 hereof, accrued and unpaid interest on such Notes to the Redemption Date. If any Note called for redemption shall not be so paid, interest will continue to accrue and be paid, from the Redemption Date until such redemption payment is made, on the unpaid principal of the Note and any interest not paid on such unpaid principal, in each case, at the rate and in the manner provided for in Section 2.12 hereof.

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Section 3.06. Notes Redeemed in Part. Upon surrender of a Note that is redeemed in part, the Trustee shall authenticate for a Holder a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

## ARTICLE IV

### COVENANTS

Section 4.01. Payment of Notes. The Issuer shall pay the principal of and interest on the Notes on the dates and in the manner provided in the Notes and this Supplemental Indenture. An installment of principal or interest shall be considered paid on the date it is due if the Trustee or Paying Agent holds, for the benefit of the Holders, on that date U.S. legal tender designated for and sufficient to pay such installment in full and is not prohibited from paying such money to the Holders pursuant to the terms of this Supplemental Indenture.

The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium and interest on overdue interest (including post-petition interest in any proceeding under any Bankruptcy Law), to the extent lawful as provided for in Section 2.12 hereof on demand at a rate that is 1% per annum in excess of the rate then in effect on the Notes.

Section 4.02. Reports to Holders. Whether or not required by the Commission, so long as any Notes are outstanding, the Issuer shall file electronically with the Commission through the Commission's Electronic Data Gathering, Analysis and Retrieval System (or any successor system, "EDGAR"), within the time periods that would be applicable to the Issuer under Section 13(a) or 15(d) of the Exchange Act (including any extension as would be permitted by Rule 12b-25 of the Exchange Act):

(a) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Issuer were required to file these Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by the Issuer's certified independent accountants; and

(b) all current reports that would be required to be filed (but not furnished) with the Commission on Form 8-K if the Issuer were required to file these reports;

*provided, however*, that the Issuer shall not be so obligated to file such reports with the Commission if the Commission does not permit such filings so long as the Issuer posts such reports on its website without any passcode or other restrictions within the time periods that would be applicable if the Issuer were required to file such reports.

The Issuer and the Guarantors have agreed that, for so long as any Notes remain outstanding, the Issuer will furnish to the Holders and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

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The Issuer shall file with the Trustee promptly after it files such annual and quarterly reports, information, documents and other reports with the Commission, copies of its annual report and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) which the Issuer is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act. Notwithstanding anything to the contrary in the foregoing, the Issuer will be deemed to have furnished such reports, information and documents referred to in the previous sentence to the Trustee if the Issuer has filed such reports, information and documents with the Commission via EDGAR and such reports, information and documents are publicly available. The Issuer also shall comply with the other provisions of TIA Section 314(a).

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

Section 4.03. Waiver of Stay, Extension or Usury Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead (as a defense or otherwise) or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law which would prohibit or forgive the Issuer from paying all or any portion of the principal of, premium, if any, and/or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Supplemental Indenture; and (to the extent that it may lawfully do so) the Issuer hereby expressly waives all benefit or advantage of any such law, and covenant that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.04. Compliance Certificate; Notice of Default; Tax Information.

(a) The Issuer shall deliver to the Trustee, within 120 days after the end of its fiscal year an Officer's Certificate (signed by the principal executive officer, principal financial officer, principal accounting officer or treasurer of the Issuer) stating that a review of the activities of the Issuer and its Subsidiaries during such fiscal year has been made under the supervision of the signing Officer with a view to determining whether the Issuer has kept, observed, performed and fulfilled their obligations under this Supplemental Indenture, and further stating, as to such Officer signing such certificate, that to the best of his or her knowledge the Issuer has kept, observed, performed and fulfilled each and every covenant contained in this Supplemental Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all or such Defaults or Events of Default of which he or she may have knowledge and what action the Issuer is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes are prohibited or if such event has occurred, a description of the event and what action the Issuer is taking or proposes to

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take with respect thereto. The Officer' s Certificate shall also notify the Trustee should the Issuer elect to change the manner in which it fixes its fiscal year end.

(b) (i) If any Default or Event of Default has occurred and is continuing or (ii) if any Holder seeks to exercise any remedy hereunder with respect to a claimed default under this Supplemental Indenture or the Notes, the Issuer shall deliver to the Trustee, at its address set forth in Section 11.02 hereof, by registered or certified mail or facsimile transmission followed by hard copy by overnight courier, registered or certified mail, an Officer' s Certificate specifying such Default or Event of Default, notice or other action, the status thereof and what action the Issuer is taking or proposes to take within five Business Days of such Officer' s becoming aware of such occurrence.

(c) The Issuer, or one of its representatives, agents or employees, shall calculate and deliver to the Trustee all original issue discount information to be reported by the Trustee to Holders as required by applicable law.

Section 4.05. Payment of Taxes and Other Claims. The Issuer shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all material taxes, assessments and governmental charges (including withholding taxes and any penalties, interest and additions to taxes) levied or imposed upon it or any of its Subsidiaries or properties of it or any of its Subsidiaries and (ii) all lawful claims for labor, materials and supplies that, if unpaid, might by law become a Lien upon the property of it or any of its Subsidiaries; *provided, however*, that the Issuer shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings properly instituted and diligently conducted for which adequate reserves, to the extent required under GAAP, have been taken.

Section 4.06. Corporate Existence. Subject to Article 5 hereof, the Issuer shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate existence, and the corporate, partnership or limited liability company or other existence of each Subsidiary, in accordance with the respective organizational documents (as the same may be amended from time to time) of each Subsidiary (other than changes in structure from a corporation, partnership, limited liability company or other current structure into a corporation, partnership or limited liability company) and (ii) the material rights (charter and statutory), licenses and franchises of the Issuer and its Subsidiaries except where the failure to preserve and keep in full force and effect any such rights, licenses and franchise shall not have a material adverse effect on the financial condition, business, operations or prospects of the Issuer and its Subsidiaries taken as a whole; and *provided* that the Issuer shall not be required to preserve any such right, license or franchise, or the corporate, limited liability company, partnership or other existence of any of its Subsidiaries, if the Issuer shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Issuer and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the rights of the Holders under this Supplemental Indenture or the Notes.

Section 4.07. Maintenance of Office or Agency. The Issuer shall maintain an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Issuer in respect of the

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Notes and this Supplemental Indenture may be served. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Corporate Trust Office of the Trustee located at One Liberty Plaza, 23 Floor, New York, NY 10006.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Issuer shall give prompt written notice to the Trustee of such designation or rescission and of any change in the location of any such other office or agency.

The Issuer hereby initially designates the Corporate Trust Office of the Trustee located at One Liberty Plaza, 23 Floor, New York, NY 10006.

Section 4.08. Compliance with Laws. The Issuer shall comply, and shall cause each of its Subsidiaries to comply, with all applicable statutes, rules, regulations, orders and restrictions of the United States of America, all states and municipalities thereof, and of any governmental department, commission, board, regulatory authority, bureau, agency and instrumentality of the foregoing, in respect of the conduct of their respective businesses and the ownership of their respective properties, except for such noncompliances as would not in the aggregate have a material adverse effect on the financial condition or results of operations of the Issuer and its Subsidiaries taken as a whole.

Section 4.09. Maintenance of Properties and Insurance.

(a) Subject to Article 5 hereof, the Issuer shall cause all material properties owned by or leased by it or any of its Subsidiaries used or useful to the conduct of the Issuer's business or the business of any of its Subsidiaries to be maintained and kept in normal condition, repair and working order (ordinary wear and tear and casualty loss excepted) and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereto, *provided, however*, that the Issuer and its Subsidiaries shall not be obligated to make such repairs, renewals, replacements, betterments and improvements if the failure to make such repairs, renewals, replacements, betterments and improvements would not result in a material adverse effect on the ability of the Issuer to satisfy its obligations under the Notes and this Supplemental Indenture.

(b) The Issuer shall maintain, and shall cause its respective Subsidiaries to maintain, insurance with responsible carriers against such risks and in such amounts, and with such deductibles, retentions, self-insured amounts and co-insurance provisions, as are customarily carried by similar businesses of similar size, including property and casualty loss, workers' compensation and interruption of business insurance.

Section 4.10. Limitations on Additional Indebtedness.

(a) The Issuer shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, incur any Indebtedness; *provided* that the Issuer or any Restricted

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Subsidiary may incur additional Indebtedness if, after giving effect thereto, the Consolidated Interest Coverage Ratio would be at least 2.00 to 1.00 (the “*Coverage Ratio Exception*”).

(b) Notwithstanding the above, each of the following shall be permitted (the “*Permitted Indebtedness*”):

(i) Indebtedness of the Issuer and any Restricted Subsidiary under the Credit Facilities in an aggregate principal amount at any time outstanding not to exceed \$650.0 million (excluding the amount of any Hedging Obligations);

(ii) the Notes issued on the Issue Date and the Note Guarantees;

(iii) Indebtedness of the Issuer and the Restricted Subsidiaries to the extent outstanding on the Issue Date after giving effect to the intended use of proceeds of the Notes (other than Indebtedness referred to in clause (i), (ii) or (v));

(iv) Indebtedness under Hedging Obligations entered into for *bona fide* hedging purposes of the Issuer or any Restricted Subsidiary not for the purpose of speculation and guarantees thereof by the Issuer or any Restricted Subsidiary; *provided* that in the case of Hedging Obligations relating to interest rates, (a) such Hedging Obligations relate to payment obligations on Indebtedness otherwise permitted to be incurred by this Section 4.10, and (b) the notional principal amount of such Hedging Obligations at the time incurred does not exceed the principal amount of the Indebtedness to which such Hedging Obligations relate;

(v) Indebtedness of the Issuer owed to a Restricted Subsidiary and Indebtedness of any Restricted Subsidiary owed to the Issuer or any other Restricted Subsidiary; *provided, however*, that upon any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or such Indebtedness being owed to any Person other than the Issuer or a Restricted Subsidiary, the Issuer or such Restricted Subsidiary, as applicable, shall be deemed to have incurred Indebtedness not permitted by this clause (v);

(vi) Indebtedness in respect of workers’ compensation claims, payment obligations in connection with health or other types of social security benefits, unemployment or other insurance or self-insurance obligations, reclamations, statutory obligations, bankers’ acceptances and bid, performance, surety or similar bonds issued for the account of the Issuer or any Restricted Subsidiary in the ordinary course of business, including guarantees or obligations of the Issuer or any Restricted Subsidiary with respect to letters of credit supporting such bid, performance, surety or similar obligations (in each case other than for an obligation for money borrowed) in the ordinary course of business;

(vii) Purchase Money Indebtedness and Capitalized Lease Obligations incurred by the Issuer or any Restricted Subsidiary, and guarantees thereof by the Issuer or any Restricted Subsidiary and Refinancing Indebtedness thereof, in an aggregate principal amount not to exceed at any time outstanding the greater of (x) \$25.0 million and (y) 2.0% of Consolidated Total Assets;

(viii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight

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overdrafts) drawn against insufficient funds in the ordinary course of business; *provided, however*, that in all cases such Indebtedness is extinguished within five Business Days of incurrence;

(ix) Indebtedness arising in connection with endorsement of instruments for deposit in the ordinary course of business;

(x) Refinancing Indebtedness with respect to Indebtedness incurred pursuant to the Coverage Ratio Exception or clause (ii) or (iii) above or this clause (x);

(xi) indemnification, adjustment of purchase price, earn-out or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets of the Issuer or any Restricted Subsidiary or Equity Interests of a Restricted Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Equity Interests for the purpose of financing or in contemplation of any such acquisition;

(xii) the incurrence by a Receivables Subsidiary of Indebtedness in a Qualified Receivables Transaction that is without recourse to the Issuer or to any other Subsidiary of the Issuer or their assets (other than such Receivables Subsidiary and its assets and, as to the Issuer or any Subsidiary of the Issuer, other than pursuant to representations, warranties, covenants and indemnities customary for such transactions) and is not guaranteed by any such Person;

(xiii) Indebtedness of the Issuer or any Restricted Subsidiary in an aggregate principal amount not to exceed \$75.0 million at any time outstanding; and

(xiv) the guarantee by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary that was permitted to be incurred by another provision of this Section 4.10; *provided*, that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then such guarantees shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed.

For purposes of determining compliance with this Section 4.10, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (i) through (xiv) above or is entitled to be incurred pursuant to the Coverage Ratio Exception, the Issuer shall, in its sole discretion, classify such item of Indebtedness and may divide and classify such Indebtedness in more than one of the types of Indebtedness described, except that Indebtedness incurred under the Credit Facilities on the Issue Date shall be deemed to have been incurred under clause (i) above, and may later reclassify any item of Indebtedness described in clauses (i) through (xiv) above (*provided* that at the time of reclassification it meets the criteria in such category or categories). The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Preferred Stock or Disqualified Equity Interests in the form of additional shares of the same class of Preferred Stock or Disqualified Equity Interests will not be deemed to be an incurrence of

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Indebtedness or an issuance of Preferred Stock or Disqualified Equity Interests for purposes of this Section 4.10. In addition, for purposes of determining any particular amount of Indebtedness under this Section 4.10, guarantees, Liens or letter of credit obligations supporting Indebtedness otherwise included in the determination of such particular amount shall not be included so long as incurred by a Person that could have incurred such Indebtedness.

Section 4.11. Limitations on Restricted Payments.

(a) The Issuer shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment if at the time of such Restricted Payment:

(i) a Default shall have occurred and be continuing or shall occur as a consequence thereof;

(ii) the Issuer cannot incur \$1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception; or

(iii) the amount of such Restricted Payment, when added to the aggregate amount of all other Restricted Payments made after the Issue Date (other than Restricted Payments made pursuant to clauses (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi) and (xii) of Section 4.11(b) hereof), exceeds the sum (the "*Restricted Payments Basket*") of (without duplication):

(A) 50% of Consolidated Net Income for the period (taken as one accounting period) commencing on the first day of the fiscal quarter in which the Issue Date occurs to and including the last day of the fiscal quarter ended immediately prior to the date of such calculation for which consolidated financial statements are available (or, if such Consolidated Net Income shall be a deficit, minus 100% of such aggregate deficit), *plus*

(B) 100% of the aggregate net cash proceeds and the Fair Market Value of non-cash assets received by the Issuer either (x) as contributions to the common equity of the Issuer after the Issue Date or (y) from the issuance and sale of Equity Interests (other than Disqualified Equity Interests) or from the issue or sale of convertible or exchangeable Disqualified Equity Interests or debt securities to the extent converted into or exchanged for Equity Interests, in each case issued after the Issue Date, other than (1) any such proceeds which are used to redeem Notes in accordance with paragraph 5(c) of the Notes or (2) any such proceeds or assets received from a Subsidiary of the Issuer, *plus*

(C) the aggregate amount by which Indebtedness incurred by the Issuer or any Restricted Subsidiary subsequent to the Issue Date is reduced on the Issuer's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Issuer) into Equity Interests (other than Disqualified Equity Interests) (less the amount of any cash, or the fair value of assets, distributed by the Issuer or any Restricted Subsidiary upon such conversion or exchange), *plus*

(D) in the case of the disposition or repayment of or return on any Investment that was treated as a Restricted Payment made after the Issue Date, an amount (to the extent not included in the computation of Consolidated Net Income) equal to the aggregate



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amount received by the Issuer or any Restricted Subsidiary in cash or other property (valued at the Fair Market Value thereof) as the return of capital with respect to such Investment, plus

(E) upon a Redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger or consolidation of an Unrestricted Subsidiary with or into the Issuer or any Restricted Subsidiary, the lesser of (i) the Fair Market Value of the Issuer's proportionate interest in such Subsidiary immediately following such Redesignation, consolidation or merger, and (ii) the aggregate amount of the Issuer's Investments in such Subsidiary to the extent such Investments reduced the Restricted Payments Basket and were not previously repaid or otherwise reduced, *plus*

(F) 50% of any cash dividends received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends were not otherwise included in Consolidated Net Income.

(b) The foregoing provisions shall not prohibit:

(i) the payment by the Issuer or any Restricted Subsidiary of any dividend within 60 days after the date of declaration thereof, if on the date of declaration the payment would have complied with the provisions of this Supplemental Indenture;

(ii) the making of any Restricted Payment in exchange for, or out of the proceeds of the substantially concurrent issuance and sale of, Qualified Equity Interests;

(iii) other than pursuant to clause (viii) below, the redemption of Equity Interests of the Issuer held by officers, directors or employees or former officers, directors or employees (or their transferees, estates or beneficiaries under their estates), upon their death, disability, retirement, severance or termination of employment or service; *provided* that the aggregate cash consideration paid for all such redemptions shall not exceed (A) \$5.0 million during any calendar year (with unused amounts being available to be used in the following calendar year, but not in any succeeding calendar year) *plus* (B) the amount of any net cash proceeds received by or contributed to the Issuer from the issuance and sale after the Issue Date of Qualified Equity Interests of the Issuer to its officers, directors or employees that have not been applied to the payment of Restricted Payments pursuant to this clause (iii), *plus* (C) the net cash proceeds of any "key-man" life insurance policies that have not been applied to the payment of Restricted Payments pursuant to this clause (iii);

(iv) repurchases of Equity Interests that occur or are deemed to occur (A) upon the exercise of stock options, warrants or similar rights to the extent such Equity Interests represents a portion of the exercise price thereof, (B) as a result of Equity Interest being utilized to satisfy tax withholding obligations upon exercise of stock options or vesting of other equity awards and (C) upon the cancellation or forfeiture of stock options, warrants or other equity awards;

(v) Restricted Payments pursuant to the Transactions;

(vi) Restricted Payments if after giving effect thereto the Issuer's Net Leverage Ratio is not greater than 3.0 to 1.0;

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(vii) other Restricted Payments in an amount not to exceed \$75.0 million;

(viii) the purchase or retirement of Class B Common Stock of the Issuer from any Permitted Holder in an aggregate amount not to exceed \$20.0 million in any twelve-month period;

(ix) so long as no Event of Default has occurred and is continuing or would arise as a result thereof, the payment by the Issuer of any dividend to the holders of any class or series of its Equity Interests on a pro rata basis among the holders of such class or series of Equity Interests in an aggregate amount not to exceed \$25.0 million in any twelve-month period;

(x) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Equity Interests issued on or after the Issue Date in compliance with Section 4.10 hereof;

(xi) cash payments made in lieu of the issuance of fractional shares (whether in connection with the exercise of warrants, options or other securities convertible into or exchangeable into Equity Interests of the Issuer or otherwise); or

(xii) the repurchase or redemption of common stock or Preferred Stock purchase rights issued in connection with any shareholder rights plans;

*provided* that no proceeds from the issuance and sale of Qualified Equity Interests used to make a payment pursuant to clause (ii) or (iii)(B) above shall increase the Restricted Payments Basket.

For purposes of determining compliance with this Section 4.11, in the event that a payment or other action meets the criteria of more than one of the exceptions described in clauses (i) through (xii) above, or is entitled to be made pursuant to Section 4.11(a) hereof (including any payment or other action that constitutes a “Permitted Investment”), the Issuer will be permitted to classify such payment or other action on the date of its occurrence in any manner that complies with this Section 4.11 (including any payment or other action that constitutes a “Permitted Investment”). Payments or other actions permitted by this Section 4.11 need not be permitted solely by reference to one provision permitting such payment or other action (including any payment or other action that constitutes a “Permitted Investment”), but may be permitted in part by one such provision and in part by one or more other provisions of this Section 4.11 permitting payment or other action (including any payment or other action that constitutes a “Permitted Investment”).

#### Section 4.12. Limitations on Asset Sales.

(a) The Issuer shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Sale unless at least 75% of the total consideration in such Asset Sale consists of cash or Cash Equivalents.

For purposes of the preceding clause (a), the following shall be deemed to be cash:

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(i) the amount (without duplication) of any Indebtedness of the Issuer or such Restricted Subsidiary (A) that is assumed by the transferee in such Asset Sale and with respect to which the Issuer or such Restricted Subsidiary, as the case may be, is unconditionally released by the holder of such Indebtedness or (B) in respect of which neither the Issuer nor any Restricted Subsidiary has any obligation following such Asset Sale,

(ii) the amount of any obligations or Publicly Traded Securities received from such transferee that are within 180 days converted by the Issuer or such Restricted Subsidiary to cash (to the extent of the cash actually so received),

(iii) the Fair Market Value of (A) any assets (other than securities) received by the Issuer or any Restricted Subsidiary to be used by it in a Permitted Business, (B) Equity Interests in a Person that is a Restricted Subsidiary or in a Person engaged in a Permitted Business that shall become a Restricted Subsidiary immediately upon the acquisition of such Person by the Issuer or (C) a combination of (A) and (B), and

(iv) any Designated Non-cash Consideration received by the Issuer or such Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received since the Issue Date pursuant to this clause (iv) that is at that time outstanding, not to exceed the greater of (x) \$20.0 million and (y) 1.0% of Consolidated Total Assets as of the end of the most recently ended fiscal quarter for which internal financial statements are available, in each case at the time of the receipt of such Designated Non-cash Consideration, with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value.

(b) If at any time any non-cash consideration received by the Issuer or any Restricted Subsidiary, as the case may be, in connection with any Asset Sale is repaid or converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration), then the date of such repayment, conversion or disposition shall be deemed to constitute the date of an Asset Sale hereunder and the Net Available Proceeds thereof shall be applied in accordance with this Section 4.12.

(c) If the Issuer or any Restricted Subsidiary engages in an Asset Sale, the Issuer or such Restricted Subsidiary shall, no later than 365 days following the consummation thereof, apply all or any of the Net Available Proceeds therefrom to:

(i) satisfy all mandatory repayment obligations under any Credit Facility arising by reason of such Asset Sale;

(ii) repay any Indebtedness which was secured by the assets sold in such Asset Sale;

(iii) in the case of any Asset Sale by a Foreign Subsidiary, repay any liability of one or more Foreign Subsidiaries;

(iv) (A) invest all or any part of the Net Available Proceeds thereof in the purchase of assets (other than securities) to be used by the Issuer or any Restricted Subsidiary

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in the Permitted Business, (B) acquire Qualified Equity Interests in a Person that is a Restricted Subsidiary or in a Person engaged in a Permitted Business that shall become a Restricted Subsidiary immediately upon the consummation of such acquisition or (C) a combination of (A) and (B); and/or

(v) make a Net Proceeds Offer (and redeem Pari Passu Indebtedness) in accordance with the procedures described below and in this Supplemental Indenture.

The amount of Net Available Proceeds not applied or invested as provided in clauses (i), (ii), (iii) or (iv) of this Section 4.12(c) will constitute "Excess Proceeds."

(d) When the aggregate amount of Excess Proceeds equals or exceeds \$20.0 million, the Issuer shall be required to make an offer to purchase from all Holders and, if applicable, redeem (or make an offer to do so) any Pari Passu Indebtedness of the Issuer the provisions of which require the Issuer to redeem such Indebtedness with the proceeds from any Asset Sales (or offer to do so), in an aggregate principal amount of Notes and such Pari Passu Indebtedness equal to the amount of such Excess Proceeds as follows:

(i) the Issuer shall (a) make an offer to purchase (a "*Net Proceeds Offer*") to all Holders in accordance with the procedures set forth in this Supplemental Indenture, and (b) redeem (or make an offer to do so) any such other Pari Passu Indebtedness, pro rata in proportion to the respective principal amounts of the Notes and such other Indebtedness required to be redeemed, the maximum principal amount of Notes and Pari Passu Indebtedness that may be redeemed out of the amount (the "*Payment Amount*") of such Excess Proceeds;

(ii) the offer price for the Notes will be payable in cash in an amount equal to 100% of the principal amount of the Notes tendered pursuant to a Net Proceeds Offer, plus accrued and unpaid interest thereon, if any, to the date such Net Proceeds Offer is consummated (the "*Offered Price*"), in accordance with the procedures set forth in this Supplemental Indenture and the redemption price for such Pari Passu Indebtedness (the "*Pari Passu Indebtedness Price*") shall be as set forth in the related documentation governing such Indebtedness;

(iii) if the aggregate Offered Price of Notes validly tendered and not withdrawn by Holders thereof exceeds the *pro rata* portion of the Payment Amount allocable to the Notes, Notes to be purchased will be selected on a *pro rata* basis; and

(iv) upon completion of such Net Proceeds Offer in accordance with the foregoing provisions, the amount of Excess Proceeds with respect to which such Net Proceeds Offer was made shall be deemed to be zero.

(e) To the extent that the sum of the aggregate Offered Price of Notes tendered pursuant to a Net Proceeds Offer and the aggregate Pari Passu Indebtedness Price paid to the holders of such Pari Passu Indebtedness is less than the Payment Amount relating thereto (such shortfall constituting a "*Net Proceeds Deficiency*"), the Issuer may use the Net Proceeds Deficiency, or a portion thereof, for any purposes not prohibited by this Supplemental Indenture.

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(f) Upon the commencement of a Net Proceeds Offer, the Issuer shall deliver a notice to the Trustee and to each Holder. The notice shall contain all instructions and materials necessary to enable such Holder to tender Notes pursuant to the Net Proceeds Offer. Any Net Proceeds Offer shall be made to all Holders. The notice, which shall govern the terms of the Net Proceeds Offer, shall state:

(i) that the Net Proceeds Offer is being made pursuant to this Section 4.12;

(ii) the Payment Amount, the Offered Price, and the date on which Notes tendered and accepted for payment shall be purchased, which date shall be at least 30 days and not later than 60 days from the date such notice is delivered (the “*Net Proceeds Payment Date*”);

(iii) that any Notes not tendered or accepted for payment shall continue to accrue interest;

(iv) that, unless the Issuer defaults in making such payment, any Notes accepted for payment pursuant to the Net Proceeds Offer shall cease to accrue interest on and after the Net Proceeds Payment Date;

(v) that Holders electing to have any Notes purchased pursuant to any Net Proceeds Offer shall be required to surrender the Notes, with the form entitled “Option of Holder to Elect Purchase” on the reverse of the Note completed, or transfer by book-entry transfer, to the Paying Agent at the address specified in the notice prior to the close of business on the second Business Day preceding the Net Proceeds Payment Date;

(vi) that Holders shall be entitled to withdraw their election if the Paying Agent receives, not later than the Net Proceeds Payment Date, a notice setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(vii) that if the aggregate principal amount of Notes surrendered by Holders exceeds the Payment Amount allocable to the Notes, the Issuer shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Issuer so that only Notes in denominations of \$2,000, or integral multiples of \$1,000 in excess thereof, shall be purchased);

(viii) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry);

(ix) any other procedures that a Holder must follow to accept a Net Proceeds Offer or effect withdrawal of such acceptance; and

(x) the name, address and telephone number of the Paying Agent.

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(g) On the Net Proceeds Payment Date, the Issuer shall, to the extent lawful: (1) accept for payment all Notes or portions thereof properly tendered pursuant to the Net Proceeds Offer, subject to proration if the aggregate Notes tendered exceed the Payment Amount allocable to the Notes; (2) deposit with the Paying Agent an amount of U.S. legal tender equal to the lesser of the Payment Amount allocable to the Notes and the amount sufficient to pay the Offered Price in respect of all Notes or portions thereof so accepted; and (3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being repurchased by the Issuer.

(h) The Issuer shall publicly announce the results of the Net Proceeds Offer on or as soon as practicable after the Net Proceeds Payment Date.

(i) The Paying Agent shall promptly as practicable deliver to each Holder of Notes properly tendered the Offered Price for such Notes, and the Trustee shall promptly as practicable authenticate and deliver (or cause to be transferred by book-entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note shall be in a principal amount of \$2,000 or an integral multiple of \$1,000 in excess thereof. However, if the Net Proceeds Payment Date is on or after an interest record date and on or before the related Interest Payment Date, any accrued and unpaid interest shall be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest shall be payable to Holders who tender Notes pursuant to the Net Proceeds Offer.

(j) The Issuer will comply with applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act and any other applicable laws and regulations in connection with the purchase of Notes pursuant to a Net Proceeds Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 4.12, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the provisions of this Section 4.12 by virtue of this compliance.

#### Section 4.13. Limitations on Transactions with Affiliates.

(a) The Issuer shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, in one transaction or a series of related transactions, sell, lease, transfer or otherwise dispose of any of its assets to, or purchase any assets from, or enter into any contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (an "*Affiliate Transaction*"), unless:

(i) such Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction at such time on an arm's-length basis by the Issuer or that Restricted Subsidiary from a Person that is not an Affiliate of the Issuer or that Restricted Subsidiary; and

(ii) the Issuer delivers to the Trustee:

(A) with respect to any Affiliate Transaction involving aggregate value in excess of \$10.0 million, an Officer's Certificate certifying that such Affiliate

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Transaction complies with clause (i) above and a Secretary's Certificate which sets forth and authenticates a resolution that has been adopted by the Independent Directors approving such Affiliate Transaction; and

(B) with respect to any Affiliate Transaction involving aggregate value of \$40.0 million or more, the certificates described in the preceding clause (A) and a written opinion as to the fairness of such Affiliate Transaction to the Issuer or such Restricted Subsidiary from a financial point of view issued by an Independent Financial Advisor to the Board of Directors of the Issuer.

(b) The foregoing restrictions shall not apply to:

(i) transactions exclusively between or among (a) the Issuer and one or more Restricted Subsidiaries or (b) Restricted Subsidiaries; *provided*, in each case, that no Affiliate of the Issuer (other than another Restricted Subsidiary) owns Equity Interests of any such Restricted Subsidiary unless otherwise required by applicable law;

(ii) director, officer and employee compensation (including bonuses) and other benefits (including insurance policies, retirement, health, equity compensation and other benefit plans) and indemnification arrangements;

(iii) the entering into of a tax sharing agreement, or payments pursuant thereto, between the Issuer and/or one or more Subsidiaries, on the one hand, and any other Person with which the Issuer or such Subsidiaries are required or permitted to file a consolidated tax return or with which the Issuer or such Subsidiaries are part of a consolidated group for tax purposes to be used by such Person to pay taxes, and which payments by the Issuer and the Restricted Subsidiaries are not in excess of the tax liabilities that would have been payable by them on a stand-alone basis;

(iv) loans and advances permitted by clause (3) of the definition of "Permitted Investments;"

(v) Restricted Payments of the type described in clause (1) or (2) of the definition of "Restricted Payment" and which are made in accordance with Section 4.11 hereof;

(vi) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of this Supplemental Indenture;

(vii) (a) any agreement or transaction in effect on the Issue Date and disclosed in the Prospectus Supplement (through incorporation by reference or otherwise), as in effect on the Issue Date or as thereafter amended or replaced in any manner, that, taken as a whole, is not more disadvantageous to the Holders or the Issuer in any material respect than such agreement as it was in effect on the Issue Date or (b) any transaction pursuant to any agreement referred to in the immediately preceding clause (a);

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(viii) transactions between or among the Issuer or any Restricted Subsidiary participating in a Qualified Receivables Transaction, on the one hand, and/or any Receivables Subsidiary, on the other hand, or transactions between a Receivables Subsidiary and any Person in which the Receivables Subsidiary has an Investment;

(ix) any transaction with a joint venture or similar entity which would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an Equity Interest in or otherwise controls such joint venture or similar entity; *provided* that, no Affiliate of the Issuer or any of its Subsidiaries other than the Issuer or a Restricted Subsidiary shall have a beneficial interest in such joint venture or similar entity; and

(x) (a) any transaction with an Affiliate where the only consideration paid by the Issuer or any Restricted Subsidiary is Qualified Equity Interests or (b) the issuance or sale of any Qualified Equity Interests.

Section 4.14. Limitation on Liens. The Issuer shall not, and shall not permit any Guarantor to, directly or indirectly, create, incur, assume or permit or suffer to exist any Lien (other than Permitted Liens) of any nature whatsoever against any assets of the Issuer or any Guarantor (including Equity Interests of a Restricted Subsidiary), whether owned at the Issue Date or thereafter acquired, which Lien secures Indebtedness, unless contemporaneously therewith:

(a) in the case of any Lien securing an obligation that ranks *pari passu* with the Notes or a Note Guarantee, effective provision is made to secure the Notes or such Note Guarantee, as the case may be, at least equally and ratably with or prior to such obligation with a Lien on the same collateral; and

(b) in the case of any Lien securing an obligation that is subordinated in right of payment to the Notes or a Note Guarantee, effective provision is made to secure the Notes or such Note Guarantee, as the case may be, with a Lien on the same collateral that is prior to the Lien securing such subordinated obligation,

in each case, for so long as such obligation is secured by such Lien.

Section 4.15. Change of Control.

(a) Upon the occurrence of any Change of Control, each Holder shall have the right to require that the Issuer purchase all or any portion (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of that Holder's Notes pursuant to the offer described below for a cash price (the "*Change of Control Purchase Price*") equal to 101% of the principal amount of the Notes to be purchased, plus accrued and unpaid interest, if any, thereon to, but excluding, the date of purchase.

(b) Within 30 days following the date on which the Change of Control occurs, the Issuer must deliver or cause to be delivered, a notice to each Holder, with a copy to the Trustee, describing the transaction or transactions that constitute the Change of Control and offering to purchase Notes on the terms described below. Such notice shall govern the terms of the Change of Control Offer and shall state:



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(i) that the Change of Control Offer is being made pursuant to this Section 4.15 and that all Notes tendered shall be accepted for payment;

(ii) the Change of Control Purchase Price and the purchase date (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is sent (the “*Change of Control Payment Date*”));

(iii) that any Note not tendered shall continue to accrue interest;

(iv) that, unless the Issuer defaults in the payment of the Change of Control Purchase Price, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date;

(v) that Holders accepting the offer to have their Notes purchased pursuant to a Change of Control Offer shall be required to surrender the Notes, with the form entitled “Option of the Holder to Elect Purchase” on the reverse of the Note completed, or transfer by book-entry transfer, to the Paying Agent at the address specified in the notice prior to the close of business on the second Business Day preceding the Change of Control Payment Date;

(vi) that Holders shall be entitled to withdraw their acceptance if the Paying Agent receives, not later than the Change of Control Payment Date, a notice setting forth the name of the Holder, the principal amount of the Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have such Notes purchased;

(vii) that Holders whose Notes are being purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry);

(viii) any other procedures that a Holder must follow to accept a Change of Control Offer or effect withdrawal of such acceptance; and

(ix) the name, address and telephone number of the Paying Agent.

(c) The Issuer shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(d) On the Change of Control Payment Date, the Issuer shall, to the extent lawful, (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer, (2) deposit with the Paying Agent an amount of U.S. legal tender equal to the Change of Control Purchase Price in respect of all Notes or portions of Notes properly tendered, and (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer’s Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

(e) The Paying Agent shall as promptly as practicable deliver to each Holder of Notes properly tendered the Change of Control Purchase Price for such Notes, and the Trustee shall as promptly as practicable authenticate and deliver to each Holder a new Note in principal

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amount equal to any unpurchased portion of the Notes surrendered, if any; *provided however*, that each such new Note shall be in a principal amount of \$2,000 or an integral multiple of \$1,000 in excess thereof. However, if the Change of Control Payment Date is on or after an interest record date and on or before the related Interest Payment Date, any accrued and unpaid interest shall be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest shall be payable to Holders who tender Notes pursuant to the Change of Control Offer.

(f) The Issuer shall comply with applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act and any other laws and regulations to the extent such laws and regulations are applicable in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 4.15, the Issuer shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the provisions of this Section 4.15 by virtue thereof.

(g) The provisions of this Section 4.15 that require the Issuer to make a Change of Control Offer following a Change of Control shall be applicable regardless of whether any other provisions of this Supplemental Indenture are applicable to the transaction giving rise to the Change of Control.

(h) The Issuer's obligation to make a Change of Control Offer shall be satisfied if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Supplemental Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under such Change of Control Offer. The Issuer will not be required to make a Change of Control Offer if notice of redemption has been given pursuant to this Supplemental Indenture as described in paragraph 5 of the Notes unless and until there is a default in payment of the applicable redemption price.

(i) Notwithstanding anything to the contrary in this Supplemental Indenture, a Change of Control Offer may be made in advance of a Change of Control, conditional upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

#### Section 4.16. Limitations on Dividend and Other Restrictions Affecting Restricted Subsidiaries.

The Issuer shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on or in respect of its Equity Interests to the Issuer or any other Restricted Subsidiary;

(b) make loans or advances or pay any Indebtedness or other obligation owed to the Issuer or any other Restricted Subsidiary;

or

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(c) transfer any of its assets to the Issuer or any other Restricted Subsidiary;

except for:

(i) encumbrances or restrictions existing under or by reason of applicable law, regulation or order;

(ii) encumbrances or restrictions existing under this Supplemental Indenture, the Notes and the Note Guarantees;

(iii) non-assignment, pledge or security interest provisions of any contract or any lease entered into in the ordinary course of business;

(iv) encumbrances or restrictions existing under agreements existing on the Issue Date (including, without limitation, the Credit Agreement) as in effect on that date;

(v) encumbrances or restrictions existing under the agreements governing the Credit Facilities to the extent the Indebtedness under such Credit Facilities is permitted to be incurred under this Supplemental Indenture, *provided* that any such encumbrances or restrictions are no more materially restrictive overall on any Restricted Subsidiary compared to encumbrances or restrictions generally applicable to Restricted Subsidiaries under the Credit Agreement;

(vi) restrictions relating to any Lien permitted under this Supplemental Indenture imposed by the holder of such Lien;

(vii) restrictions imposed under any agreement to sell assets permitted under this Supplemental Indenture to any Person pending the closing of such sale;

(viii) any instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;

(ix) any other agreement governing Indebtedness entered into after the Issue Date that contains encumbrances and restrictions that are not materially more restrictive with respect to any Restricted Subsidiary than those in effect on the Issue Date with respect to that Restricted Subsidiary pursuant to agreements in effect on the Issue Date;

(x) customary provisions in partnership agreements, limited liability company organizational governance documents, joint venture agreements and other similar agreements that restrict the transfer of ownership interests in such partnership, limited liability company, joint venture or similar Person;

(xi) Capitalized Lease Obligations and Purchase Money Indebtedness incurred in compliance with Section 4.10 hereof that impose restrictions of the nature described in clause (c) of this Section 4.16 on the assets acquired;

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(xii) restrictions on cash or other deposits or net worth imposed by suppliers or landlords under contracts entered into in the ordinary course of business;

(xiii) encumbrances or restrictions contained in Indebtedness of Foreign Subsidiaries permitted to be incurred under this Supplemental Indenture;

(xiv) any encumbrances or restrictions imposed by any amendments or refinancings of the contracts, instruments or obligations referred to in clauses (i) through (iv) and (vi) though (xiii) above; *provided* that such amendments or refinancings are not materially more restrictive with respect to such encumbrances and restrictions than those prior to such amendment or refinancing; and

(xv) Indebtedness or other contractual requirements of a Receivables Subsidiary in connection with a Qualified Receivables Transaction, provided that such restrictions apply only to such Receivables Subsidiary and contractual restrictions against the sale of accounts receivable or the assets related thereto other than in connection with a Qualified Receivables Transaction.

#### Section 4.17. Limitations on Sale and Leaseback Transactions.

The Issuer shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, enter into any Sale and Leaseback Transaction; *provided* that the Issuer or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(a) the Issuer or such Restricted Subsidiary could have (A) incurred the Indebtedness attributable to such Sale and Leaseback Transaction pursuant to Section 4.10 hereof and (B) incurred a Lien to secure such Indebtedness without equally and ratably securing the Notes pursuant to Section 4.14 hereof;

(b) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the asset that is the subject of such Sale and Leaseback Transaction; and

(c) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and, to the extent applicable, the Issuer or the applicable Restricted Subsidiary applies the proceeds of such transaction in accordance with Section 4.12 hereof.

#### Section 4.18. Limitations on Designation of Unrestricted Subsidiaries.

(a) After the Issue Date, the Issuer may designate any Subsidiary (including any newly formed or newly acquired Subsidiary) of the Issuer as an “Unrestricted Subsidiary” under this Supplemental Indenture (a “*Designation*”) only if:

(i) no Default shall have occurred and be continuing at the time of or after giving effect to such Designation; and

(ii) the Issuer would be permitted to make, at the time of such Designation, (a) a Permitted Investment or (b) an Investment pursuant to Section 4.11(a) hereof,

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in either case, in an amount (the “*Designation Amount*”) equal to the Fair Market Value of the Issuer’s proportionate interest in such Subsidiary on such date.

After the Issue Date, no Subsidiary shall be Designated as an “Unrestricted Subsidiary” unless such Subsidiary has no Indebtedness other than Non-Recourse Debt.

(b) If, at any time, any Unrestricted Subsidiary fails to meet the preceding requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Supplemental Indenture and any Indebtedness of the Subsidiary and any Liens on assets of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary at such time and, if the Indebtedness is not permitted to be incurred under Section 4.10 hereof or the Lien is not permitted under Section 4.14 hereof, the Issuer shall be in default of the applicable covenant.

(c) The Issuer may redesignate an Unrestricted Subsidiary as a Restricted Subsidiary (a “*Redesignation*”) only if:

(i) no Default shall have occurred and be continuing at the time of and after giving effect to such Redesignation; and

(ii) all Liens, Indebtedness and Investments of such Unrestricted Subsidiary outstanding immediately following such Redesignation would, if incurred or made at such time, have been permitted to be incurred or made for all purposes of this Supplemental Indenture.

(d) All Designations and Redesignations must be evidenced by resolutions of the Board of Directors of the Issuer, delivered to the Trustee certifying compliance with the foregoing provisions.

#### Section 4.19. Additional Note Guarantees.

If, after the Issue Date, (x) any Restricted Subsidiary (including any newly formed, newly acquired or newly Redesignated Restricted Subsidiary, but excluding any Immaterial Subsidiary, Foreign Subsidiary or Receivables Subsidiary) either (i) guarantees any Indebtedness of the Issuer (other than Indebtedness under the Credit Facilities (*provided* that such Restricted Subsidiary is also guaranteeing Indebtedness under the Credit Agreement)) or guarantees any Indebtedness (other than Indebtedness under the Credit Facilities (*provided* that such Restricted Subsidiary is also guaranteeing Indebtedness under the Credit Agreement) or Indebtedness incurred pursuant to clauses (iv), (v), (vi), (vii), (viii), (ix), (xi) or (xiii) of the definition of Permitted Indebtedness) of any other Restricted Subsidiary or (ii) incurs any Indebtedness other than Permitted Indebtedness or (y) the Issuer otherwise elects to have any Restricted Subsidiary become a Guarantor, then, in each such case, the Issuer shall cause such Restricted Subsidiary to:

(a) execute and deliver to the Trustee (A) a supplemental indenture in form and substance satisfactory to the Trustee pursuant to which such Restricted Subsidiary shall unconditionally guarantee all of the Issuer’s obligations under the Notes and this Supplemental Indenture and (B) a notation of guarantee in respect of its Note Guarantee; and

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(b) deliver to the Trustee one or more opinions of counsel that such supplemental indenture (A) has been duly authorized, executed and delivered by such Restricted Subsidiary and (B) constitutes a valid and legally binding obligation of such Restricted Subsidiary in accordance with its terms.

Section 4.20. Covenant Termination.

Immediately after the Notes have reached Investment Grade Status, and notwithstanding that the Notes may later cease to have an Investment Grade Rating from either or both Rating Agencies, the Issuer and its Restricted Subsidiaries shall be released from their obligations to comply with this Article 4 except for the covenants described under the following sections of this Supplemental Indenture:

- (a) Section 4.02,
- (b) Section 4.14, and
- (c) Section 4.17(a)(B) and (b).

Immediately after the Notes have reached Investment Grade Status the Issuer shall not designate any Subsidiary of the Issuer as an “Unrestricted Subsidiary” under this Supplemental Indenture.

ARTICLE V

SUCCESSOR CORPORATION

Section 5.01. Limitations on Mergers, Consolidations, Etc.

(a) The Issuer shall not, directly or indirectly, in a single transaction or a series of related transactions, (x) consolidate or merge with or into another Person, or sell, lease, transfer, convey or otherwise dispose of or assign all or substantially all of the assets of the Issuer or the Issuer and the Restricted Subsidiaries (taken as a whole) or (y) adopt a Plan of Liquidation unless, in either case:

(i) either:

(A) the Issuer shall be the surviving or continuing Person; or

(B) the Person formed by or surviving such consolidation or merger or to which such sale, lease, conveyance or other disposition shall be made (or, in the case of a Plan of Liquidation, any Person to which assets are transferred) (collectively, the “*Successor*”) is a corporation, limited liability company or limited partnership organized and existing under the laws of any State of the United States of America or the District of Columbia, and the Successor expressly assumes, by agreements in form and substance reasonably satisfactory to the Trustee, all of the obligations of the Issuer under the Notes and this Supplemental Indenture;

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(ii) immediately prior to and immediately after giving effect to such transaction and the assumption of the obligations as set forth in clause (i)(B) above and the incurrence of any Indebtedness to be incurred in connection therewith, and the use of any net proceeds therefrom on a pro forma basis, no Default shall have occurred and be continuing; and

(iii) immediately after giving effect to such transaction and the assumption of the obligations set forth in clause (i)(B) above and the incurrence of any Indebtedness to be incurred in connection therewith, and the use of any net proceeds therefrom on a pro forma basis, the Issuer or the Successor, as the case may be, (A) could incur \$1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception or (B) has a Consolidated Interest Coverage Ratio equal to or greater than the Consolidated Interest Coverage Ratio of the Issuer immediately prior to such transaction.

(b) For purposes of this Section 5.01, any Indebtedness of the Successor which was not Indebtedness of the Issuer immediately prior to the transaction shall be deemed to have been incurred in connection with such transaction.

(c) For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries, the Equity Interests of which constitute all or substantially all of the properties and assets of the Issuer, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

#### Section 5.02. Successor Person Substituted.

(a) Upon any consolidation, combination or merger of the Issuer or a Guarantor, or any transfer of all or substantially all of the assets of the Issuer in accordance with Section 5.01 hereof, in which the Issuer or such Guarantor is not the continuing obligor under the Notes or its Note Guarantee, as applicable, the surviving entity formed by such consolidation or into which the Issuer or such Guarantor is merged or the Person to which the conveyance, lease or transfer by the Issuer is made will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or such Guarantor under this Supplemental Indenture, the Notes and the Note Guarantees, as applicable, with the same effect as if such surviving entity had been named therein as the Issuer or such Guarantor and, except in the case of a lease, the Issuer or such Guarantor, as the case may be, will be released from the obligation to pay the principal of and interest on the Notes or in respect of its Note Guarantee, as the case may be, and all of the Issuer's or such Guarantor's other obligations and covenants under the Notes, this Supplemental Indenture and its Note Guarantee, if applicable.

(b) Notwithstanding the foregoing, any Restricted Subsidiary may consolidate with, merge with or into or convey, transfer or lease, in one transaction or a series of transactions, all or substantially all of its assets to the Issuer or another Restricted Subsidiary.

(c) In connection with the merger of the Issuer with an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction, only subclauses (i) and (ii) of Section 5.01(a) hereof shall be applicable.

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ARTICLE VI  
DEFAULTS AND REMEDIES

Section 6.01. Events of Default.

Each of the following is an “Event of Default”:

(a) the failure by the Issuer to pay interest on any of the Notes when the same becomes due and payable and the continuance of any such failure for 30 days;

(b) the failure by the Issuer to pay the principal on any of Notes, when such principal becomes due and payable, whether at stated maturity, upon redemption, upon purchase, upon acceleration or otherwise;

(c) failure by the Issuer (A) to comply with Article 5 or (B) to make a payment to purchase Notes tendered pursuant to Section 4.15 hereof;

(d) failure by the Issuer to comply with any of its agreements or covenants described in Section 4.02 hereof and continuance of this failure for 135 days after written notice of the failure has been given to the Issuer by the Trustee or by Holders of at least 25% of the aggregate principal amount of the Notes then outstanding;

(e) failure by the Issuer to comply with any other agreement or covenant in this Supplemental Indenture and continuance of this failure for 60 days after notice of the failure has been given to the Issuer by the Trustee or by the Holders of at least 25% of the aggregate principal amount of the Notes then outstanding;

(f) default under any mortgage, indenture or other instrument or agreement under which there may be issued or by which there may be secured or evidenced Indebtedness by the Issuer or any Restricted Subsidiary, whether such Indebtedness now exists or is incurred after the Issue Date, which default (A) is caused by a failure to pay at final maturity principal on such Indebtedness within the applicable express grace period and any extensions thereof, (B) results in the acceleration of such Indebtedness prior to its express final maturity or (C) results in the commencement of judicial proceedings to foreclose upon, or to exercise remedies under applicable law or applicable security documents to take ownership of, the assets securing such Indebtedness, and, in each case, the principal amount of such Indebtedness, together with the principal amount of any other Indebtedness with respect to which an event described in clause (A), (B) or (C) has occurred and is continuing, aggregates \$20.0 million or more;

(g) one or more judgments or orders that exceed \$20.0 million in the aggregate (net of amounts covered by insurance or bonded) for the payment of money have been entered by a court or courts of competent jurisdiction against the Issuer or any Restricted Subsidiary and such judgment or judgments have not been satisfied, stayed, annulled or rescinded within 60 days of being entered;

(h) the Issuer or any of its Significant Subsidiaries pursuant to or within the meaning of any Bankruptcy Law:



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- (i) commences a voluntary case,
  - (ii) consents to the entry of an order for relief against it in an involuntary case,
  - (iii) consents to the appointment of a Custodian of it or for all or substantially all of its assets, or
  - (iv) makes a general assignment for the benefit of its creditors;

(i) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

- (i) is for relief against the Issuer or any of its Significant Subsidiaries as debtor in an involuntary case,
- (ii) appoints a Custodian of the Issuer or any of its Significant Subsidiaries or a Custodian for all or substantially all of the assets of the Issuer or any of its Significant Subsidiaries, or
- (iii) orders the liquidation of the Issuer, or any of its Significant Subsidiaries, and the order or decree remains unstayed and in effect for 60 days; or

(j) any Note Guarantee of any Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee and this Supplemental Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Note Guarantee (other than by reason of release of a Guarantor from its Note Guarantee in accordance with the terms of this Supplemental Indenture and the Note Guarantee).

#### Section 6.02. Acceleration.

If an Event of Default (other than an Event of Default specified in Section 6.01(h) or (i) hereof with respect to the Issuer) shall have occurred and be continuing under this Supplemental Indenture, the Trustee, by written notice to the Issuer, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer and the Trustee, may declare all amounts owing under the Notes to be due and payable. Upon such declaration of acceleration, the aggregate principal of and accrued and unpaid interest on the outstanding Notes shall become due and payable; *provided, however*, that after such acceleration, but before a judgment or decree based on acceleration, the Holders of a majority in aggregate principal amount of such outstanding Notes may rescind and annul such acceleration:

- (a) if the rescission would not conflict with any judgment or decree;
- (b) if all Events of Default, other than nonpayment of principal or interest that has become due solely because of the acceleration, have been cured or waived;

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(c) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid;

(d) the Issuer has paid all sums paid or advanced by the Trustee hereunder and its reasonable compensation and reimbursed the Trustee for its expenses, disbursements and advances and those of its agents and counsel; and

(e) in the event of the cure or waiver of an Event of Default of the type described in Section 6.01(h) or (i) hereof, the Trustee shall have received an Officer's Certificate and an Opinion of Counsel that such Event of Default has been cured or waived.

No such rescission shall affect any subsequent Default or impair any right consequent thereto. If an Event of Default specified in Section 6.01(h) or (i) hereof occurs with respect to the Issuer and is continuing, then all unpaid principal of, premium, if any, and accrued and unpaid interest on all of the outstanding Notes shall *ipso facto* become and be immediately due and payable without any notice, declaration or other act on the part of the Trustee or any Holder.

#### Section 6.03. Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, or premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Supplemental Indenture and may take any necessary action requested of it as Trustee to settle, compromise, adjust or otherwise conclude any proceedings to which it is a party.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

#### Section 6.04. Waiver of Past Defaults and Events of Default.

Subject to Sections 6.02, 6.07 and 8.02 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding have the right to waive past Defaults under this Supplemental Indenture except a Default or Event of Default in the payment of the principal of, or interest on, any Note as specified in clauses (a) and (b) of Section 6.01 hereof. The Issuer shall deliver to the Trustee an Officer's Certificate stating that the requisite percentage of Holders have consented to such waiver and attaching copies of such consents. In case of any such waiver, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights hereunder and under the Notes, respectively.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Supplemental Indenture, but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

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Section 6.05. Control by Majority.

The Holders of a majority in aggregate principal amount of the outstanding Notes have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on the Trustee by this Supplemental Indenture. The Trustee, however, may refuse to follow any direction that conflicts with law or this Supplemental Indenture or that the Trustee determines may be unduly prejudicial to the rights of another Holder not taking part in such direction, and the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, determines that the action so directed may not lawfully be taken or if the Trustee in good faith shall, by a Trust Officer, determine that the proceedings so directed may involve it in personal liability; *provided* that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. In the event the Trustee takes any action or follows any direction pursuant to this Supplemental Indenture, the Trustee shall be entitled to indemnification reasonably satisfactory to it against any loss or expense caused by taking such action or following such direction.

Section 6.06. Limitation on Suits.

(a) Subject to Section 6.07 hereof, no Holder shall have any right to institute any proceeding with respect to this Supplemental Indenture or any remedy thereunder, unless the Trustee:

- (i) has failed to act for a period of 60 days after receiving written notice of a continuing Event of Default by such Holder and a request to act by Holders of at least 25% in aggregate principal amount of Notes outstanding;
- (ii) has been offered indemnity satisfactory to it in its reasonable judgment; and
- (iii) has not received from the Holders of a majority in aggregate principal amount of the outstanding Notes a direction inconsistent with such request.

(b) However, such limitations do not apply to a suit instituted by a Holder for enforcement of payment of the principal of or interest on such Note on or after the due date therefor (after giving effect to the grace period specified in Section 6.01(a) hereof).

(c) The Issuer is required to deliver to the Trustee annually a statement regarding compliance with this Supplemental Indenture and, upon any Officer of the Issuer becoming aware of any Default, a statement specifying such Default and what action the Issuer is taking or proposes to take with respect thereto.

Section 6.07. Rights of Holders To Receive Payment.

Notwithstanding any other provision of this Supplemental Indenture, the right of any Holder to receive payment of principal of, or accrued interest on, any Note held by such Holder on or after the respective due dates expressed in such Note, or to bring suit for the enforcement

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of any such payment on or after such respective dates, is absolute and unconditional and shall not be impaired or affected without the consent of the Holder.

Section 6.08. Collection Suit by Trustee.

If an Event of Default occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Issuer for the whole amount of unpaid principal, premium and accrued interest remaining unpaid, together with, to the extent that payment of such interest is lawful, interest on overdue principal and interest on overdue installments of interest, in each case at the rate set forth in Section 4.01 hereof, and such further amounts as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09. Trustee May File Proofs of Claim.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Issuer (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same after deduction of its charges and expenses to the extent that any such charges and expenses are not paid out of the estate in any such proceedings and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceedings.

Section 6.10. Priorities.

Any money collected by the Trustee pursuant to this Article and any other money or property distributable in respect of the Issuer's obligations under this Supplemental Indenture after an Event of Default shall be applied in the following order:

FIRST: to the Trustee (including any predecessor Trustee) for amounts due under Section 7.07 hereof, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

SECOND: if the Holders are forced to proceed against the Issuer or any Guarantor directly without the Trustee, to Holders for their collection costs;

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THIRD: to Holders for amounts due and unpaid on the Notes for principal, premium, if any, and interest as to each, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes; and

FOURTH: to the Issuer or, to the extent the Trustee collects any amounts from any Guarantor, to such Guarantor.

The Trustee, upon prior written notice to the Issuer, may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

Section 6.11. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Supplemental Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 hereof or a suit by Holders of more than 10% in principal amount of the Notes then outstanding.

## ARTICLE VII

### TRUSTEE

Section 7.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Supplemental Indenture and use the same degree of care and skill in its exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) The Trustee need perform only those duties as are specifically set forth in this Supplemental Indenture and no covenants or obligations shall be implied in this Supplemental Indenture against the Trustee.

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Supplemental Indenture. However, the Trustee shall examine the certificates and opinions which are specifically required to be delivered to the Trustee by any provision of this Supplemental Indenture to determine whether or not they conform to the requirements of this Supplemental Indenture.

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(c) Notwithstanding anything to the contrary herein contained, the Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) This paragraph does not limit the effect of paragraphs (b) or (d) of this Section 7.01.

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(iii) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) No provision of this Supplemental Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not herein expressly provided, every provision of this Supplemental Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (d) of this Section 7.01.

(f) The Trustee shall not be liable for interest on any money or assets received by it except as the Trustee may agree in writing with the Issuer. Assets held in trust by the Trustee need not be segregated from other assets except to the extent required by law.

(g) Unless otherwise specifically provided in this Supplemental Indenture, any demand, request, direction or notice from the Issuer shall be sufficient if signed by an Officer of the Issuer.

(h) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney at the sole cost of the Issuer and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(i) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

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(j) The permissive right of the Trustee to take or refrain from taking any actions enumerated in this Supplemental Indenture shall not be construed as a duty.

Section 7.02. Rights of Trustee.

Subject to Section 7.01 hereof:

(a) The Trustee may rely on any document reasonably believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting with respect to any matters contemplated by this Supplemental Indenture or the Notes it may consult with counsel and may require an Officer's Certificate or an Opinion of Counsel, or both, which shall conform to the provisions of Section 11.05 hereof. The Trustee shall be protected and shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion.

(c) The Trustee may act through attorneys and agents and shall not be responsible for the misconduct or negligence of any attorney or agent (other than an agent who is an employee of the Trustee) so long as the appointment of such agent was made with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it reasonably believes to be authorized or within the discretion or rights or powers conferred upon it by this Supplemental Indenture.

(e) The Trustee may consult with counsel of its selection, and the advice or opinion of such counsel as to matters of law shall be full and complete authorization and protection from liability in respect of any action taken, omitted or suffered by it hereunder in good faith and in reliance thereon.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Supplemental Indenture at the request or direction of any of the Holders pursuant to this Supplemental Indenture, unless such Holders shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(g) The Trustee may request that the Issuer deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Supplemental Indenture, which Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(h) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Supplemental Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; terrorism; wars and other military disturbances; sabotage; epidemics; riots; interruptions; loss or malfunctions of utilities, computer (hardware or

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software) or communication services; accidents; labor disputes; acts of civil or military authority and governmental action.

(i) Anything in this Supplemental Indenture notwithstanding, in no event shall the Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to loss of profit), even if the Issuer has been advised as to the likelihood of such loss or damage and regardless of the form of action.

Section 7.03. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may make loans to, accept deposits from, perform services for or otherwise deal with the Issuer, or any Affiliates thereof, with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. The Trustee, however, shall be subject to Sections 7.10 and 7.11 hereof.

Section 7.04. Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Supplemental Indenture or the Notes, it shall not be accountable for the Issuer's use of the proceeds from the sale of Notes or any money paid to the Issuer pursuant to the terms of this Supplemental Indenture and it shall not be responsible for any statement of the Issuer in this Supplemental Indenture or the Notes other than the Trustee's certificate of authentication.

Section 7.05. Notice of Defaults.

The Trustee shall not be deemed to have notice of any Default unless a Trust Officer of the Trustee has received written notice of such Default at the Corporate Trust Office of the Trustee.

If a Default occurs and is continuing, the Trustee shall deliver to each Holder notice of the Default within 30 days after it occurs. Except in the case of a Default in payment of the principal of, or premium, if any, or interest on any Note or a default in the observance or performance of any of the obligations of the Issuer under Article 5, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interest of the Holders.

Section 7.06. Reports by Trustee to Holders.

If required by TIA Section 313(a), within 60 days after November 15 of any year, commencing the November 15 following the date of this Supplemental Indenture, the Trustee shall deliver to each Holder a brief report dated as of such November 15 that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b), (c) and (d).

Reports pursuant to this Section 7.06 shall be transmitted by mail:

- (a) to all registered Holders, as the names and addresses of such Holders appear on the Registrar's books; and



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(b) to such Holders as have, within the two years preceding such transmission, filed their names and addresses with the Trustee for that purpose.

A copy of each report at the time of its delivery to Holders shall be filed with the Commission and each stock exchange, if any, on which the Notes are listed. The Issuer shall promptly notify the Trustee when the Notes are listed on any stock exchange or of any delisting thereof.

Section 7.07. Compensation and Indemnity.

The Issuer shall pay to the Trustee from time to time such compensation as shall be agreed in writing between the Issuer and the Trustee for the Trustee's services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee upon request for all reasonable fees and expenses, including out-of-pocket expenses incurred or made by it in connection with the performance of its duties under this Supplemental Indenture or in connection with the collection of any funds. Such expenses shall include the reasonable fees and expenses of the Trustee's agents and counsel.

The Issuer shall indemnify each of the Trustee and its agents, employees, shareholders and directors and officers for, and hold them harmless against, any loss, liability or expense incurred by them (including attorney's fees and expenses) arising out of or in connection with the administration of this trust including the reasonable costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their rights, powers or duties hereunder, except for such actions to the extent caused by any negligence, bad faith or willful misconduct on their part. The Trustee shall notify the Issuer promptly, in writing, of any claim asserted against the Trustee for which it may seek indemnity. At the Trustee's sole discretion, the Issuer shall defend the claim and the Trustee shall cooperate and may participate in the defense; *provided* that any settlement of a claim shall be approved in writing by the Trustee. The Issuer need not pay for any settlement made without its written consent, which consent shall not be unreasonably withheld. The Issuer need not reimburse any expense or indemnify against any loss or liability to the extent incurred by the Trustee through its negligence, bad faith or willful misconduct.

To secure the Issuer's payment obligations in this Section 7.07, the Trustee shall have a lien prior to the Notes on all assets or money held or collected by the Trustee, in its capacity as Trustee, except assets or money held in trust to pay principal of, premium or interest on particular Notes.

In addition and without prejudice to the rights provided to the Trustee under any provision of this Supplemental Indenture, when the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(h) or (i) hereof occurs, such expenses and the compensation for such services are intended to constitute expenses of administration under any Bankruptcy Law.

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The obligation of the Issuer under this Section 7.07 shall survive the resignation or removal of the Trustee and the termination or satisfaction and discharge of this Supplemental Indenture.

“Trustee” for purposes of this Section shall include any predecessor Trustee and the Trustee in each of its capacities hereunder and to each agent, custodian and other person employed to act hereunder; *provided, however*, that the negligence, willful misconduct or bad faith of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

Section 7.08. Replacement of Trustee.

The Trustee may resign at any time by so notifying the Issuer in writing. The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by so notifying the Trustee and the Issuer in writing and may appoint a successor Trustee. The Issuer may remove the Trustee at its election if:

- (a) the Trustee fails to comply with Section 7.10 hereof;
- (b) the Trustee is adjudged a bankrupt or an insolvent;
- (c) a receiver or other public officer takes charge of the Trustee or its property; or
- (d) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Issuer shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuer.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Immediately after that, the retiring Trustee shall transfer, after payment of all sums then owing to the Trustee pursuant to Section 7.07 hereof, all property held by it as Trustee to the successor Trustee, subject to the lien provided in Section 7.07 hereof, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have the rights, powers and duties of the Trustee under this Supplemental Indenture. A successor Trustee shall deliver notice of its succession to each Holder.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of at least 10% in principal amount of the outstanding Notes may petition, at the expense of the Issuer, any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder who has been a bona fide holder of securities for any period of time specified under TIA Section 3.10, fails to comply with Section 7.10 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

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Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Issuer's obligations under Section 7.07 hereof shall continue for the benefit of the retiring Trustee.

Section 7.09. Successor Trustee by Consolidation, Merger or Conversion.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, subject to this Article 7, the successor corporation without any further act shall be the successor Trustee.

Section 7.10. Eligibility; Disqualification.

This Supplemental Indenture shall always have a Trustee which shall be eligible to act as Trustee under TIA Sections 310(a)(1), 310(a)(2) and 310(a)(5). The Trustee shall have a combined capital and surplus, together with its corporate parent, of at least \$100,000,000 as set forth in its most recent published annual report of condition. If the Trustee has or shall acquire any "conflicting interest" within the meaning of TIA Section 310(b), the Trustee and the Issuer shall comply with the provisions of TIA Section 310(b); *provided, however*, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Issuer are outstanding if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 7.10, the Trustee shall resign immediately in the manner and with the effect hereinbefore specified in this Article 7.

Section 7.11. Preferential Collection of Claims Against the Issuer.

The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein. The provisions of TIA Section 311 shall apply to the Issuer as obligors of the Notes.

## ARTICLE VIII

### AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 8.01. Without Consent of Holders.

The Issuer and the Guarantors, if any (except that no existing Guarantor need execute a supplemental indenture substantially in the form of Exhibit B hereto pursuant to clause (g) of this Section 8.01), when authorized by a Board Resolution, and the Trustee may amend or supplement this Supplemental Indenture, the Notes or the Note Guarantees without notice to or consent of any Holder:

- (a) to cure any ambiguity, defect or inconsistency;
- (b) to provide for uncertificated Notes in addition to or in place of certificated Notes;

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(c) to provide for the assumption of the Issuer' s or a Guarantor' s obligations to the Holders in the case of a merger, consolidation or sale of all or substantially all of the Issuer' s or such Guarantor' s assets in accordance with Article 5;

(d) to add any Note Guarantee or to effect the release of any Guarantor from any of its obligations under its Note Guarantee or this Supplemental Indenture (to the extent permitted by this Supplemental Indenture);

(e) to conform the text of this Supplemental Indenture or the Notes to any provisions of the "Description of the notes" section of the Prospectus Supplement to the extent that such provision was intended to be a verbatim recitation of a provision of this Supplemental Indenture or the Notes;

(f) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Supplemental Indenture;

(g) to allow any Subsidiary to execute a supplement to this Supplemental Indenture and/or a Note Guarantee;

(h) to make any change that would provide any additional rights or benefits to the Holders or does not materially adversely affect the rights of any Holder;

(i) to effect or maintain the qualification of this Supplemental Indenture under the Trust Indenture Act;

(j) to secure the Notes or any Note Guarantees or any other obligation under this Supplemental Indenture; or

(k) to evidence and provide for the acceptance of appointment by a successor trustee.

#### Section 8.02. With Consent of Holders.

(a) Subject to Section 6.07 hereof, the Issuer and the Guarantors, if any, when each is authorized by a Board Resolution of their respective Boards of Directors, and the Trustee may amend or supplement this Supplemental Indenture or the Notes or the Note Guarantees with the written consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of at least a majority in principal amount of the outstanding Notes. Subject to Section 6.07 hereof, the Holders of a majority in principal amount of the outstanding Notes may waive compliance by the Issuer, or any Guarantor with any provision of this Supplemental Indenture, the Notes, or the Note Guarantees. However, without the consent of each Holder affected, an amendment, supplement or waiver, including a waiver pursuant to Section 6.04 hereof, may not:

(i) reduce, or change the maturity of, the principal of any Note (it being understood that any amendment or waiver of Section 4.12 hereof requiring the application of Net Available Proceeds to make a Net Proceeds Offer shall not constitute a change of the maturity of the principal of any Note under this clause (i));

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(ii) reduce the rate of or extend the time for payment of interest on any Note;

(iii) reduce any premium payable upon redemption of the Notes or change the date on which any Notes are subject to redemption (other than provisions relating to the purchase of Notes described under Sections 4.12 and 4.15 hereof, except that if a Change of Control has occurred, no amendment or other modification of the obligation of the Issuer to make a Change of Control Offer relating to such Change of Control shall be made without the consent of each Holder of the Notes affected);

(iv) make any Note payable in money or currency other than that stated in the Notes;

(v) modify or change any provision of this Supplemental Indenture or the related definitions to affect the ranking of the Notes or any Note Guarantee in a manner that adversely affects the Holders;

(vi) reduce the percentage of Holders necessary to consent to an amendment or waiver to this Supplemental Indenture or the Notes;

(vii) waive a default in the payment of principal of or premium or interest on any Notes (except a rescission of acceleration of the Notes by the Holders thereof as provided in this Supplemental Indenture and a waiver of the payment default that resulted from such acceleration);

(viii) impair the rights of Holders to receive payments of principal of or interest on the Notes on or after the due date therefor or to institute suit for the enforcement of any payment on the Notes;

(ix) release any Guarantor that is a Significant Subsidiary from any of its obligations under its Note Guarantee or this Supplemental Indenture, except as permitted by this Supplemental Indenture; or

(x) make any change in these amendment and waiver provisions.

The consent of the Holders of the Notes is not necessary under this Supplemental Indenture to approve the particular form of any proposed amendment or waiver. It is sufficient if such consent approves the substance of the proposed amendment or waiver.

After an amendment under this Supplemental Indenture becomes effective, the Issuer is required to deliver to Holders of the Notes a notice briefly describing such amendment. However, the failure to give such notice to all Holders of the Notes, or any defect therein, will not impair or affect the validity of the amendment.

#### Section 8.03. Compliance with TIA.

Every amendment to or supplement of this Supplemental Indenture, the Notes or the Note Guarantees shall comply with the TIA as then in effect.

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#### Section 8.04. Revocation and Effect of Consents.

Until an amendment, waiver or supplement becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. Subject to the following paragraph, any such Holder or subsequent Holder may revoke the consent as to such Holder's Note or portion of such Note by notice to the Trustee or the Issuer received before the date on which the Trustee receives an Officer's Certificate certifying that the Holders of the requisite principal amount of Notes have consented (and not theretofore revoked such consent) to the amendment, supplement or waiver.

The Issuer may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then notwithstanding the last sentence of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it makes a change described in any of clauses (i) through (x) of Section 8.02 hereof, in which case, the amendment, supplement or waiver shall bind only each Holder who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note; *provided* that any such waiver shall not impair or affect the right of any Holder to receive payment of principal of and interest on a Note, on or after the respective due dates expressed in such Note, or to bring suit for the enforcement of any such payment on or after such respective dates without the consent of such Holder.

#### Section 8.05. Notation on or Exchange of Notes.

If an amendment, supplement, or waiver changes the terms of a Note, the Trustee may request the Holder to deliver it to the Trustee. In such case, the Trustee shall place an appropriate notation on the Note about the changed terms and return it to the Holder. Alternatively, if the Issuer or the Trustee so determine, in exchange for the Note the Issuer shall issue and the Trustee shall authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment supplement or waiver.

#### Section 8.06. Trustee To Sign Amendments, etc.

The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article 8 is authorized or permitted by this Supplemental Indenture and that such amendment, supplement or waiver constitutes the legal, valid and binding obligation of the Issuer and any Guarantors, enforceable in accordance with its terms (subject to customary exceptions). The Trustee may, but shall not be obligated to, execute any such

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amendment, supplement or waiver which affects the Trustee's own rights, duties or immunities under this Supplemental Indenture or otherwise.

## ARTICLE IX

### DISCHARGE OF INDENTURE; DEFEASANCE

#### Section 9.01. Satisfaction and Discharge of Indenture.

(a) This Supplemental Indenture shall be discharged and shall cease to be of further effect (except those obligations referred to in Section 9.01(c) hereof) as to all outstanding Notes and Note Guarantees and the Trustee, on written demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Supplemental Indenture, when:

(i) all the Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from this trust) have been delivered to the Trustee for cancellation, or

(ii) (A) all Notes not delivered to the Trustee for cancellation otherwise (x) have become due and payable, (y) will become due and payable, or may be called for redemption, within one year or (z) have been called for redemption pursuant to paragraph 5 of the Notes and, in any case, the Issuer has irrevocably deposited or caused to be deposited with the Trustee as trust funds, in trust solely for the benefit of the Holders, U.S. legal tender, U.S. Government Obligations or a combination thereof, in such amounts as will be sufficient (without consideration of any reinvestment of interest) to pay and discharge the entire Indebtedness (including all principal and accrued interest) on the Notes not theretofore delivered to the Trustee for cancellation, (B) the Issuer has paid all other sums payable by it under this Supplemental Indenture, and (C) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or on the date of redemption, as the case may be.

(b) In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent to satisfaction and discharge have been complied with.

(c) Notwithstanding Section 9.01(a) hereof, the Issuer's obligations in Article 2 and Sections 4.01, 4.07, 7.07, 9.06 and 9.07 hereof shall survive until the Notes are no longer outstanding pursuant to the last paragraph of Section 2.08 hereof. After the Notes are no longer outstanding, the Issuer's obligations in Sections 7.07, 9.06 and 9.07 hereof shall survive.

(d) After such delivery or irrevocable deposit, the Trustee upon request shall acknowledge in writing the discharge of the Issuer's and each Guarantor's obligations under the Notes, the Note Guarantees and this Supplemental Indenture except for those surviving obligations specified above.

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(e) The Issuer shall provide notice of discharge or defeasance pursuant to this Article 9 within ten (10) days after deposit of funds or U.S. Government Obligations. If payment at stated maturity of less than all of the Notes of any series is to be provided for in the manner and with the effect provided in this Section 9.01, the Trustee shall select such Notes, or portions or principal amount thereof, in the manner specified by Section 3.02 hereof for selection for redemption of less than all the Notes of a series.

Section 9.02. Legal Defeasance.

(a) The Issuer may, at its option at any time, elect to have this Section 9.02 be applied to all outstanding Notes upon compliance with the conditions set forth in Section 9.04 hereof.

(b) Upon the Issuer's exercise under paragraph (a) hereof of the option applicable to this paragraph (b), the Issuer and each Guarantor shall, subject to the satisfaction of the conditions set forth in Section 9.04 hereof, be deemed to have been discharged from their respective obligations with respect to all outstanding Notes and the Note Guarantees on the date the conditions set forth below are satisfied (hereinafter, "*Legal Defeasance*"). For this purpose, Legal Defeasance means that the Issuer and each Guarantor shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes and the Note Guarantees, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 9.05 hereof and the other Sections of this Supplemental Indenture referred to in clauses (i) and (ii) below, and to have satisfied all their other respective obligations under such Notes and this Supplemental Indenture (and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging the same), except for the following provisions, which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of outstanding Notes to receive solely from the trust fund described in Section 9.05 hereof, and as more fully set forth in such Section, payments in respect of the principal of, and interest on, such Notes when such payments are due from such trust fund, (ii) the Issuer's obligations with respect to such Notes under Article 2 and Section 4.07 hereof, (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Issuer's obligations in connection therewith and (iv) this Section 9.02. Subject to compliance with this Article 9, the Issuer may exercise its option under this Section 9.02 notwithstanding the prior exercise of its option under Section 9.03 hereof with respect to the Notes.

Section 9.03. Covenant Defeasance.

(a) The Issuer may, at its option by Board Resolution of the Board of Directors of the Issuer, at any time, elect to have this Section 9.03 be applied to all outstanding Notes upon compliance with the conditions set forth in Section 9.04 hereof.

(b) Upon the Issuer's exercise under paragraph (a) hereof of the option applicable to this paragraph (b), the Issuer and each Guarantor shall, subject to the satisfaction of the conditions set forth in Section 9.04 hereof, be released from their respective obligations under the covenants contained in Sections 4.05 and 4.08 through 4.20 hereof, inclusive, and subclause (iii) of Section 5.01(a) hereof with respect to the outstanding Notes and the Note Guarantees on and after the date the conditions set forth below are satisfied (hereinafter,



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“Covenant Defeasance”); *provided, however*, that Covenant Defeasance will not be effective until such time as Events of Default contained in Section 6.01(h) and (i) hereof no longer apply, and the Notes and the Note Guarantees shall thereafter be deemed not “outstanding” for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed “outstanding” for all other purposes hereunder. For this purpose, such Covenant Defeasance means that, with respect to the outstanding Notes and the Note Guarantees, the Issuer and each Guarantor may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event or Default under Section 6.01(c) hereof, but, except as specified above, the remainder of this Supplemental Indenture, and such Notes and the Note Guarantees shall be unaffected thereby. In addition, upon the Issuer’s exercise under paragraph (a) hereof of the option applicable to this paragraph (b), subject to the satisfaction of the conditions set forth in Section 9.04 hereof, the Events of Default described under clauses (c) (only with respect to the failure of the Issuer to comply with subclause (iii) of Section 5.01(a) hereof), (d), (e) (only with respect to covenants that are released as a result of such Covenant Defeasance), (f) and (g) of Section 6.01 hereof and the Events of Default described under clauses (h), (i) and (j) of Section 6.01 hereof (but only with respect to Significant Subsidiaries of the Issuer), in each case, will no longer constitute an Event of Default.

#### Section 9.04. Conditions to Legal Defeasance or Covenant Defeasance.

The following shall be the conditions to the application of either Section 9.02 or 9.03 hereof to the outstanding Notes and the Note Guarantees:

(a) the Issuer must irrevocably deposit with the Trustee (or other qualifying trustee), as trust funds, in trust solely for the benefit of the Holders, cash in U.S. legal tender or U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient (without consideration of any reinvestment of interest), in the opinion of a nationally recognized investment bank, appraisal firm or firms of independent public accountants selected by the Issuer, to pay the principal of and interest on the Notes on the scheduled due dates or on the applicable Redemption Date, as the case may be, *provided* that the Trustee shall have received an irrevocable written order from the Issuer instructing the Trustee to apply such U.S. legal tender or the proceeds of such U.S. Government Obligations to said payments with respect to such Notes;

(b) in the case of an election under Section 9.02 hereof, the Issuer shall have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that (A) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of this Supplemental Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, Legal Defeasance and discharge and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

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(c) in the case of an election under Section 9.03 hereof, the Issuer shall have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, Covenant Defeasance and discharge and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting solely from the borrowing of funds to be applied to such deposit);

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of or constitute a default under this Supplemental Indenture or any other material agreement or instrument to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound (other than any such Default or default resulting solely from the borrowing of funds to be applied to such deposit);

(f) the Issuer shall have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders over any other creditors of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others; and

(g) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that the conditions precedent provided for in, in the case of the Officer's Certificate, clauses (a) through (f) and, in the case of the Opinion of Counsel, clauses (b) and/or (c) and (e) of this Section 9.04 have been complied with.

#### Section 9.05. Application of Trust Money.

All money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee pursuant to Section 9.01 or 9.04 hereof in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Supplemental Indenture, to the payment, either directly or through any Paying Agent as the Trustee may determine, to the Holders of such Notes, of all sums due and to become due thereon in respect of principal, premium, if any, and accrued interest, but such money need not be segregated from other funds except to the extent required by law.

The Issuer and the Guarantors shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 9.01 or 9.04 hereof or the principal, premium, if any, and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders.

Anything in this Article 9 to the contrary notwithstanding, the Trustee shall deliver or pay to the Issuer from time to time upon a written request of the Issuer in the form of an Officer's Certificate any money or U.S. Government Obligations held by it as provided in Section 9.01 or 9.04 hereof which, in the opinion of a nationally-recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of

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the amount thereof which would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 9.06. Repayment to the Issuer.

Subject to Sections 9.01, 9.02, 9.03, 9.04, 9.05 and 9.07 hereof, the Trustee and the Paying Agent shall promptly pay to the Issuer upon request any excess U.S. legal tender or U.S. Government Obligations held by them at any time and thereupon shall be relieved from all liability with respect to such money. Subject to applicable abandoned property laws, the Trustee and the Paying Agent shall pay to the Issuer upon request any money held by them for the payment of principal, premium, if any, or interest that remains unclaimed for two years; *provided* that the Trustee or such Paying Agent, before being required to make any payment, may at the expense of the Issuer cause to be published once in a newspaper of general circulation in the City of New York or deliver to each Holder entitled to such money notice that such money remains unclaimed, and that after a date specified therein which shall be at least 30 days from the date of such publication or delivery, any unclaimed balance of such money then remaining will be repaid to the Issuer. After payment to the Issuer, Holders entitled to such money must look to the Issuer for payment as general creditors unless an applicable law designates another Person.

Section 9.07. Reinstatement.

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 9.01, 9.02 or 9.03 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuer's and each Guarantor's obligations under this Supplemental Indenture, the Notes and the Note Guarantees shall be revived and reinstated as though no deposit had occurred pursuant to this Article 9 until such time as the Trustee or Paying Agent is permitted to apply all such U.S. legal tender or U.S. Government Obligations in accordance with Section 9.01 hereof; *provided, however*, that if the Issuer or the Guarantors have made any payment of principal of, premium, if any, or accrued interest on any Notes because of the reinstatement of their obligations, the Issuer and each such Guarantor shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

## ARTICLE X

### GUARANTEES

Section 10.01. Unconditional Guarantee.

Each Guarantor, if any, hereby unconditionally, jointly and severally, guarantees to each Holder of a Note authenticated by the Trustee and to the Trustee and its successors and assigns that the principal of, premium thereon (if any) and interest on the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration or otherwise, and interest on the overdue principal of and interest on any overdue interest on the Notes and all other obligations of the Issuer to the Holders or the Trustee hereunder or under the Notes will be promptly paid in full or performed, all in accordance with the terms hereof and

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thereof; subject, however, to the limitations set forth in Section 10.03 hereof. Each Guarantor hereby agrees that to the maximum extent permitted under applicable law, its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Supplemental Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. To the maximum extent permitted under applicable law, each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest, notice and all demands whatsoever and covenants that the Note Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and this Supplemental Indenture. If any Holder or the Trustee is required by any court or otherwise to return to the Issuer, any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Issuer or any Guarantor, any amount paid by the Issuer or any Guarantor to the Trustee or such Holder, each Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor further agrees that, to the maximum extent permitted under applicable law, as between a Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations in respect of the Note Guarantees hereby may be accelerated as provided in Article 6 hereof for the purpose of each Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any acceleration of such obligations as provided in Article 6 hereof, such obligations (whether or not due and payable) shall become due and payable by each Guarantor for the purpose of each Note Guarantee.

Each Guarantor agrees to make immediate payment to the Trustee on behalf of the Holders of all Obligations owing or payable to the respective Holders upon receipt of a demand for payment therefor (if then permitted pursuant to this Supplemental Indenture) by the Trustee to such Guarantor in writing.

Each Guarantor also agrees to pay any and all costs and expenses (including reasonable attorneys' fees) incurred by the Trustee or any Holder in enforcing any rights under this Article 10.

#### Section 10.02. Severability.

In case any provision of this Article 10 shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

#### Section 10.03. Limitation on Guarantor's Liability.

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal, foreign or state

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law to the extent applicable to any Note Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor under its Note Guarantee and this Article 10 shall be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor (including any and all guarantees under the Credit Facilities) that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 10, result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent transfer or conveyance. Each Guarantor that makes a payment for distribution under its Note Guarantee is entitled to a contribution from each other Guarantor in a *pro rata* amount based on the adjusted net assets of each Guarantor.

Section 10.04. Successors and Assigns.

This Article 10 shall be binding upon each Guarantor and its successors and assigns and shall ensure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in this Supplemental Indenture and in the Notes shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of this Supplemental Indenture.

Section 10.05. No Waiver.

Each of the Guarantors agrees that to the maximum extent permitted under applicable law, (a) neither a failure nor a delay on the part of either the Trustee or the Holders in exercising any right, power or privilege under this Article 10 shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege and (b) the rights, remedies and benefits of the Trustee and the Holders herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Article 10 at law, in equity, by statute or otherwise.

Section 10.06. Release of Guarantor.

A Guarantor shall be released from all of its obligations under its Note Guarantee and its obligations under this Supplemental Indenture:

(a) in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the Voting Stock of such Guarantor then held by the Issuer and the Restricted Subsidiaries;

(b) if such Subsidiary Guarantor is designated as an Unrestricted Subsidiary or otherwise ceases to be a Restricted Subsidiary, in each case in accordance with the provisions of this Supplemental Indenture, upon effectiveness of such designation or when it first ceases to be a Restricted Subsidiary, respectively;

(c) if such Guarantor would no longer be required to issue a Note Guarantee as required under Section 4.19 hereof, including, without limitation, upon the release of the

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Guarantor from its liability in respect of Indebtedness of the Issuer or a Restricted Subsidiary that required the Guarantor to initially Guarantee the Notes; *provided* that a Guarantor shall not be permitted to be released from its Note Guarantee if it is an obligor with respect to Indebtedness that would not, under Section 4.10 hereof be permitted to be incurred by a Restricted Subsidiary;

(d) upon Legal Defeasance of the Notes or satisfaction and discharge of this Supplemental Indenture as provided by Article 9; or

(e) with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding in accordance with Article 8.

Upon delivery by the Issuer to the Trustee of an Officer's Certificate and an Opinion of Counsel to the effect that one of the foregoing requirements has been satisfied and the conditions to the release of a Guarantor from its Note Guarantee under this Section 10.06 have been met, the Trustee shall execute any documents reasonably required in order to evidence the release of such Guarantor from its obligations under its Note Guarantee.

Section 10.07. Execution of Supplemental Indenture for Future Guarantors. Each Subsidiary which is required to become a Guarantor shall, and the Issuer shall cause each such Subsidiary to, promptly execute and deliver to the Trustee a supplemental indenture substantially in the form of Exhibit B hereto pursuant to which such Subsidiary shall become a Guarantor under this Article 10 and shall guarantee the obligations of the Issuer under the Notes and this Supplemental Indenture. Concurrently with the execution and delivery of such supplemental indenture, the Issuer shall deliver to the Trustee an Opinion of Counsel to the effect that such supplemental indenture has been duly authorized, executed and delivered by such Subsidiary and that, subject to the application of bankruptcy, insolvency, moratorium, fraudulent conveyance or transfer and other similar laws relating to creditors' rights generally and to the principles of equity, whether considered in a proceeding at law or in equity, the Note Guarantee of such Guarantor is a valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms.

Section 10.08. Notation of Note Guarantee.

To evidence the Note Guarantee set forth in this Article 10, each Guarantor hereby agrees that a notation of such Note Guarantee shall be placed on each Note authenticated and made available for delivery by the Trustee and that this Note Guarantee shall be executed on behalf of each Guarantor by the manual or facsimile signature of an Officer of each Guarantor. Each Guarantor hereby agrees that the Note Guarantee set forth in Section 10.01 hereof shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Note Guarantee. If an Officer of a Guarantor whose signature is on the Note Guarantee no longer holds that office at the time the Trustee authenticates the Note on which the Note Guarantee is endorsed, the Note Guarantee shall be valid nevertheless. The delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Note Guarantee set forth in this Supplemental Indenture on behalf of each Guarantor.

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Section 10.09. Subordination of Subrogation and Other Rights. Each Guarantor hereby agrees that any claim against the Issuer that arises from the payment, performance or enforcement of such Guarantor's obligations under the Note Guarantee or this Supplemental Indenture, including, without limitation, any right of subrogation, shall be subject and subordinate to, and no payment with respect to any such claim of such Guarantor shall be made before, the payment in full in cash of all outstanding Notes in accordance with the provisions provided therefor in this Supplemental Indenture.

## ARTICLE XI

### MISCELLANEOUS

#### Section 11.01. TIA Controls.

If any provision of this Supplemental Indenture limits, qualifies or conflicts with another provision which is required to be included in this Supplemental Indenture by the TIA, the required provision shall control.

#### Section 11.02. Notices.

Any notices or other communications required or permitted hereunder shall be in writing, and shall be sufficiently given if made by hand delivery, by telecopier or registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to the Issuer or any Guarantor:

American Greetings Corporation  
One American Road  
Cleveland, OH 44144  
Attention: Catherine M. Kilbane, Esq.  
Tel: (216) 252-7300  
Fax: (216) 252-6741

Copy to:

Jones Day  
901 Lakeside Avenue  
Cleveland, OH 44114  
Attention: Michael J. Solecki, Esq.  
Tel: (216) 586-3939  
Fax: (216) 579-0212

If to the Trustee:

The Bank of Nova Scotia Trust Company of New York  
One Liberty Plaza, 23 Floor,  
New York, NY 10006  
Attn: Trust Officer  
Tel: (212) 225-5427  
Fax: (212) 225-5436

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The Issuer, any Guarantor or the Trustee by written notice to the others may designate additional or different addresses for subsequent notices or communications. Any notice or communication to the Issuer, any Guarantors or the Trustee, shall be deemed to have been given or made as of the date so delivered if personally delivered; when receipt is acknowledged, if telecopied; and five (5) calendar days after mailing if sent by registered or certified mail, postage prepaid (except that a notice of change of address shall not be deemed to have been given until actually received by the addressee). Notwithstanding the foregoing, the Trustee shall not be deemed to have been given notice until such notice is actually received.

Any notice or communication mailed to a Holder shall be mailed to him by first-class mail, postage prepaid, at his address shown on the register kept by the Registrar.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication to a Holder is mailed in the manner provided above, it shall be deemed duly given, whether or not the addressee receives it.

In case by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impossible to mail any notice as required by this Supplemental Indenture, then such method of notification as shall be made with the approval of the Trustee shall constitute a sufficient mailing of such notice.

#### Section 11.03. Communications by Holders with Other Holders.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Supplemental Indenture or the Notes. The Issuer, the Guarantors, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

#### Section 11.04. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Issuer or any Guarantor to the Trustee to take any action under this Supplemental Indenture, the Issuer or such Guarantor, as the case may be, shall furnish to the Trustee:

(a) an Officer's Certificate (which shall include the statements set forth in Section 11.05 hereof) stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Supplemental Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel (which shall include the statements set forth in Section 11.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent, if any, provided for in this Supplemental Indenture relating to the proposed action have been complied with.



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Section 11.05. Statements Required in Certificate and Opinion.

Each certificate and opinion with respect to compliance with a condition or covenant provided for in this Supplemental Indenture shall include:

- (a) a statement that the person making such certificate or opinion has read such covenant or condition and the definitions relating thereto;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (c) a statement that, in the opinion of such person, it or he has made such examination or investigation as is necessary to enable such person to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether or not, in the opinion of such person, such covenant or condition has been complied with.

Section 11.06. Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or at meetings of Holders. The Registrar and Paying Agent may make reasonable rules for their functions.

Section 11.07. Legal Holidays.

A “Legal Holiday” is a Saturday, a Sunday, a federally-recognized holiday or a day on which banking institutions are not required to be open in the State of New York. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

Section 11.08. Governing Law.

THIS SUPPLEMENTAL INDENTURE AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 11.09. No Adverse Interpretation of Other Agreements.

This Supplemental Indenture may not be used to interpret another indenture, loan, security or debt agreement of the Issuer or any Subsidiary thereof. No such indenture, loan, security or debt agreement may be used to interpret this Supplemental Indenture.

Section 11.10. No Recourse Against Others.

A director, officer, employee, incorporator or shareholder of the Issuer or any Guarantor shall not have any liability for any obligations of the Issuer under the Notes or this Supplemental

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Indenture or of any Guarantor under its Note Guarantee for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Note Guarantees.

Section 11.11. Successors.

All agreements of each of the Issuer and each Guarantor in this Supplemental Indenture and the Notes shall bind their respective successors. All agreements of the Trustee, any additional trustee and any Paying Agents in this Supplemental Indenture shall bind their respective successors.

Section 11.12. Consent to Jurisdiction; Waiver of Immunities.

The Issuer and the Guarantors irrevocably consent to the jurisdiction of the courts of the State of New York and the courts of the United States of America located in the Borough of Manhattan, City and State of New York over any suit, action or proceeding with respect to this Supplemental Indenture or the transactions contemplated hereby. The Issuer and the Guarantors waive any objection that they may have to the venue of any suit, action or proceeding with respect to this Supplemental Indenture or the transactions contemplated hereby in the courts of the State of New York or the courts of the United States of America, in each case, located in the Borough of Manhattan, City and State of New York, or that such suit, action or proceeding brought in the courts of the State of New York or the United States of America, in each case, located in the Borough of Manhattan, City and State of New York was brought in an inconvenient court and agrees not to plead or claim the same.

Section 11.13. Multiple Counterparts.

The parties may sign multiple counterparts of this Supplemental Indenture. Each signed counterpart shall be deemed an original, but all of them together represent one and the same agreement.

Section 11.14. Table of Contents, Headings, etc.

The table of contents, cross-reference sheet and headings of the Articles and Sections of this Supplemental Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 11.15. Separability.

Each provision of this Supplemental Indenture shall be considered separable and if for any reason any provision which is not essential to the effectuation of the basic purpose of this Supplemental Indenture or the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

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IN WITNESS WHEREOF, the parties have caused this Supplemental Indenture to be duly executed all as of the date and year first written above.

AMERICAN GREETINGS CORPORATION, as  
Issuer

By: /s/ Gregory M. Steinberg  
Name: Gregory M. Steinberg  
Title: Treasurer

THE BANK OF NOVA SCOTIA TRUST  
COMPANY OF NEW YORK, as Trustee

By: /s/ Warren A. Goshine  
Name: Warren A. Goshine  
Title: Vice President

AMERICAN GREETINGS CORPORATION

7.375% SENIOR NOTE DUE 2021

No. \_\_\_\_\_

\$ \_\_\_\_\_

AMERICAN GREETINGS CORPORATION, an Ohio corporation (the “Issuer,” which term includes any successor entity), for value received promises to pay to CEDE & CO. or registered assigns, the principal sum of on December 1, 2021.

Interest Payment Dates: June 1 and December 1, commencing June 1, 2012.

Record Dates: May 15 and November 15.

Interest will accrue from November 30, 2011, or from the date of issuance.

Reference is made to the further provisions of this Note contained herein and the Supplemental Indenture (as defined), which will for all purposes have the same effect as if set forth at this place.

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**IN WITNESS WHEREOF**, the Issuer has caused this Note to be signed manually or by facsimile by its duly authorized Officer.

AMERICAN GREETINGS CORPORATION

By: \_\_\_\_\_

Name:

Title:

Dated:

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CERTIFICATE OF AUTHENTICATION

This is one of the 7.375% Senior Notes due 2021 referred to in the within-mentioned Supplemental Indenture.

THE BANK OF NOVA SCOTIA TRUST COMPANY OF NEW YORK  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

Dated:

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(REVERSE OF SECURITY)

7.375% SENIOR NOTE DUE 2021

1. *INTEREST.* American Greetings Corporation, an Ohio corporation (the “*Issuer*”), promises to pay interest on the principal amount of this Note at the rate per annum shown above. Interest on the Notes will accrue from the most recent date on which interest has been paid or, if no interest has been paid, from the date of the original issuance of the Notes. The Issuer will pay interest semi-annually in arrears on each Interest Payment Date, commencing June 1, 2012. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium and on overdue installments of interest (including post-petition interest in any proceeding under any Bankruptcy Law) (without regard to any applicable grace periods) to the extent lawful from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect on the Notes.

2. *METHOD OF PAYMENT.* The Issuer shall pay interest on the Notes (except defaulted interest) to the Persons who are the registered Holders at the close of business on the May 15 or November 15 immediately preceding the Interest Payment Date (whether or not such day is a Business Day) even if the Notes are cancelled on registration of transfer or registration of exchange after such Record Date. Holders must surrender Notes to a Paying Agent to collect principal payments. Payments of principal and premium, if any, will be made (on presentation of such Notes if in certificated form) in money of the United States that at the time of payment is legal tender for payment of public and private debts; *provided, however*, that the Issuer may pay principal, premium and interest by check payable in such money or if a Holder has given transfer instructions to the Issuer at least ten Business Days prior to the applicable payment date, the Issuer will make all payments on such Holder’s Notes by wire transfer of immediately available funds to the account specified in those instructions. The Issuer may deliver any such interest payment to the Paying Agent or to a Holder at the Holder’s registered address.

3. *PAYING AGENT AND REGISTRAR.* Initially, The Bank of Nova Scotia Trust Company of New York, a trust company organized and existing under the laws of the State of New York (the “*Trustee*”), will act as Paying Agent and Registrar. The Issuer may change any Paying Agent, Registrar or co-Registrar without notice to the Holders. Neither the Issuer nor any of its Subsidiaries or Affiliates may act as Paying Agent but may act as Registrar or co-Registrar.

4. *SUPPLEMENTAL INDENTURE.* The Issuer issued this Note under the First Supplemental Indenture, dated as of November 30, 2011 (the “*Supplemental Indenture*”), by and between the Issuer and the Trustee, to the Base Indenture, dated as of November 30, 2011 (the “*Base Indenture*”), by and between the Issuer and the Trustee. This Note is one of a duly authorized issue of Initial Notes of the Issuer designated as its 7.375% Senior Notes due 2021 (the “*Notes*”). The Notes include the Initial Notes and the Additional Notes, if any. The Initial Notes and the Additional Notes are treated as a single class of securities under the Supplemental Indenture. Capitalized terms herein are used as defined in the Supplemental Indenture unless otherwise defined herein. The terms of the Notes include those stated in the Supplemental Indenture and those made part of the Supplemental Indenture by reference to the Trust Indenture

Act of 1939 (15 U.S. Code Sections 77aaa-77bbbb) (the “TIA”), as in effect on the date of the Supplemental Indenture. Notwithstanding anything to the contrary herein, the Notes are subject to all such terms, and Holders are referred to the Supplemental Indenture and the TIA for a statement of them. The Notes are general unsecured obligations of the Issuer.

#### 5. REDEMPTION.

(a) *Optional Redemption.* Except as set forth below, the Notes shall not be redeemed prior to December 1, 2016. At any time or from time to time on or after December 1, 2016, the Issuer, at its option, may redeem the Notes, in whole or in part, at the Redemption Prices (expressed as percentages of principal amount) set forth below, together with accrued and unpaid interest thereon, if any, to the Redemption Date, if redeemed during the 12-month period beginning December 1 of the years indicated:

<u>Year</u>	<u>Percentage</u>
2016	103.688%
2017	102.458%
2018	101.229%
2019 and thereafter	100.000%

(b) *Redemption at Applicable Premium.* In addition, at any time prior to December 1, 2016 the Notes may also be redeemed or purchased (by the Issuer or any other Person) in whole or in part, at the Issuer’s option, at a price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued but unpaid interest, if any, to, the Redemption Date or the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

(c) *Redemption upon Consummation of Certain Qualified Equity Offerings.* Notwithstanding the foregoing, at any time or from time to time prior to December 1, 2014, the Issuer, at its option, may redeem up to 35% of the aggregate principal amount of the Notes issued under the Supplemental Indenture with the net cash proceeds of one or more Qualified Equity Offerings at a Redemption Price equal to 107.375% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon, if any, to the Redemption Date; provided that (1) at least 65% of the aggregate principal amount of Notes issued under the Supplemental Indenture remains outstanding immediately after the occurrence of such redemption and (2) the redemption occurs within 90 days of the date of the closing of any such Qualified Equity Offering.



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6. *NOTICE OF REDEMPTION.* Notice of redemption under paragraph 5 of this Note will be delivered at least 30 days but not more than 60 days before the redemption date to each Holder to be redeemed, except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a satisfaction and discharge of the Supplemental Indenture.

Except as set forth in the Supplemental Indenture, if monies for the redemption of the Notes called for redemption shall have been deposited with the Paying Agent for redemption on such redemption date, then, unless the Issuer defaults in the payment of such redemption price plus accrued interest, if any, the Notes called for redemption will cease to bear interest from and after such redemption date and the only right of the Holders of such Notes will be to receive payment of the redemption price plus accrued interest, if any.

7 *OFFERS TO PURCHASE.* The Supplemental Indenture provides that, after certain Asset Sales and upon the occurrence of a Change of Control, and subject to further limitations contained therein, the Issuer will make an offer to purchase certain amounts of the Notes in accordance with the procedures set forth in the Supplemental Indenture.

8. *DENOMINATIONS; TRANSFER; EXCHANGE.* The Notes are in registered form, without coupons, in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. A Holder shall register the transfer or exchange of Notes in accordance with the Supplemental Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay certain transfer taxes or similar governmental charges payable in connection therewith as permitted by the Supplemental Indenture. The Registrar need not register the transfer of or exchange of any Notes or portions thereof selected for redemption.

9. *PERSONS DEEMED OWNERS.* The registered holder of a Note shall be treated as the owner of it for all purposes.

10. *UNCLAIMED MONEY.* If money for the payment of principal or interest remains unclaimed for two years, the Trustee and the Paying Agent will pay the money back to the Issuer. After that, Holders entitled to money must look to the Issuer for payment as general creditors unless an “abandoned property” law designates another person.

11. *LEGAL DEFEASANCE AND COVENANT DEFEASANCE.* If the Issuer at any time deposits with the Trustee U.S. legal tender or U.S. Government Obligations sufficient to pay the principal of and interest on the Notes to redemption or maturity and complies with the other provisions of the Supplemental Indenture relating to defeasance, the Issuer will be discharged from certain provisions of the Supplemental Indenture and the Notes (including certain covenants, but excluding its obligation to pay the principal of and interest on the Notes).

12. *AMENDMENTS, SUPPLEMENTS, AND WAIVERS.* Subject to certain exceptions, the Supplemental Indenture or the Notes may be amended or supplemented with the written consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding, and any existing Default or Event of Default or noncompliance with any provision may be waived with the written consent of the Holders of a majority in aggregate principal amount of the

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Notes then outstanding. Without notice to or consent of any Holder, the parties thereto may amend or supplement the Supplemental Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency, provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Issuer's or any Guarantor's obligations to the Holders in the case of a merger, consolidation or sale of all or substantially all of the assets in accordance with Article 5 of the Supplemental Indenture, to release any Guarantor from any of its obligations under its Note Guarantee or the Supplemental Indenture (to the extent permitted by the Supplemental Indenture), to conform the text of the Supplemental Indenture or the Notes to any provision of the "Description of the notes" section of the Prospectus Supplement to the extent that such provision was intended to be a verbatim recitation of a provision of the Supplemental Indenture or the Notes, to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Supplemental Indenture, to allow any Subsidiary to execute a supplement to the Supplemental Indenture and/or a Note Guarantee, to make any change that does not materially adversely affect the rights of any Holder or, in the case of the Supplemental Indenture, to maintain the qualification of the Supplemental Indenture under the Trust Indenture Act.

13. *RESTRICTIVE COVENANTS.* The Supplemental Indenture imposes certain limitations on the ability of each of the Issuer and its Subsidiaries to, among other things, incur additional Indebtedness, make payments in respect of its Equity Interests, enter into transactions with Affiliates, create dividend or other payment restrictions affecting Restricted Subsidiaries, enter into sale and leaseback transactions, sell assets, create liens, issue capital stock, make certain Investments, merge or consolidate with any other Person, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets. Such limitations are subject to a number of important qualifications and exceptions. The Issuer must annually report to the Trustee on compliance with such limitations.

14. *SUCCESSOR ENTITY.* When a successor entity assumes, in accordance with the Supplemental Indenture, all the obligations of its predecessor under the Notes and the Supplemental Indenture, and immediately before and thereafter no Default or Event of Default exists and certain other conditions are satisfied, the predecessor entity will be released from those obligations.

15. *DEFAULTS AND REMEDIES.* Events of Default are set forth in the Supplemental Indenture. If an Event of Default (other than an Event of Default specified in Section 6.01(h) or (i) of the Supplemental Indenture) shall occur and be continuing, the Trustee, by written notice to the Issuer, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer and the Trustee, may declare (an "*acceleration declaration*") all amounts owing under the Notes to be due and payable; provided, however, that after such acceleration but before a judgment or decree based on acceleration, the Holders of a majority in aggregate principal amount of the outstanding Notes may rescind and annul such acceleration and its consequences if all existing Events of Default, other than the nonpayment of principal, premium and interest that has become due solely because of the acceleration, have been cured or waived. No such rescission shall affect any subsequent Default or impair any right consequent thereto. In case an Event of Default specified in Section 6.01(h) or (i) of the Supplemental Indenture occurs with respect to the Issuer and is continuing, such principal amount, together with premium and interest with respect to all of the Notes, shall be due and payable immediately without any declaration or other act on the part of the Trustee or the Holders.

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16. *TRUSTEE DEALINGS WITH THE ISSUER.* The Trustee under the Supplemental Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuer, and may otherwise deal with the Issuer, its Subsidiaries or their respective Affiliates as if it were not the Trustee.

17. *NO RECOURSE AGAINST OTHERS.* As more fully described in the Supplemental Indenture, no director, officer, employee, shareholder or incorporator, as such, of the Issuer shall have any liability for any obligation of the Issuer under the Notes or the Supplemental Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Notes.

18. *AUTHENTICATION.* This Note shall not be valid until the Trustee or Authenticating Agent manually signs the certificate of authentication on this Note.

19. *GOVERNING LAW.* THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

20. *ABBREVIATIONS AND DEFINED TERMS.* Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TENENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

21. *CUSIP NUMBERS.* Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuer has caused CUSIP numbers to be printed on the Notes as a convenience to the Holders. No representation is made as to the accuracy of such numbers as printed on the Notes and reliance may be placed only on the other identification numbers printed hereon.

22. *SUPPLEMENTAL INDENTURE.* Each Holder, by accepting a Note, agrees to be bound by all of the terms and provisions of the Supplemental Indenture, as the same may be amended from time to time.

The Issuer will furnish to any Holder upon written request and without charge a copy of the Supplemental Indenture. Requests may be made to: American Greetings Corporation, One American Road, Cleveland, Ohio 44144, Attention: Catherine M. Kilbane, Esq., fax: (216) 252-6741.

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## FORM OF NOTE GUARANTEE NOTATION

For value received, each Guarantor (which term includes any successor Person under the Supplemental Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in, and subject to the provisions of, the First Supplemental Indenture, dated as of November 30, 2011 (the “*Supplemental Indenture*”), by and between American Greetings Corporation (the “*Issuer*”) and The Bank of Nova Scotia Trust Company of New York, a trust company organized and existing under the laws of the State of New York, as trustee (the “*Trustee*”), that (i) the principal of, premium, if any, and interest, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest, if any, on the Notes, if lawful (subject in all cases to any applicable grace period provided herein), and all other obligations of the Issuer to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. The obligations of the Guarantors to the Holders of Notes and to the Trustee pursuant to the Supplemental Indenture (including the Note Guarantees) are set forth in Article 10 of the Supplemental Indenture, and reference is hereby made to the Supplemental Indenture for the precise terms of the Note Guarantees. Each Holder of a Note, by accepting the same agrees to and shall be bound by such provisions.

Capitalized terms used but not defined herein have the meanings given to them in the Supplemental Indenture.

[NAME OF EACH GUARANTOR]

By: \_\_\_\_\_

Name:

Title:

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## ASSIGNMENT FORM

If you the Holder want to assign this Note, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Note to:

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(Print or type name, address and zip code and social security or tax ID number of assignee)

and irrevocably appoint \_\_\_\_\_, agent to transfer this Note on the books of American Greetings Corporation. The agent may substitute another to act for him.

Date:

Signed: \_\_\_\_\_  
(Sign exactly as your name appears on the other side of this Note)

Medallion Guarantee:

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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[OPTION OF HOLDER TO ELECT PURCHASE]

If you want to elect to have this Note purchased by American Greetings Corporation pursuant to Section 4.12 or Section 4.15 of the Supplemental Indenture, check the appropriate box:

☐ Section 4.12

☐ Section 4.15

If you want to elect to have only part of this Note purchased by American Greetings Corporation pursuant to Section 4.12 or Section 4.15 of the Supplemental Indenture, state the amount you elect to have purchased:

\$

Date:

NOTICE: The signature on this assignment must correspond with the name as it appears upon the face of the within Note in every particular without alteration or enlargement or any change whatsoever and be guaranteed by the endorser's bank or broker.

Medallion Guarantee:

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

## FORM OF SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this “*Supplemental Indenture*”), dated as of [ ], among [ ] (the “*New Guarantor*”), a subsidiary of American Greetings Corporation (or its successor), an Ohio corporation (the “*Issuer*”), the Issuer and The Bank of Nova Scotia Trust Company of New York, as trustee under the First Supplemental Indenture referred to below (the “*Trustee*”).

## W I T N E S S E T H :

WHEREAS the Issuer has heretofore executed and delivered to the Trustee the First Supplemental Indenture (as such may be amended from time to time, the “*First Supplemental Indenture*”), dated as of November 30, 2011, to the Base Indenture, dated as of November 30, 2011, providing for the issuance of its 7.375% Senior Notes due 2021 (the “*Notes*”);

WHEREAS under certain circumstances the Issuer is required to cause the New Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantor shall unconditionally guarantee all of the Issuer’s obligations under the Notes pursuant to a Note Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 8.01 of the First Supplemental Indenture, the Trustee and the Issuer are authorized to execute and deliver this Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Issuer and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

1. **Definitions.**

(a) Capitalized terms used herein without definition shall have the meanings assigned to them in the First Supplemental Indenture.

(b) For all purposes of this Supplemental Indenture, except as otherwise herein expressly provided or unless the context otherwise requires: (i) the terms and expressions used herein shall have the same meanings as corresponding terms and expressions used in the First Supplemental Indenture; and (ii) the words “herein,” “hereof” and “hereby” and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not to any particular section hereof.

2. **Agreement to Guarantee.** The New Guarantor hereby agrees, jointly and severally with all other Guarantors, to guarantee the Issuer’s obligations under the Notes on the terms and subject to the conditions set forth in Article 10 of the First Supplemental Indenture and to be bound by all other applicable provisions of the First Supplemental Indenture. From and after the date hereof, the New Guarantor shall be a Guarantor for all purposes under the First Supplemental Indenture and the Notes.

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3. **Ratification of First Supplemental Indenture; Supplemental Indentures Part of First Supplemental Indenture**. Except as expressly amended hereby, the First Supplemental Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the First Supplemental Indenture for all purposes, and every Holder heretofore or hereafter authenticated and delivered shall be bound hereby.

4. **Governing Law**. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

5. **Trustee Makes No Representation**. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which are made solely by the Issuer.

6. **Multiple Counterparts**. The parties may sign multiple counterparts of this Supplemental Indenture. Each signed counterpart shall be deemed an original, but all of them together represent one and the same agreement.

7. **Headings**. The headings of this Supplemental Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.



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**IN WITNESS WHEREOF**, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date and year first above written.

[NEW GUARANTOR]

By: \_\_\_\_\_

Name:

Title:

AMERICAN GREETINGS CORPORATION

By: \_\_\_\_\_

Name:

Title:

THE BANK OF NOVA SCOTIA TRUST  
COMPANY OF NEW YORK, as Trustee

By: \_\_\_\_\_

Name:

Title:

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**FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT**

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is dated as of January 18, 2012 by and among (i) AMERICAN GREETINGS CORPORATION, an Ohio corporation (the "Company"); (ii) THE FOREIGN SUBSIDIARY BORROWERS (as defined in the Credit Agreement, as hereinafter defined) party hereto; (iii) THE LENDERS (as defined in the Credit Agreement) party hereto; and (iv) PNC BANK, NATIONAL ASSOCIATION, as the global agent (the "Global Agent").

## WITNESSETH:

WHEREAS, the Borrower, the Foreign Subsidiary Borrowers, the Lenders and the Global Agent are parties to that certain Amended and Restated Credit Agreement dated as of June 11, 2010 (as further amended, restated, modified or supplemented from time to time, the "Credit Agreement");

WHEREAS, the Borrower, the Foreign Subsidiary Borrowers, the Lenders and the Global Agent wish to amend the Credit Agreement, as hereinafter provided.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. Recitals. The foregoing recitals are incorporated herein by reference.

2. Defined Terms. All terms used in this Amendment and not otherwise defined herein shall have the meaning given to them in the Credit Agreement, as amended hereby.

3. Amendments to Credit Agreement.

(a) Restated Definitions. The following definitions set forth in Section 1.01 [Certain Defined Terms] of the Credit Agreement are hereby amended and restated as follows:

"Applicable Commitment Fee Rate" means:

(i) On the First Amendment Effective Date and thereafter until changed in accordance with the provisions set forth in this definition, the Applicable Commitment Fee Rate shall be 25.00 basis points;

(ii) Commencing with the fiscal quarter of the Company ended on February 28, 2012, and continuing with each fiscal quarter thereafter, the Global Agent shall determine the Applicable Commitment Fee Rate in accordance with the following matrix, based on the Leverage Ratio:

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<u>Leverage Ratio</u>	<u>Applicable Commitment Fee Rate</u>
Greater than or equal to 2.50 to 1.00	40.00 bps
Greater than or equal to 2.00 to 1.00, but less than 2.50 to 1.00	35.00 bps
Greater than or equal to 1.50 to 1.00, but less than 2.00 to 1.00	30.00 bps
Greater than or equal to 0.50 to 1.00, but less than 1.50 to 1.00	27.50 bps
Less than 0.50 to 1.00	25.00 bps

(iii) Changes in the Applicable Commitment Fee Rate based upon changes in the Leverage Ratio shall become effective on the third Business Day following the receipt by the Global Agent pursuant to Section 6.01(a) or Section 6.01(b), as the case may be, of the financial statements of the Company for the Testing Period most recently ended, and a Compliance Certificate required pursuant to Section 6.01(c), demonstrating the computation of the Leverage Ratio. Notwithstanding the foregoing, during any period when (A) the Company has failed to deliver timely its consolidated financial statements referred to in Section 6.01(a) or Section 6.01(b), accompanied by a Compliance Certificate required pursuant to Section 6.01(c) or (B) an Event of Default has occurred and is continuing, the Applicable Commitment Fee Rate shall be the highest number of basis points indicated therefor in the above matrix, regardless of the Leverage Ratio at such time; *provided* that upon delivery of such financial statements and/or cure or waiver of such Event of Default in accordance with Section 11.11, the Applicable Commitment Fee Rate shall be the number of basis points indicated therefor in the above matrix based on the Leverage Ratio at such time. The above matrix does not modify or waive, in any respect, the rights of the Global Agent and the Lenders to charge any default rate of interest or any of the other rights and remedies of the Global Agent and the Lenders hereunder.

“Applicable Margin” means

(i) On the First Amendment Effective Date and thereafter until changed in accordance with the following provisions, the Applicable Margin shall be (A) 25.00 basis points for Revolving Loans that are Base Rate Loans, and (B) 125.00 basis points for Revolving Loans that are Fixed Rate Loans;

(ii) Commencing with the fiscal quarter of the Company ended on February 28, 2012, and continuing with each fiscal quarter thereafter, the Global

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Agent shall determine the Applicable Margin in accordance with the following matrix, based on the Leverage Ratio:

<u>Leverage Ratio</u>	<u>Applicable Margin for Revolving Loans that are Base Rate Loans</u>	<u>Applicable Margin for Revolving Loans that are Fixed Rate Loans</u>
Greater than or equal to 2.50 to 1.00	125.00 bps	225.00 bps
Greater than or equal to 2.00 to 1.00, but less than 2.50 to 1.00	100.00 bps	200.00 bps
Greater than or equal to 1.50 to 1.00, but less than 2.00 to 1.00	75.00 bps	175.00 bps
Greater than or equal to 0.50 to 1.00, but less than 1.50 to 1.00	50.00 bps	150.00 bps
Less than 0.50 to 1.00	25.00 bps	125.00 bps

(iii) Changes in the Applicable Margin based upon changes in the Leverage Ratio shall become effective on the third Business Day following the receipt by the Global Agent pursuant to Section 6.01(a) or Section 6.01(b) of the financial statements of the Company for the Testing Period most recently ended, and a Compliance Certificate in accordance with Section 6.01(c), demonstrating the computation of the Leverage Ratio. Notwithstanding the foregoing provisions, during any period when (A) the Company has failed to deliver timely its consolidated financial statements referred to in Section 6.01(a) or Section 6.01(b), accompanied by a Compliance Certificate in accordance with Section 6.01(c), or (B) an Event of Default has occurred and is continuing, the Applicable Margin shall be the highest number of basis points indicated therefor in the above matrix, regardless of the Leverage Ratio at such time; *provided* that upon delivery of such financial statements and/or cure or waiver of such Event of Default in accordance with Section 11.11, the Applicable Margin shall be the number of basis points indicated therefor in the above matrix based on the Leverage Ratio at such time. The above matrix does not modify or waive, in any respect, the rights of the Global Agent and the Lenders to charge any default rate of interest or any of the other rights and remedies of the Global Agent and the Lenders hereunder.

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“Asset Sale” means the sale, lease, transfer or other disposition (including by means of Sale and Lease-Back Transactions, and by means of mergers, consolidations, and liquidations of a corporation, partnership or limited liability company of the interests therein of the Company or any Subsidiary) by the Company or any Subsidiary to any Person of any of the Company’ s or such Subsidiary’ s respective assets in excess of \$10,000,000 in the aggregate in any fiscal year or in excess of \$50,000,000 in the aggregate from the Closing Date to the Revolving Credit Termination Date, *provided* that the term Asset Sale specifically excludes (i) any sales, transfers, abandonments or other dispositions of inventory, or obsolete or excess furniture, fixtures, equipment or other property, real or personal, tangible or intangible, in each case in the ordinary course of business, (ii) the actual or constructive total loss of any property or the use thereof resulting from destruction, damage beyond repair, or the rendition of such property permanently unfit for normal use from any casualty or similar occurrence whatsoever, and (iii) any license or sublicense of any intellectual property and related rights granted in the ordinary course of business.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any Law, (b) any change in any Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any written request, rule, guideline or directive (whether or not having the force of Law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines, interpretations or directives thereunder or issued in connection therewith (whether or not having the force of Law) and (y) all requests, rules, regulations, guidelines, interpretations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities (whether or not having the force of Law), in each case pursuant to Basel III, shall in each case be deemed to be a Change in Law regardless of the date enacted, adopted, issued, promulgated or implemented.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, global tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or global powers or functions of or pertaining to government, including any supranational bodies such as the European Union or the European Central Bank and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

“Indebtedness” of any Person means without duplication (i) all indebtedness of such Person for borrowed money; (ii) all bonds, notes, debentures

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and similar debt securities of such Person; (iii) the deferred purchase price of capital assets or services that in accordance with GAAP would be shown on the liability side of the balance sheet of such Person; (iv) the face amount of all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder; (v) the principal component of all obligations of such Person in respect of bankers' acceptances; (vi) all Indebtedness of a second Person secured by any Lien on any property owned by such first Person, whether or not such indebtedness has been assumed; (vii) all Capitalized Lease Obligations of such Person; (viii) the present value, determined on the basis of the implicit interest rate, of all basic rental obligations under all Synthetic Leases of such Person; (ix) all obligations of such Person with respect to asset securitization financing, including, but not limited to, in the case of the Company or any of its Subsidiaries, all obligations of the Company or any of its Subsidiaries under the Permitted Receivables Facility; (x) all obligations of such Person to pay a specified purchase price for goods or services whether or not delivered or accepted, i.e., take-or-pay and similar obligations in excess of the aggregate for all such obligations of \$10,000,000; (xi) all net obligations of such Person under Hedge Agreements; (xii) the full outstanding balance of trade receivables, notes or other instruments sold with full recourse (and the portion thereof subject to potential recourse, if sold with limited recourse), other than in any such case any thereof sold solely for purposes of collection of delinquent accounts; and (xiii) all Guaranty Obligations of such Person; *provided, however* that (x) no trade payables, deferred revenue, taxes nor other similar accrued expenses, in each case arising in the ordinary course of business, obligations in respect of insurance policies or performance or surety bonds that themselves are not guarantees of Indebtedness (nor drafts, acceptances or similar instruments evidencing the same nor obligations in respect of letters of credit supporting the payment of the same) or obligations to pay royalty fees or other payments under license agreements, shall constitute Indebtedness; (y) the Indebtedness of any Person shall in any event include (without duplication) the Indebtedness of any other entity (including any general partnership in which such Person is a general partner) to the extent such Person is liable thereon as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide expressly that such Person is not liable thereon; and (z) no service payments in lieu of taxes, minimum service payments or other similar payments to any Governmental Authority in connection with any tax increment financing relating to the World Headquarters Initiative shall constitute Indebtedness.

“Maximum Credit Facility Amount” means the Dollar Equivalent of \$400,000,000, as such amount may be reduced pursuant to Section 2.15 or increased pursuant to Section 2.02(c).

“Permitted Note Purchase” means the purchase by the Company of any notes or other securities issued by the Company pursuant to the Senior Indenture (1998) or the Senior Indentures.

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“Restricted Payment” means (i) any Capital Distribution; (ii) any amount paid by the Company or any of its Subsidiaries in repayment, redemption, retirement, repurchase or purchase, direct or indirect, of any Subordinated Indebtedness; (iii) any amount paid by the Company or any of its Subsidiaries in repayment, redemption, retirement, repurchase or purchase, direct or indirect, of any Indebtedness incurred pursuant to the notes or securities issued in connection with any Senior Indenture; or (iv) the exercise by the Company or any of its Subsidiaries of any right of defeasance or covenant defeasance or similar right with respect to (A) any Subordinated Indebtedness, or (B) the Indebtedness incurred pursuant to the notes or securities issued in connection with the Senior Indenture (1998) or any Senior Indenture.

“Revolving Facility Termination Date” means the earlier of (i) January 18, 2017, or (ii) the date that the Commitments have been terminated pursuant to Section 8.02.

“Standard Permitted Lien” means any of the following: (i) Liens for taxes, assessments or governmental charges not yet delinquent or Liens for taxes, assessments or governmental charges being contested in good faith and by appropriate proceedings for which adequate reserves in accordance with GAAP have been established; (ii) Liens in respect of property or assets imposed by law that were incurred in the ordinary course of business, such as carriers’ , suppliers’ , warehousemen’ s, materialmen’ s and mechanics’ Liens and other similar Liens arising in the ordinary course of business, that do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company or any of its Subsidiaries and do not secure any Indebtedness; (iii) Liens created by this Agreement or the other Loan Documents; (iv) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 8.01(g); (v) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security; and mechanic’ s Liens, carrier’ s Liens, and other Liens to secure the performance of tenders, statutory obligations, contract bids, government contracts, surety, appeal, customs, performance and return-of-money bonds and other similar obligations, incurred in the ordinary course of business (exclusive of obligations in respect of the payment for borrowed money), whether pursuant to statutory requirements, common law or consensual arrangements; (vi) leases or subleases granted in the ordinary course of business to others not interfering in any material respect with the business of the Company or any of its Subsidiaries and any interest or title of a lessor under any lease not in violation of this Agreement; (vii) easements, rights-of-way, zoning or other restrictions, charges, encumbrances, defects in title, prior rights of other persons, and obligations contained in similar instruments, in each case that do not secure Indebtedness and do not involve, and are not likely to involve at any future time, either individually or in the aggregate, (A) a substantial and prolonged interruption or disruption of the business activities of the Company and its Subsidiaries considered as an entirety, or (B) a Material Adverse Effect;

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(viii) Liens arising from the rights of lessors under leases (including financing statements regarding the equipment or other property subject to lease) not in violation of the requirements of this Agreement, *provided* that such Liens are only in respect of the property subject to, and secure only, the respective lease (and any other lease with the same or an affiliated lessor); (ix) rights of consignors of goods or bailors of equipment, whether or not perfected by the filing of a financing statement under the UCC; (x) statutory rights of setoff in favor of depository institutions in funds of the Company and its Subsidiaries held in operating accounts at such institutions, together with Liens that are contractual rights of setoff in such funds relating to the relating to the establishment of depository relations with banks, and not given in connection with the issuance of Indebtedness; (xi) any license or sublicense of any intellectual property and related rights granted in the ordinary course of business and (xii) Liens to secure any service payments in lieu of taxes, minimum service payments or other similar payments to any Governmental Authority in connection with any tax increment financing relating to the World Headquarters Initiative and relating solely to the fixed or capital assets comprising, or acquired or developed in connection with, the World Headquarters Initiative.

“Total Revolving Commitment” means the sum of the Revolving Commitments of the Lenders as the same may be decreased or increased pursuant to the terms of this Agreement. As of the First Amendment Effective Date, the amount of the Total Revolving Commitment is \$400,000,000.

“World Headquarters Initiative” means the possible sale, sale and leaseback transaction, lease, disposition or other similar transaction, after the Closing Date, of the Company’s current world headquarters, together with the possible relocation, after the Closing Date, of all or a portion of the Company’s world headquarters from its location, as of the Closing Date, to another location in the United States of America, including, without limitation, the purchase, construction, financing or similar transaction under which the Company may relocate all or a portion of its world headquarters or under which the Company may acquire, develop, or participate or assist in the development of, property in connection therewith.

(b) New Definitions. The following new definitions are hereby inserted in Section 1.01 [Certain Defined Terms] of the Credit Agreement in alphabetical order:

“Additional Indenture Indebtedness” shall have the meaning given to such term in Section 7.04(c).

“Designated Non-Cash Consideration” means the fair market value of non-cash consideration received by the Company or a Subsidiary in connection with an Asset Sale that is designated as Designed Non-Cash Consideration pursuant to an Officer’s Certificate delivered to the Global Agent, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of or collection on such Designated Non-Cash



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Consideration. “Fair market value” as used in the foregoing definition means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) that would be negotiated in an arm’s-length transaction for cash between a willing seller and a willing and able buyer, neither of which is under any undue pressure or compulsion to complete the transaction, determined in good faith by the management of the Company.

“ERP Initiative” means the possible investments (both capitalized and expensed) made in connection with the Company’s initiatives to update, refresh or otherwise acquire information technology systems during the five to seven years following the First Amendment Effective Date, including, without limitation, by means of (i) making “enterprise resource planning” investments, (ii) modernizing information technology systems, (iii) redesigning and deploying new information technology processes and (iv) implementing new organizational structures.

“Existing Indenture Indebtedness” shall have the meaning given such term in Section 7.04(c).

“First Amendment” means the First Amendment to Amended and Restated Credit Agreement, dated as of January 18, 2012.

“First Amendment Effective Date” means the date upon which the First Amendment became effective pursuant to its terms.

“Specified Indebtedness” means Indebtedness, including Capitalized Lease Obligations, mortgage financings, and revenue bonds, tax increment bonds or notes and similar bond financings of the Borrower or any of its Subsidiaries, incurred for the purpose of or otherwise related to the financing, directly or indirectly, of all or any part of the purchase price of property, plant or equipment used in the business of the Borrower or any of its Subsidiaries or the cost of installation, construction or improvement thereof; provided, however, that (1) the amount of such Indebtedness shall not exceed such purchase price or cost (including costs incurred in connection with such financings) and (2) such Indebtedness shall be incurred within ninety (90) days of such acquisition of such asset by the Borrower or such Subsidiary or such installation, construction or improvement, except in the case of transactions relating to the World Headquarters Initiative in which case such ninety (90) day limitation shall not apply.

“Senior Indenture (2011)” means the indenture, dated as of November 30, 2011 (the “Base Indenture”), by and between the Company and The Bank of Nova Scotia Trust Company of New York, as trustee (the “Trustee”), as amended and supplemented by a supplemental indenture, dated as of November 30, 2011, by and between the Company and the Trustee, pursuant to which \$225,000,000 in principal amount of 7.375% senior notes due 2021 are issued and outstanding on the First Amendment Effective Date, as the same may, in accordance with the

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terms hereof, from time to time be amended, supplemented, restated or otherwise modified or replaced.

“Senior Indentures” shall mean any indenture from time to time governing Senior Indenture Indebtedness.

“Senior Indenture Indebtedness” shall have the meaning given such term in Section 7.04(c).

(c) Deleted Definitions. The definition of “Indentures” set forth in Section 1.1 of the Credit Agreement is hereby deleted in its entirety.

(d) Section 2.02(c)(i). Clause (i) of Section 2.02(c) [Increase in Revolving Commitments] of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(c) Increase in Revolving Commitments.

(i) Increasing Lenders and New Lenders. The Company may, at any time prior to the 180th day before the then scheduled Revolving Facility Termination Date, request that (1) the current Lenders increase their Revolving Commitments (any current Lender which elects to increase its Revolving Commitment shall be referred to as an “Increasing Lender”) or (2) one or more new lenders (each a “New Lender”) join this Agreement and provide a Revolving Commitment hereunder, subject to the following terms and conditions:

(A) No Obligation to Increase. No current Lender shall be obligated to increase its Revolving Commitment and any increase in the Revolving Commitment by any current Lender shall be in the sole discretion of such current Lender.

(B) Defaults. There shall exist no Events of Default or Defaults on the effective date of such increase after giving effect to such increase.

(C) Aggregate Revolving Commitments. After giving effect to such increase, the total Revolving Commitments shall not exceed \$450,000,000.

(D) Resolutions. The Company shall deliver to the Global Agent a Secretary’s Certificate in form acceptable to the Global Agent attaching resolutions of the Company’s Board of Directors authorizing the increase in the Revolving Commitments.

(E) Minimum Revolving Commitments. After giving effect to such increase, the amount of the Revolving Commitments provided by each of the New Lenders and each of the Increasing Lenders shall be at least \$5,000,000.

(F) Notes. The Company shall execute and deliver (1) to each Increasing Lender that shall so request, a replacement Revolving Facility Note

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reflecting the new amount of such Increasing Lender's Revolving Commitment after giving effect to the increase (and the prior Revolving Facility Note issued to such Increasing Lender shall be deemed to be terminated) and (2) to each New Lender a Revolving Facility Note reflecting the amount of such New Lender's Revolving Commitment.

(G) Approval of New Lenders. Any New Lender shall be subject to the approval of the Global Agent pursuant to Section 11.5.

(H) Increasing Lenders. Each Increasing Lender shall confirm its agreement to increase its Revolving Commitment pursuant to an acknowledgement in a form acceptable to the Global Agent, signed by it and the Company and delivered to the Global Agent at least five (5) days before the effective date of such increase.

(I) New Lenders-Joinder. Each New Lender shall execute a lender joinder in substantially the form of Exhibit A-5 pursuant to which such New Lender shall join and become a party to this Agreement and the other Loan Documents with a Revolving Commitment in the amount set forth in such lender joinder.

(e) Section 2.19(b). Section 2.19(b) [Eligibility of Foreign Subsidiaries] of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(b) Eligibility of Foreign Subsidiaries. At the request of the Company, a Foreign Subsidiary of the Company may become a Foreign Subsidiary Borrower hereunder, *provided* that (i) only a Foreign Subsidiary that is organized under the laws of Canada or any Province thereof may become a Canadian Borrower and no Foreign Subsidiary organized under the laws of Canada or any Province thereof may become a Foreign Revolving Facility Borrower; (ii) prior to becoming a Foreign Subsidiary Borrower, the Company has provided to the Global Agent a written request signed by the Company and such Foreign Subsidiary, that such Foreign Subsidiary be designated as a Foreign Subsidiary Borrower pursuant to the terms of this Agreement, which request the Global Agent shall promptly forward to each Lender; (iii) such Foreign Subsidiary shall be a wholly-owned Subsidiary of the Company; (iv) the Company and such Foreign Subsidiary shall have satisfied the conditions precedent set forth in Section 4.02; (v) the addition of such Foreign Subsidiary as a Foreign Subsidiary Borrower hereunder shall not result in withholding tax liability or other adverse tax consequences or adverse legal impact to the Global Agent, any LC Issuer or any Lender hereunder, including without limitation, notice by any Lender to the Global Agent, within fifteen (15) days of such Lender's receipt from the Global Agent of the Company's request under clause (ii) above, that such prospective Foreign Subsidiary Borrower is organized under the laws of a jurisdiction in which such Lender is prohibited or restricted from making Revolving Credit Loans, as determined by such Lender; and (vi) at the time of the request by the Company that such Foreign Subsidiary be added as Foreign Subsidiary Borrower and after giving effect to the

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addition of such Foreign Subsidiary as a Foreign Subsidiary Borrower, no Default or Event of Default shall exist or begin to exist.

(f) Section 5.20. Section 5.20 [Certain Indentures] of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

No Event of Default (as defined in any Senior Indenture) or event or condition that, with the passage of time or giving of notice or both, would constitute an Event of Default (as defined in any Senior Indenture), exists under any series of Senior Indenture Indebtedness that, individually or in the aggregate, constitutes Material Indebtedness, nor will any such Event of Default or event or condition that, with the passage of time or giving of notice or both, would constitute such an Event of Default, exist under any series of Senior Indenture Indebtedness, individually or in the aggregate, constituting Material Indebtedness immediately after the occurrence of any Credit Event.

(g) Section 6.12. Section 6.12 [Senior Debt] of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

The Company will at all times ensure that the claims of the Lenders in respect of the Obligations of the Borrowers will not be subordinate to, and will in all respects rank at least *pari passu* with the claims of, every unsecured creditor of the Borrowers and the claims of the creditors under the Senior Indenture (1998) and any Senior Indenture.

(h) Section 7.02. Section 7.02 [Consolidation, Merger, Acquisitions, Asset Sales, etc.] of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

The Company will not, and will not permit any of its Subsidiaries to, (i) wind up, liquidate or dissolve their affairs, (ii) enter into any transaction of merger or consolidation, (iii) make or otherwise effect any Acquisition, (iv) make or otherwise effect any Asset Sale, or (v) agree to do any of the foregoing at any future time, *except* that, if no Default or Event of Default shall have occurred and be continuing or would result therefrom each of the following shall be permitted:

(a) the merger, consolidation or amalgamation of (i) any Subsidiary of the Company (other than the Receivables Subsidiary) with or into the Company, *provided* the Company is the surviving or continuing or resulting corporation; (ii) any Subsidiary of the Company (other than the Receivables Subsidiary) with or into any Subsidiary Guarantor, *provided* that the surviving or continuing or resulting corporation is a Subsidiary Guarantor; (iii) any Foreign Subsidiary of the Company with or into any Foreign Credit Party, *provided* that such Foreign Credit Party is the surviving continuing or resulting corporation; (iv) any Foreign Subsidiary of the Company (other than a Foreign Credit Party) with or into any other Foreign Subsidiary of the Company (other than a Foreign Credit Party), or (v) any Domestic Subsidiary of the Company that is not a Subsidiary Guarantor

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with or into any other Domestic Subsidiary of the Company that is not a Subsidiary Guarantor so long as no merger, consolidation or amalgamation permitted pursuant to the foregoing Section 7.02(a) is made in order to avoid the application of Section 6.09 or Section 6.10;

(b) any Asset Sale by (i) the Company to any other Domestic Credit Party, or by any Foreign Credit Party to any other Foreign Credit Party, (ii) any Subsidiary of the Company (other than the Receivables Subsidiary) to any Domestic Credit Party; (iii) any Foreign Subsidiary of the Company (other than a Foreign Credit Party) to any other Foreign Subsidiary or any Domestic Subsidiary that is not a Subsidiary Guarantor; (iv) any Domestic Subsidiary that is not a Subsidiary Guarantor to any Foreign Subsidiary or to any other Domestic Subsidiary that is not a Subsidiary Guarantor; or (v) the Company or any Subsidiary of the Company to the Company or any Subsidiary of the Company so long as the fair market value of all such asset sales made pursuant to this clause (v) does not exceed \$10,000,000 during any fiscal year; so long as no Asset Sale permitted pursuant to the foregoing 7.02(b) is made in order to avoid the application of Section 6.09 or Section 6.10;

(c) the Company or any Subsidiary (other than the Receivables Subsidiary) may make any Acquisition that is a Permitted Acquisition, *provided* that all of the conditions contained in the definition of the term Permitted Acquisition are satisfied;

(d) AGSC, the Company or any of its Subsidiaries may sell Receivables Related Assets (including by capital contribution) in connection with the Permitted Receivables Facility;

(e) the Company or any of its Subsidiaries may (i) make a Permitted Asset Disposition or (ii) wind up, liquidate or dissolve any Subsidiary that is not a Credit Party or, if such Subsidiary is a Credit Party, would not (but for already being a Credit Party) at the time of any such winding-up, liquidation or dissolution, be required to become a Credit Party pursuant to Section 6.09;

(f) in addition to any Asset Sale permitted above, the Company or any of its Subsidiaries may consummate any Asset Sale, *provided* that (i) the consideration for each such Asset Sale represents fair value and at least 75% of such consideration consists of cash or Designated Non-Cash Consideration, except that (a) any portion of such consideration consisting of the assumption of liabilities, direct or contingent, of the Company or any of its Subsidiaries by the transferee shall be excluded from such calculation and (b) for the purposes of the foregoing 75% test, all such Designated Non-Cash Consideration received pursuant to this Section 7.02(f) shall not exceed \$20,000,000 in the aggregate from the First Amendment Effective Date to the Revolving Facility Termination Date; (ii) in the case of any Asset Sale involving consideration in excess of \$10,000,000, at least five Business Days prior to the date of completion of such Asset Sale, the Company shall have delivered to the Global Agent an officer's

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certificate executed on behalf of the Company by an Authorized Officer, which certificate shall contain (A) a description of the proposed transaction, the date such transaction is scheduled to be consummated, the estimated sale price or other consideration for such transaction, and (B) a certification that no Default or Event of Default has occurred and is continuing, or would result from consummation of such transaction; and (iii) the aggregate amount of all Asset Sales made pursuant to this Section 7.02(f) during any fiscal year of the Company shall not exceed \$150,000,000;

(g) the Receivables Subsidiary may sell or transfer Account Receivables to any Person (other than the Company or any of the Company's Subsidiaries or Affiliates) in connection with any receivables put option, credit default swap, credit insurance arrangement or other transaction pursuant to which the Receivables Subsidiary hedges credit risk related to account debtors under certain Account Receivables, provided that (i) no obligation of the Receivables Subsidiary in connection with such transaction shall be guaranteed by the Company or any Subsidiary of the Company, and (ii) there shall be no recourse to or obligation of the Company or any Subsidiary of the Company (other than the Receivables Subsidiary) whatsoever in connection with such transaction other than pursuant to customary representations, warranties, covenants and indemnities entered into in connection with such put option, credit default swap, credit insurance arrangement or other transaction;

(h) (i) Asset Sales in connection with the World Headquarters Initiative in an aggregate amount not to exceed \$200,000,000 or (ii) the acquisition by the Company or any of its Subsidiaries of any Person in connection with the World Headquarters Initiative or the financing thereof, as permitted under this Agreement;

(i) Asset Sales with respect to inventory, supplies, materials and equipment in connection with the restructuring and expansion of the Company's Chinese operations in an aggregate amount not to exceed \$5,000,000;

(j) to the extent the following would otherwise be prohibited by this Section 7.02, Investments permitted by Section 7.05, Liens permitted by Section 7.03, and dividends, distributions and Share Repurchases permitted by Section 7.06; and

(k) the sale of defaulted receivables in the ordinary course of business and not as part of an accounts receivable financing transaction.

(i) Section 7.03. Section 7.03 [Liens] of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

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Section 7.03 Liens.

The Company will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind (real or personal, tangible or intangible) of the Company or any such Subsidiary whether now owned or hereafter acquired, *except* that the foregoing shall not apply to:

- (a) any Standard Permitted Lien;
- (b) Liens in existence on the Closing Date that are listed in Schedule 7.03, provided that such Liens shall only secure such obligations that they secure on the Closing Date and extensions, renewals and refinancings of such obligations permitted by Section 7.04(b);
- (c) Liens (i) that are placed upon fixed or capital assets, acquired, constructed or improved by the Company or any Subsidiary, *provided* that (A) such Liens secure Indebtedness permitted by Section 7.04(f), (B) such Liens and the Indebtedness secured thereby are incurred prior to or within 120 days after such acquisition or the completion of such construction or improvement, (C) the Indebtedness secured thereby does not exceed 90% of the cost of acquiring, constructing or improving such fixed or capital assets; and (D) such Liens shall not apply to any other property or assets of the Company or any Subsidiary; or (ii) arising out of the refinancing, replacement, extension, renewal or refunding of any Indebtedness secured by any such Liens, *provided* that the principal amount of such Indebtedness is not increased and such Indebtedness is not secured by any additional assets;
- (d) Liens on Receivables Related Assets arising in connection with the sale of such Receivables Related Assets in connection with the Permitted Receivables Facility;
- (e) any Lien (i) granted to the Global Agent or the Collateral Agent securing any of the Obligations or any other Indebtedness of the Credit Parties under the Loan Documents, any Indebtedness under any Designated Hedge Agreement, or (ii) granted to the Collateral Agent to secure the Obligations (as defined in the Security Agreement);
- (f) Liens on consigned Scan-Based Inventory (as defined in the Security Agreement), but only to the extent a Grantor Customer (as defined in the Security Agreement) has a Lien, or has a creditor that has a Lien, on the inventory of such Grantor Customer;
- (g) Liens on assets securing Indebtedness permitted under Section 7.04(m), provided that any such Lien shall only secure the obligations that it secures on the date of the applicable Permitted Acquisition and does not extend to any property of any Subsidiary of the Company;

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(h) Liens in favor of a Person (other than the Company or any of the Company's Subsidiaries or Affiliates) on intellectual property and other tangible or intangible video digital or entertainment assets of the Company or any of its Subsidiaries produced, manufactured, developed, marketed or otherwise distributed by such Person, *provided* that (i) such Liens do not secure Indebtedness, (ii) in any twelve month period, the Company or any of the Company's Subsidiaries may grant such Liens, provided that the aggregate book value of the assets subject to such Liens granted in such twelve month period shall not exceed \$20,000,000, and (iii) the benefit of such Liens may also run in favor of such Person's lender or lenders for the limited purpose of allowing such lender or lenders to complete and liquidate products of such Person bearing or utilizing such property or assets, and *provided further*, that in connection with any such Lien, the Collateral Agent may enter into agreements on behalf of the Collateral Agent and the Secured Creditors (which agreements shall be in form and substance satisfactory to the Collateral Agent) regarding the relative priority of such Lien and the Liens created under the Loan Documents and/or the subordination or impairment of any rights and remedies of the Collateral Agent and the Secured Creditors in respect of the assets subject to such Lien (including without limitation, subordinating the Liens in favor of the Global Agent for the benefit of the Secured Creditors with respect to such assets in favor of such Person); or

(i) Liens on fixed or capital assets consisting of Asset Sales permitted under Section 7.02(h)(i) or securing Specified Indebtedness permitted under Section 7.04(o) to be incurred in connection with the World Headquarters Initiative or the ERP Initiative, *provided* that such Liens only extend to the fixed or capital assets being financed.

(j) Section 7.04. Section 7.04 [Indebtedness] of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

Section 7.04 Indebtedness.

The Company will not, and will not permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness of the Company or any of its Subsidiaries, *except*:

- (a) the Indebtedness incurred under this Agreement and the other Loan Documents;
- (b) the Indebtedness set forth on Schedule 7.04, and any refinancing, replacement, extension, renewal or refunding of any such Indebtedness not involving an increase in the principal amount thereof;
- (c) the unsecured Indebtedness evidenced by the notes issued pursuant to the Senior Indenture (2011) (the "Existing Indenture Indebtedness") and any other unsecured Indebtedness of the Company in connection with any notes



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issued under any other indenture on customary terms and conditions (the “Additional Indenture Indebtedness” and, together with the Existing Indenture Indebtedness, collectively, the “Senior Indenture Indebtedness”); *provided* that the principal amount of the Senior Indenture Indebtedness under this Section 7.04(c) shall not at any time exceed, in the aggregate, \$275,000,000, and *provided, further* that any Additional Indenture Indebtedness, and any refinancing, replacement, extension, renewal or refunding of any Senior Indenture Indebtedness shall have (i) a final maturity date that is no earlier than the earlier of (A) the final maturity date of such Indebtedness prior to such refinancing, extension, renewal or refunding (to the extent applicable), and (B) the date that is 181 days after the Revolving Facility Termination Date in effect at the time of such refinancing, replacement, extension, renewal or refunding (it being understood that any provision requiring an offer to purchase such Indebtedness as a result of a change of control or asset sale shall not violate the foregoing restriction), and (ii) the covenants, events of default, subsidiary guarantees and other terms of which (other than interest rate and redemption premiums), taken as a whole, are on market terms for similar issuers at the time of issuance and are no more restrictive than the terms of this Agreement as reasonably determined by the Global Agent;

(d) [reserved];

(e) the Indebtedness of the Company in connection with the notes or securities issued pursuant to the Senior Indenture (1998), so long as the aggregate principal amount of such Indebtedness shall not at any time exceed \$181,000;

(f) (i) the Indebtedness consisting of Capital Lease Obligations of the Company and its Subsidiaries, other than Indebtedness as described in Section 7.04(o) hereof, (ii) purchase money Indebtedness secured by a Lien referred to in Section 7.03(c), and (iii) any refinancing, replacement, extension, renewal or refunding of any such Indebtedness not involving an increase in the principal amount thereof, *provided* the aggregate outstanding principal amount (using Capitalized Lease Obligations in lieu of principal amount, in the case of any Capital Lease) of Indebtedness permitted by this subpart (f) shall not exceed \$25,000,000 at any time;

(g) the Indebtedness constituting Permitted Foreign Subsidiary Loans and Investments;

(h) any intercompany loans (i) made by the Company or any Subsidiary of the Company to any Domestic Credit Party; or (ii) made by any Foreign Subsidiary of the Company (other than a Foreign Credit Party) to any other Foreign Subsidiary of the Company;

(i) the Indebtedness of the Company and its Subsidiaries under Hedge Agreements, *provided* (i) such Hedge Agreements have been entered into in the ordinary course of business and not for speculative purposes, (ii) the aggregate

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amount of the net obligations or Indebtedness under all such Hedge Agreements does not exceed \$25,000,000 at any time, and (iii) such Hedge Agreements shall conform to ISDA standards and shall be in all other respects acceptable to the Global Agent;

(j) any Guaranty Obligations permitted by Section 7.05;

(k) (i) the Indebtedness of the Receivables Subsidiary under the Permitted Receivables Facility, so long as the funded amount shall not exceed \$100,000,000 at any time, or (ii) the Indebtedness of the Receivables Subsidiary or AGSC to the Company or any other Subsidiary of the Company in connection with the Permitted Receivables Facility in accordance with the Receivables Facility Documents;

(l) the Indebtedness of the Company to AGSC in connection with the Permitted Receivables Facility in accordance with the Receivables Facility Documents *provided* all of such Indebtedness shall constitute Subordinated Indebtedness;

(m) Indebtedness assumed in connection with a Permitted Acquisition or other acquisition of assets permitted under this Agreement, and any refinancing, replacement, extension, renewal or refunding of any such Indebtedness not involving an increase in the principal amount thereof, so long as (i) such Indebtedness existed at the time of such Permitted Acquisition or the acquisition and was not incurred in contemplation of such Permitted Acquisition or the acquisition, (ii) after giving effect to the incurrence of such Indebtedness, the Company would be in compliance on a *pro forma* basis with the covenants set forth in Section 7.07, and (iii) the aggregate principal amount of all such Indebtedness shall not at any time exceed \$50,000,000;

(n) other Indebtedness of the Company to the extent not permitted by any of the foregoing clauses, *provided* that (i) all such Indebtedness constitutes Subordinated Indebtedness, (ii) no Default or Event of Default shall then exist or immediately after incurring any of such Indebtedness will exist, (iii) (A) with respect to such Indebtedness in a principal amount of \$5,000,000 or more, the documentation with respect to such Indebtedness shall be in form and substance satisfactory to the Global Agent, and (B) with respect to such Indebtedness in a principal amount of less than \$5,000,000, the terms of the subordination applicable thereto shall be in form and substance satisfactory to the Global Agent, and (iv) the Company and its Subsidiaries shall be in compliance with the financial covenants set forth in Section 7.07 both immediately before and after giving *pro forma* effect to the incurrence of such Indebtedness;

(o) unsecured or Specified Indebtedness incurred in connection with (i) the Company's World Headquarters Initiative not to exceed the aggregate principal amount (using Capitalized Lease Obligations in lieu of principal amount, in the case of any Capital Lease) of \$200,000,000 at any time, and (ii) the

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Company' s ERP Initiative not to exceed the aggregate principal amount (using Capitalized Lease Obligations in lieu of principal amount, in the case of any Capital Lease) of \$200,000,000 at any time; and

(p) additional Indebtedness of the Company or any of its Subsidiaries to the extent not permitted by any of the foregoing clauses, *provided* that the aggregate outstanding principal amount of all such Indebtedness does not exceed \$200,000,000 at any time.

(k) Section 7.05. Section 7.05 [Investments and Guaranty Obligations] of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

Section 7.05 Investments and Guaranty Obligations.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, (i) make or commit to make any Investment or (ii) be or become obligated under any Guaranty Obligations, *except*:

- (a) Investments by the Company or any of its Subsidiaries in cash and Cash Equivalents;
- (b) any endorsement of a check or other medium of payment for deposit or collection, or any similar transaction in the normal course of business;
- (c) the Company and its Subsidiaries may acquire and hold receivables and similar items owing to them in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (d) any Permitted Creditor Investment;
- (e) (i) loans and advances to employees for business-related travel expenses, moving expenses, costs of replacement homes, business machines or supplies, automobiles and other similar expenses, in each case incurred in the ordinary course of business or in accordance with the Company' s relocation policy in connection with the World Headquarters Initiative, *provided* the aggregate outstanding amount of all such loans and advances shall not exceed \$5,000,000 at any time, (ii) Investments by the Company in any bonds that may be issued as a portion of the financing of the World Headquarters Initiative as permitted under this Agreement, and (iii) Investments of the Company or any of its Subsidiaries in any Subsidiary formed or acquired in connection with the World Headquarters Initiative or the financing thereof, as permitted under this Agreement;
- (f) to the extent not permitted by any of the other subparts in this Section, Investments existing as of the Closing Date and described on Schedule 7.05;

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(g) any Guaranty Obligations of the Company or any Subsidiary in favor of the Global Agent, each LC Issuer and the Lenders and any other Benefited Creditors under any Designated Hedge Agreements pursuant to the Loan Documents;

(h) the Indebtedness of the Receivables Subsidiary to the Company or AGSC and Indebtedness of AGSC to the Company in connection with the Permitted Receivables Facility in accordance with the Receivables Facility Documents;

(i) Subordinated Indebtedness of the Company to AGSC in connection with the Permitted Receivables Facility in accordance with the Receivables Facility Documents;

(j) Investments of the Company and its Subsidiaries in Hedge Agreements permitted to be entered into pursuant to this Agreement;

(k) Investments (i) of the Company or any of its Subsidiaries in any Subsidiary existing as of the Closing Date, (ii) of the Company in any Domestic Credit Party, (iii) of any Domestic Credit Party in any other Domestic Credit Party (other than the Company), (iv) of any Domestic Subsidiary that is not a Domestic Credit Party in any other Domestic Subsidiary (other than the Company), or (v) constituting Permitted Foreign Subsidiary Loans and Investments;

(l) Investments (i) of any Foreign Subsidiary in any other Subsidiary of the Company existing as of the Closing Date, (ii) of any Foreign Subsidiary (other than a Foreign Credit Party) in any other Subsidiary of the Company (other than the Receivables Subsidiary), or (iii) of any Foreign Credit Party in any Domestic Credit Party (other than the Company);

(m) intercompany loans and advances permitted by Section 7.04(h);

(n) the Acquisitions permitted by Section 7.02;

(o) Investments constituting Restricted Payments permitted by Section 7.06;

(p) any Guaranty Obligation incurred by any Domestic Credit Party with respect to Indebtedness of another Domestic Credit Party which Indebtedness is permitted by Section 7.04;

(q) other Investments by the Company or any Subsidiary of the Company (other than the Receivables Subsidiary) in any other Person made after the Closing Date and not permitted pursuant to the foregoing subparts, *provided* that (i) at the time of making any such Investment no Default or Event of Default shall have occurred and be continuing, or would result therefrom, and (ii) the maximum cumulative amount of all such Investments that are so made pursuant to

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this subpart and outstanding at any time shall not exceed an aggregate of \$150,000,000, taking into account the repayment of any loans or advances comprising such Investments;

(r) the non-cash portion of consideration received in connection with transactions permitted pursuant to Section 7.02(f);

(s) Guaranty Obligations constituting Indebtedness that is permitted under Section 7.04 (other than pursuant to clause (j) thereof); and

(t) Investments in connection with the restructuring or expansion of the Company's Chinese operations consisting of (i) the creation of a new or restructured corporate entity under the laws of China (which may take the form of one or more wholly foreign owned entities (WFOE), (ii) the acquisition or ownership of equity or other interests in any such entities, (iii) contributions to an entity described in clause (i) or (ii) above (whether as debt or equity) in an amount of up to \$5,000,000 in each fiscal year, and (iv) the Asset Sales permitted under Section 7.02(i).

(l) Section 7.09. Section 7.09 [Amendments to Certain Documents] of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

Section 7.09 [Reserved].

(m) Section 7.12. Section 7.12 [Capital Expenditures] of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

Section 7.12 Capital Expenditures.

The Company will not, and will not permit any of its Subsidiaries to, make or incur any Consolidated Capital Expenditures, whether financed or unfinanced, that in the aggregate exceed \$75,000,000 during the fiscal year ending February 28, 2012 and each such fiscal year thereafter; provided, that:

(i) Consolidated Capital Expenditures, whether financed or unfinanced, that are (A) made from the proceeds of Asset Sales permitted under Section 7.02(h) and/or Events of Loss; or (B) in connection with the World Headquarters Initiative in an amount not to exceed \$200,000,000 in the aggregate, shall be excluded from the foregoing calculation of Consolidated Capital Expenditures; and

(ii) Consolidated Capital Expenditures, whether financed or unfinanced, in connection with the ERP Initiative shall be excluded from the foregoing calculation of Consolidated Capital Expenditures so long as such Consolidated Capital Expenditures do not exceed the following amounts (using Capitalized Lease Obligations in lieu of principal amount, in the case of any Capital Lease): (A) \$75,000,000 in any fiscal year after the First Amendment Effective Date; and

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(B) \$200,000,000 in the aggregate from the First Amendment Effective Date through to the Revolving Credit Termination Date.

(n) Schedules to Credit Agreement. Schedule 1 [Lenders, Commitments and Addresses for Notices], and Schedule 4.04(i) [Post-Closing Control Agreements] to the Credit Agreement are hereby amended and restated to read in their entirety as attached to this Amendment as “Schedule 1 [Lenders, Commitments and Addresses for Notices]”, and “Schedule 4.04(i) [Post-Closing Control Agreements]”, respectively.

4. Conditions Precedent. The effectiveness of this Amendment is subject to the receipt by the Global Agent on behalf of the Lenders of the following, in form and substance satisfactory to the Global Agent, and the first date on which the Borrower and the Subsidiary Guarantors (collectively, the “Loan Parties”) have satisfied all of the following conditions to the satisfaction of the Global Agent shall be referred to as the “First Amendment Effective Date”.

(a) Counterparts. The Global Agent shall have received (i) from the Borrowers and each of the Lenders an executed counterpart original of this Amendment, (ii) from the Company executed originals of the amended and restated Revolving Credit Notes or new Revolving Credit Notes, as applicable, all in form and substance satisfactory to the Global Agent, (iii) from the Company and the Subsidiary Guarantors an executed counterpart original of the First Amendment to Amended and Restated Pledge and Security Agreement, in form and substance satisfactory to the Global Agent and the Collateral Agent, and (iv) from the Subsidiary Guarantors an executed original of a acknowledgment and consent to this Amendment in form and substance satisfactory to the Global Agent.

(b) Officer's Certificate. Each of the Borrowers and each Subsidiary Guarantor shall have delivered to the Global Agent, for the benefit of each Lender, a certificate of an Authorized Officer of such Borrower or such Subsidiary Guarantor, as applicable, dated the First Amendment Effective Date certifying to the accuracy of representations and warranties, compliance with covenants and conditions and absence of any Default or Event of Default under the Credit Agreement.

(c) Secretary's Certificate. Each Borrower and each Subsidiary Guarantor shall have delivered to the Global Agent, for the benefit of each Lender, a certificate dated the First Amendment Effective Date and signed by the Secretary or an Assistant Secretary of such Borrower or such Subsidiary Guarantor, as applicable, on behalf of itself and the Subsidiary Guarantors, certifying as appropriate as to:

(i) that each Borrower and each Subsidiary Guarantor have approved this Amendment by all necessary corporate, limited liability company and partnership action, as applicable and attaching such corporate, limited liability and partnership action;

(ii) the names of the officer or officers authorized to sign this Amendment and the other Loan Documents to be delivered in connection with this Amendment, and the true signatures of such officer or officers and specifying the Authorized Officers permitted to act on behalf of each Borrower and each Subsidiary Guarantor for purposes of this

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Amendment and the true signatures of such Authorized Officers, on which the Global Agent and each Lender may conclusively rely; and

(iii) copies of each Borrower's and each Subsidiary Guarantor's organizational documents, including its certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, and limited liability company agreement as in effect on the date of this Amendment, certified by the corporate secretary or other appropriate officer, or alternatively, a certification by such corporate secretary or other appropriate officer that such documents remain unchanged and in full force and effect since the time of the certification provided to the Global Agent and the Lenders on June 11, 2010.

(d) Opinion of Counsel. The Global Agent shall have received such opinions of counsel from counsel to the Borrowers and the Subsidiary Guarantors as the Global Agent shall request, each of which shall be addressed to the Global Agent and each of the Lenders and in form and substance satisfactory to the Global Agent.

(e) No Material Adverse Effect. Since February 28, 2011, no Material Adverse Effect shall have occurred with respect to any of the Borrowers or any of the Subsidiary Guarantors.

(f) Legal Details. All legal details and proceedings in connection with the transactions contemplated by this Amendment shall be in form and substance reasonably satisfactory to the Global Agent.

(g) Payment of Fees. The Borrowers unconditionally agree (i) to pay to the Global Agent, for the ratable benefit of each Lender, a nonrefundable amendment fee in an amount equal to 20.00 basis points multiplied by such Lender's Revolving Commitment as in effect on the First Amendment Effective Date and after giving effect to the increased Revolving Commitments provided for in this Amendment, and (ii) to pay and reimburse the Global Agent and hold the Global Agent harmless against liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements, including, without limitation, reasonable expenses of counsel, incurred by the Global Agent in connection with the development, preparation and execution of this Amendment and all other documents or instruments to be delivered in connection herewith.

5. Representations and Warranties of the Loan Parties. Each Loan Party covenants and agrees with and represents and warrants to the Global Agent and the Lenders as follows:

(a) such Loan Party possesses all of the powers requisite for it to enter into and carry out the transactions of such Loan Party referred to herein and to execute, enter into and perform the terms and conditions of this Amendment and any other documents contemplated herein that are to be performed by such Loan Party; and that any and all actions required or necessary pursuant to such Loan Party's organizational documents or otherwise have been taken to authorize the due execution, delivery and performance by such Loan Party of the terms and conditions of this Amendment and said other documents, and that such execution, delivery and performance will not conflict with, constitute a default under or result in a breach of any applicable Law or any agreement, instrument, order, writ, judgment, injunction or decree to

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which such Loan Party is a party or by which such Loan Party or any of its properties are bound, and that all consents, authorizations and/or approvals required or necessary from any third parties in connection with the entry into, delivery and performance by such Loan Party of the terms and conditions of this Amendment, the said other documents and the transactions contemplated hereby have been obtained by such Loan Party and are in full force and effect;

(b) this Amendment and any other documents contemplated herein constitute the valid and legally binding obligations of such Loan Party, enforceable against such Loan Party in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws and by general equitable principles, whether enforcement is sought by proceedings at law or in equity;

(c) all representations and warranties made by such Loan Party in the Loan Documents are true and correct in all material respects as of the date hereof with the same force and effect as if all such representations and warranties were fully set forth herein and made as of the date hereof except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties shall have been true and correct in all material respects as of the date when made, and such Loan Party has complied with all covenants and undertakings in the Loan Documents;

(d) the execution and delivery of this Amendment is not intended to and shall not cause or result in a novation with regard to the existing indebtedness of any Loan Party to the Global Agent or any Lender, which indebtedness shall continue without interruption and has not been discharged;

(e) (i) after giving effect to this Amendment, no Event of Default has occurred and is continuing under the Loan Documents; and (ii) and there exist no defenses, offsets, counterclaims or other claims with respect to the obligations and liabilities of such Loan Party under the Credit Agreement or any of the other Loan Documents; and

(f) such Loan Party hereby ratifies and confirms in full its duties and obligations under the Loan Documents, as modified hereby.

6. References to Credit Agreement. From and after the First Amendment Effective Date, any references to the Credit Agreement contained in any of the Loan Documents shall be deemed to refer to the Credit Agreement as amended hereby and as further amended, restated, modified or supplemented from time to time.

7. Successors and Assigns. This Amendment shall apply to and be binding upon, and shall inure to the benefit of, each of the other parties hereto and their respective successors and assigns permitted under the Credit Agreement. Nothing expressed or referred to in this Amendment is intended or shall be construed to give any person or entity other than the parties hereto a legal or equitable right, remedy or claim under or with respect to this Amendment or any Loan Documents, it being the intention of the parties hereto that this Amendment and all of its provisions and conditions are for the sole and exclusive benefit of the parties hereto.

8. Severability. If any one or more of the provisions contained in this Amendment or the Loan Documents shall be held invalid, illegal or unenforceable in any respect, the validity,



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legality and enforceability of the remaining provisions contained in this Amendment or the Loan Documents shall not in any way be affected or impaired thereby, and this Amendment shall otherwise remain in full force and effect.

9. Governing Law. This Amendment shall be deemed to be a contract under the Laws of the State of Ohio without regard to its conflict of laws principles.

10. Counterparts; Facsimile or Electronic Signatures. This Amendment may be executed in any number of counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument. Delivery of executed signature pages hereof by facsimile or other electronic method of transmission (such as "pdf") from one party to another shall constitute effective and binding execution and delivery thereof by such party. Any party that delivers its original counterpart signature to this Amendment by facsimile or other electronic method of transmission hereby covenants to personally deliver its original counterpart signature promptly thereafter to the Global Agent.

**[SIGNATURE PAGES FOLLOW]**

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first above written.

**AMERICAN GREETINGS CORPORATION**

By: /s/ Gregory M. Steinberg

Name: Gregory M. Steinberg

Title: Treasurer

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**PNC BANK, NATIONAL ASSOCIATION**, as a  
Lender, a LC Issuer, the Swing Line Lender and the  
Global Agent

By: /s/ Christian S. Brown  
Name: Christian S. Brown  
Title: SVP

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**PNC BANK CANADA BRANCH**, as a Canadian Lender

By: /s/ C.M. Stade

Name: C.M. Stade

Title: SVP

By: /s/ A.W. Hines

Name: A.W. Hines

Title: Principal Officer

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**BANK OF AMERICA, N.A.**, as a Lender and a  
Co-Syndication Agent

By: /s/ Matthew Buzzelli

Name: Matthew Buzzelli

Title: Senior Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**JPMORGAN CHASE BANK, N.A.**, as a Lender,  
as a Canadian Lender and a Co-Syndication Agent

By: /s/ Brendan Korb

Name: Brendan Korb

Title: Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**KEYBANK NATIONAL ASSOCIATION**, as a  
Lender and a Co-Documentation Agent

By: /s/ Marianne T. Meil  
Name: Marianne T. Meil  
Title: Senior Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**THE BANK OF NOVA SCOTIA**, as a Lender, as a  
Canadian Lender and a Co-Documentation Agent

By: /s/ Paula J. Czach

Name: Paula J. Czach

Title: Managing Director, Executive Head



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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**RBS CITIZENS, NATIONAL ASSOCIATION**, as  
a Lender

By: /s/ Joshua Botnick  
Name: Joshua Botnick  
Title: Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**WELLS FARGO BANK, N.A.**, as a Lender

By: /s/ Beth Rue

Name: Beth Rue

Title: Director

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**THE NORTHERN TRUST COMPANY**, as a  
Lender

By: /s/ Jeffrey P. Sullivan

Name: Jeffrey P. Sullivan

Title: Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**UNION BANK, N.A.**, as a Lender

By: /s/ Charles Corbisiero

Name: Charles Corbisiero

Title: SVP

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**U.S. BANK NATIONAL ASSOCIATION**, as a  
Lender

By: /s/ Michael P. Dickman

Name: Michael P. Dickman

Title: Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**FIFTH THIRD BANK**, as a Lender

By: /s/ Sandra Centa

Name: Sandra Centa

Title: Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**THE HUNTINGTON NATIONAL BANK**, as a  
Lender

By: /s/ Brian H. Gallagher

Name: Brian H. Gallagher

Title: Senior Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**BARCLAYS BANK PLC**, as a Lender

By: /s/ Michael Rigdy

Name: Michael Rigdy

Title: Corporate Director



**FIRST AMENDMENT TO AMENDED AND RESTATED PLEDGE AND SECURITY  
AGREEMENT**

THIS FIRST AMENDMENT TO AMENDED AND RESTATED PLEDGE AND SECURITY AGREEMENT (this “Amendment”) is dated as of January 18, 2012 by and among (i) AMERICAN GREETINGS CORPORATION, an Ohio corporation (the “Company”); EACH OF THE DOMESTIC SUBSIDIARIES OF THE COMPANY PARTY HERETO (each such Domestic Subsidiary, together with the Company, collectively, the “Grantors” and, individually, “Grantor”); and (iii) PNC BANK, NATIONAL ASSOCIATION, as collateral agent (the “Collateral Agent”), for the benefit of the Secured Creditors (as hereinafter defined):

WITNESSETH:

WHEREAS, the Grantors and the Collateral Agent are parties to that certain Amended and Restated Pledge and Security Agreement dated as of June 11, 2010 (as heretofor further amended, restated, modified or supplemented from time to time, the “Existing Security Agreement”) entered into in connection with that certain Amended and Restated Credit Agreement dated as of June 11, 2010 (as heretofor further amended, restated, modified or supplemented from time to time, the “Existing Credit Agreement”) among the Company, the Foreign Subsidiary Borrowers (as defined therein), the Lenders (as defined therein) and the Collateral Agent (as defined therein); and

WHEREAS, the parties to the Existing Credit Agreement have amended the Existing Credit Agreement pursuant to that certain First Amendment thereto dated as of even date herewith (the “First Amendment to Credit Agreement”, and together with the Existing Credit Agreement, the “Credit Agreement”); and

WHEREAS, it is a condition precedent to the First Amendment to Credit Agreement that the parties to the Existing Security Agreement enter into this Amendment;

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. Recitals. The foregoing recitals are incorporated herein by reference.

2. Defined Terms. All terms used in this Amendment and not otherwise defined herein shall have the meaning given to them in the Existing Security Agreement, as amended hereby.

3. Amendments to Existing Security Agreement.

(a) Section 5.1. Section 5.1 [Deposit Accounts] of the Existing Security Agreement is hereby amended and restated in its entirety to read as follows:

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## 5.1 Deposit Accounts.

(a) The Grantors shall cause all deposit accounts to be subject at all times (subject to Section 4.04(i) of the Credit Agreement) to a fully effective Deposit Account Control Agreement except (i) any payroll account used exclusively for funding the payroll obligations of the Grantors in the ordinary course of business, (ii) any other deposit account (other than a deposit account listed on Schedule 4.01(iv) of the Credit Agreement) so long as at any date of determination the aggregate average monthly balance for the 12 months ending on such date in any such deposit account is not in excess of \$5,000,000 and the aggregate average monthly balance for the 12 months ending on such date of all deposit accounts that are not subject to Deposit Account Control Agreements is not in excess of \$10,000,000, or (iii) any other deposit account so long as it is maintained by any Grantor with a Depository Bank (y) that is either a Lender or an Affiliate of a Lender, or (z) that has located the account outside of the United States of America, or any of its territories or possessions (any deposit account that is not required to be subject to a Deposit Account Control Agreement pursuant to this Section shall be referred to as an “Excluded Deposit Account”).

(b) Immediately upon the creation or acquisition of any new deposit account (other than any deposit account that would qualify as an Excluded Deposit Account) or any interest therein by any Grantor, such Grantor shall cause to be in full force and effect, prior to the deposit of any funds therein, a Deposit Account Control Agreement duly executed by such Grantor, the Collateral Agent and the applicable Depository Bank.

(b) Section 5.2. Section 5.2 [Securities Accounts] of the Existing Security Agreement is hereby amended and restated in its entirety to read as follows:

## 5.2 Securities Accounts.

(a) The Grantors shall cause all securities accounts to be subject at all times (subject to Section 4.04(i) of the Credit Agreement) to a fully effective Securities Account Control Agreement except (i) so long as at any date of determination the aggregate average monthly balance for the 12 months ending on such date in any such securities account is not in excess of \$5,000,000 and the aggregate average monthly balance for the 12 months ending on such date of all securities accounts that are not subject to Securities Account Control Agreements is not in excess of \$10,000,000, or (ii) any other securities account so long as it is maintained by any Grantor with a Securities Intermediary (y) that is either a Lender or an Affiliate of a Lender, or (z) that has located the account outside of the United States of America, or any of its territories or possessions (any securities account that is not required to be subject to a Securities Account Control Agreement pursuant to this Section shall be referred to as an “Excluded Securities Account”).

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(b) Immediately upon the creation or acquisition of any new Securities Account (other than any securities account that would qualify as an Excluded Securities Account) or any interest therein by any Grantor, such Grantor shall cause to be in full force and effect, prior to the crediting of any Financial Asset with respect to which any Grantor is an Entitlement Holder, a Securities Account Control Agreement duly executed by such Grantor, the Collateral Agent and the applicable Securities Intermediary.

4. Conditions Precedent. The effectiveness of this Amendment is subject to the receipt by the Collateral Agent on behalf of the Secured Creditors of the following, in form and substance satisfactory to the Collateral Agent, and the first date on which the Grantors have satisfied all of the following conditions to the satisfaction of the Collateral Agent shall be referred to as the “Effective Date”.

(a) Counterparts. The Collateral Agent shall have received from the Grantors an executed counterpart original of this Amendment.

(b) Legal Details. All legal details and proceedings in connection with the transactions contemplated by this Amendment shall be in form and substance satisfactory to the Collateral Agent.

(c) Payment of Fees. The Company unconditionally agrees to pay and reimburse the Collateral Agent and hold the Collateral Agent harmless against liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements, including, without limitation, reasonable expenses of counsel, incurred by the Collateral Agent in connection with the development, preparation and execution of this Amendment and all other documents or instruments to be delivered in connection herewith.

5. Representations and Warranties of the Grantors. Each Grantor covenants and agrees with and represents and warrants to the Collateral Agent and the Secured Creditors as follows:

(a) such Grantor possesses all of the powers requisite for it to enter into and carry out the transactions of such Grantor referred to herein and to execute, enter into and perform the terms and conditions of this Amendment and any other documents contemplated herein that are to be performed by such Grantor; and that any and all actions required or necessary pursuant to such Grantor’s organizational documents or otherwise have been taken to authorize the due execution, delivery and performance by such Grantor of the terms and conditions of this Amendment and said other documents, and that such execution, delivery and performance will not conflict with, constitute a default under or result in a breach of any applicable Law or any agreement, instrument, order, writ, judgment, injunction or decree to which such Grantor is a party or by which such Grantor or any of its properties are bound, and that all consents, authorizations and/or approvals required or necessary from any third parties in connection with the entry into, delivery and performance by such Grantor of the terms and conditions of this Amendment, the said other documents and the transactions contemplated hereby have been obtained by such Grantor and are in full force and effect;

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(b) this Amendment and any other documents contemplated herein constitute the valid and legally binding obligations of such Grantor, enforceable against such Grantor in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws and by general equitable principles, whether enforcement is sought by proceedings at law or in equity;

(c) all representations and warranties made by such Grantor in the Loan Documents are true and correct in all material respects as of the date hereof (except for those representations and warranties qualified by reference to a Material Adverse Change or other reference to materiality, which are true and correct), with the same force and effect as if all such representations and warranties were fully set forth herein and made as of the date hereof and such Grantor has complied with all covenants and undertakings in the Loan Documents;

(d) the execution and delivery of this Amendment is not intended to and shall not cause or result in a novation with regard to the existing indebtedness of any Grantor to the Collateral Agent or any Secured Creditor, which indebtedness shall continue without interruption and has not been discharged;

(e) (i) after giving effect to this Amendment, no Event of Default has occurred and is continuing under the Loan Documents; and (ii) and there exist no defenses, offsets, counterclaims or other claims with respect to the obligations and liabilities of such Grantor under the Credit Agreement or any of the other Loan Documents; and

(f) such Grantor hereby ratifies and confirms in full its duties and obligations under the Loan Documents, as modified hereby.

6. References to Security Agreement. From and after the Effective Date, any references to the Security Agreement contained in any of the Loan Documents shall be deemed to refer to the Existing Security Agreement as amended hereby and as further amended, restated, modified or supplemented from time to time.

7. Successors and Assigns. This Amendment shall apply to and be binding upon, and shall inure to the benefit of, each of the other parties hereto and their respective successors and assigns permitted under the Security Agreement. Nothing expressed or referred to in this Amendment is intended or shall be construed to give any person or entity other than the parties hereto a legal or equitable right, remedy or claim under or with respect to this Amendment or any Loan Documents, it being the intention of the parties hereto that this Amendment and all of its provisions and conditions are for the sole and exclusive benefit of the parties hereto.

8. Severability. If any one or more of the provisions contained in this Amendment or the Loan Documents shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Amendment or the Loan Documents shall not in any way be affected or impaired thereby, and this Amendment shall otherwise remain in full force and effect.

9. Governing Law. This Amendment shall be deemed to be a contract under the Laws of the State of Ohio without regard to its conflict of laws principles.

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10. Counterparts; Facsimile or Electronic Signatures. This Amendment may be executed in any number of counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument. Delivery of executed signature pages hereof by facsimile or other electronic method of transmission (such as “pdf”) from one party to another shall constitute effective and binding execution and delivery thereof by such party. Any party that delivers its original counterpart signature to this Amendment by facsimile or other electronic method of transmission hereby covenants to personally deliver its original counterpart signature promptly thereafter to the Collateral Agent.

11. No Novation. The Existing Security Agreement is hereby amended as provided in this Amendment, and this Amendment is not intended to constitute, nor does it constitute, an interruption, suspension of continuity, satisfaction, discharge of prior duties, novation, or termination of the liens, security interests, indebtedness, loans, liabilities, expenses, or obligations under the Credit Agreement or the Existing Security Agreement.

**[SIGNATURE PAGES FOLLOW]**

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED PLEDGE AND SECURITY AGREEMENT]**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

**GRANTORS:**

AMERICAN GREETINGS CORPORATION  
AGC HOLDINGS, LLC  
AGC, LLC  
A.G.C. INVESTMENTS, INC.  
A.G. EUROPE, INC.  
A.G. INDUSTRIES, INC.  
AG INTERACTIVE, INC.  
A.G. (UK), INC.  
AGP KIDS, INC.  
CARLTON CARDS RETAIL, INC.  
CLOUDCO, INC.  
CREATACARD, INC.  
CREATACARD INTERNATIONAL LEASING INC.  
CUSTOM HOLDINGS, INC.  
GIBSON GREETINGS INTERNATIONAL  
LIMITED  
JOHN SANDS (AUSTRALIA) LTD.  
JOHN SANDS (N.Z.) LTD.  
JOHN SANDS HOLDING CORP.  
MEMPHIS PROPERTY CORPORATION  
PAPYRUS-RECYCLED GREETINGS, INC.  
PLUS MARK LLC, formerly known as Plus Mark,  
Inc.  
RPG HOLDINGS, INC.  
THOSE CHARACTERS FROM CLEVELAND,  
INC.

By: /s/ Gregory M. Steinberg

Name: Gregory M. Steinberg

Title: Treasurer of each of the foregoing Grantors

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**[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED PLEDGE AND SECURITY  
AGREEMENT]**

AGCM, INC.  
MIDIRINGTONES, LLC  
CARDSTORE, INC., formerly known as  
PhotoWorks, Inc.

By: /s/ Gregory M. Steinberg

Name: Gregory M. Steinberg

Title: Assistant Treasurer

**COLLATERAL AGENT:**

PNC BANK, NATIONAL ASSOCIATION, as  
Collateral Agent

By: /s/ Christian S. Brown

Name: Christian S. Brown

Title: Senior Vice President

**AMENDMENT NO. 6  
TO THE AMERICAN GREETINGS CORPORATION  
EXECUTIVE DEFERRED COMPENSATION PLAN**

**WHEREAS**, American Greetings Corporation (the “Employer”) currently maintains the American Greetings Corporation Executive Deferred Compensation Plan (as amended from time to time, the “Plan”), which was adopted effective October 26, 1993; and

**WHEREAS**, the Plan has been amended from time to time and most recently by Amendment No. 5 dated December 30, 2009; and

**WHEREAS**, Section 10.1 of the Plan permits the Employer to amend the Plan retroactively or otherwise, in any manner that it deems advisable, by a resolution of the Board of Directors of the Employer (the “Board”) or a committee thereof; and

**WHEREAS**, by resolution adopted on December 8, 2011, the Compensation and Management Development Committee of the Board determined to amend the Plan as contemplated in this Amendment No. 6.

**NOW, THEREFORE**, the Plan is hereby amended as set forth below to reflect the amendments adopted on December 8, 2011. Unless otherwise noted, all provisions of this Amendment No. 6 to the Plan are effective as of January 1, 2012.

1. The Plan is hereby amended to add a new Article XII to read as follows:

**“ARTICLE XII  
PLAN FREEZE**

**Section 12.1 General Provision.** As described in more detail in this Article XII, effective as of January 1, 2012, the Employer amended the Plan to freeze participation and contributions.



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**Section 12.2 No Additional Participants.** Effective December 8, 2011, no new employees or other individuals will be eligible to participate in the Plan or otherwise become Participants as contemplated by Article III of the Plan.

**Section 12.3 Freezing of Future Deferrals.** Except as set forth in this Article XII, effective December 8, 2011, employees who are Participants as of December 8, 2011 shall no longer be permitted to (i) defer Compensation to be earned or paid during calendar 2012 or thereafter under the Plan, or (ii) make new deferral elections under the Plan. Notwithstanding the foregoing, any deferral elections made pursuant to the terms of the Plan, including any Agreement entered in connection therewith, prior to December 8, 2011, will continue to be honored even if such election results in the deferral of Compensation that would otherwise be earned or paid during calendar 2012.

**Section 12.4 Re-Deferrals.** Any amounts previously deferred into the Plan by Participants as of January 1, 2012, will remain deferred in accordance with existing deferral elections, including any related Agreements, and may, if applicable, be re-deferred in accordance with the terms of the Plan, including, without limitation, the Agreement procedures set forth in Article III of the Plan.

**Section 12.5 Matching Contributions.** Effective with the Plan Year commencing January 1, 2012, no Participant shall be entitled to or otherwise credited any Employer Matching Contribution. Nothing in this Amendment No. 6 will affect any discretionary Employer Matching Contribution that may be made with respect to the Plan Year ending December 31, 2011.

**Section 12.6 Restoration Benefit.** Effective with the Plan Year commencing January 1, 2012, no Participant shall be entitled to or otherwise credited any Restoration Benefit with respect to performance for the Employer' s fiscal year ending February 28, 2013. Nothing in this Article XII will affect any Restoration Benefit associated with any discretionary profit sharing contribution that may be made by the Employer under the Employer' s Retirement Profit Sharing and Savings Plan with respect to the Employer' s fiscal year ending February 29, 2012.

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**Section 12.7 Miscellaneous.**

(a) Existing Account Balances. No amendment shall, without the Participant' s or beneficiary' s, as the case may be, consent, affect the amount of the Participant' s Deferred Compensation Benefit or Restoration Benefit at the time the amendment becomes effective or the right of the Participant to receive such benefits.

(b) No Further Amendment. Except as set forth in this Article XII, the Plan shall remain in full force and effect, provided that the balance of the Plan shall be deemed revised, mutatis mutandis, to reflect the terms of this Article XII.”

*[signature on following page]*

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IN WITNESS HEREOF, Employer has caused this Amendment No. 6 to the American Greetings Corporation Executive Deferred Compensation Plan to be executed on this 19th day of January, 2012.

AMERICAN GREETINGS CORPORATION

By: /s/ Brian T. McGrath

Name: Brian T. McGrath

Title: Senior Vice President, Human Resources

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**AMENDMENT NO. 1  
TO THE AMERICAN GREETINGS CORPORATION  
OUTSIDE DIRECTORS' DEFERRED COMPENSATION PLAN**

**WHEREAS**, American Greetings Corporation (the "Company") currently maintains the American Greetings Corporation Outside Directors' Deferred Compensation Plan (the "Plan"), which was adopted effective January 1, 2005; and

**WHEREAS**, Section 8.1 of the Plan permits the Company to amend the Plan retroactively or otherwise, in any manner that it deems advisable, by a resolution of the Board of Directors of the Company (the "Board") or a committee thereof; and

**WHEREAS**, by resolution adopted on December 8, 2011, the Compensation and Management Development Committee of the Board determined to amend the Plan as contemplated in this Amendment No. 1.

**NOW, THEREFORE**, the Plan is hereby amended as set forth below to reflect the amendments adopted on December 8, 2011. Unless otherwise noted, all provisions of this Amendment No. 1 to the Plan are effective as of January 1, 2012.

1. The Plan is hereby amended to add a new Article IX to read as follows:

**"ARTICLE IX  
PLAN FREEZE**

**Section 9.1 General Provision**. As described in more detail in this Article IX, effective as of January 1, 2012, the Company amended the Plan to freeze participation and contributions.

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**Section 9.2 No Additional Participants.** Effective December 8, 2011, no new directors or other individuals will be eligible to participate in the Plan or otherwise become Participants as contemplated by Article III of the Plan.

**Section 9.3 Freezing of Future Deferrals.** Except as set forth in this Article IX, effective December 8, 2011, Directors who are Participants as of December 8, 2011 shall no longer be permitted to (i) defer Compensation to be earned or paid during calendar 2012 or thereafter under the Plan, or (ii) make new deferral elections under the Plan. Notwithstanding the foregoing, any deferral elections made pursuant to the terms of the Plan, including any Agreement entered in connection therewith, prior to December 8, 2011, will continue to be honored even if such election results in the deferral of Compensation that would otherwise be earned or paid during calendar 2012.

**Section 9.4 Re-Deferrals.** Any amounts previously deferred into the Plan by Participants as of January 1, 2012, will remain deferred in accordance with existing deferral elections, including any related Agreements, and may, if applicable, be re-deferred in accordance with the terms of the Plan, including, without limitation, the Agreement procedures set forth in Article III of the Plan.

**Section 9.5 Miscellaneous.**

(a) Existing Account Balances. No amendment shall, without the Participant' s or beneficiary' s, as the case may be, consent, affect the amount of the Participant' s Deferred Compensation Benefit at the time the amendment becomes effective or the right of the Participant to receive such benefits.

(b) No Further Amendment. Except as set forth in this Article IX, the Plan shall remain in full force and effect, provided that the balance of the Plan shall be deemed revised, mutatis mutandis, to reflect the terms of this Article IX."

*[signature on following page]*

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IN WITNESS HEREOF, the Company has caused this Amendment No. 1 to the American Greetings Corporation Outside Directors' Deferred Compensation Plan to be executed on this 19th day of January, 2012.

AMERICAN GREETINGS CORPORATION

By: /s/ Brian T. McGrath

Name: Brian T. McGrath

Title: Senior Vice President, Human Resources

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**AMERICAN GREETINGS CORPORATION 2007 OMNIBUS  
INCENTIVE COMPENSATION PLAN**

**RESTRICTED STOCK UNIT GRANT AGREEMENT**

Award:	Restricted Class	Stock Units
Grant Date:	_____, 20____ (“Date of Grant”)	
Vesting Dates:	The award of Restricted Stock Units shall vest in the manner set forth in your Notice of Grant, as such term is defined below.	

THIS AGREEMENT, dated as of the Grant Date stated above, is delivered by American Greetings Corporation (the “Company” or “American Greetings”) to the individual employee of the Company (the “Grantee”) identified in the notice of restricted stock unit award grant (the “Notice of Grant”) delivered to Grantee.

W I T N E S S E T H:

WHEREAS, the Company wishes to give Grantee an opportunity to acquire or enlarge his equity ownership in the Company for the purpose of augmenting Grantee’s proprietary interest in the success of American Greetings and thereby focusing Grantee’s efforts on increasing shareholder value.

A G R E E M E N T

NOW, THEREFORE, Grantee has received or will receive a Notice of Grant, which, if not rejected in accordance with the instructions in such notice, will constitute Grantee’s binding agreement with the following terms:

1. Grant of Restricted Stock Units. Subject to the terms and conditions of this Agreement, the Company hereby grants to Grantee the number of Restricted Stock Units (the “RSUs”) relating to the class and number of common shares of the Company (the “Shares”), as indicated on the Notice of Grant. The grant of RSUs shall represent the right to receive such number of Shares, upon the satisfaction of certain vesting requirements set forth in Section 2, with issuance of such Shares to be made in accordance with Section 2. The RSUs described in this Agreement are in all respects subject to the terms, conditions and provisions of this Agreement, the Notice of Grant and the Company’s 2007 Omnibus Incentive Compensation Plan (the “Plan”).

2. Vesting or Forfeiture of RSUs; Payment of Award.

(a) Vesting. Except as otherwise provided in this Section 2, RSUs granted to Grantee pursuant to Section 1 shall vest over the period as set forth in the Notice of Grant. If vesting will result in a fractional Share, then the amount vested shall be rounded up to the nearest whole Share; provided,

(c) Payment of Award. Within 90 days after any RSUs are deemed vested pursuant to this Section 2, but in no event longer than the maximum time period permitted under Code Section 409A to qualify as a short-term deferral, such RSUs shall be issued to Grantee in the form of Shares. At such time, Grantee shall enjoy full shareholder and ownership rights with respect to such Shares. Shares shall be delivered to Grantee either through book-entry transfer of beneficial ownership of the Shares or through delivery of a stock certificate representing all such Shares and registered in his or her name. The method of delivery shall be selected by the Company, in its sole discretion. In the case of Grantee’s death after vesting, payment of any Shares that are vested on his date of death will be made to the beneficiary designated by Grantee in a writing filed with the Company or, if none, to Grantee’s estate.

(d) Certain Definitions. For purposes of this Agreement

(i) “Cause” has such meaning as may be defined in any agreement between Grantee and the Company and, if none, will mean any one or more of the following: Grantee’s (1) fraud; (2) misappropriation of funds; (3) commission of a

however, the number of shares to vest as of the last vesting date shall be rounded down to such number that will result in the total number of Shares vesting equaling the total grant represented hereby. For purposes of clarity, if before RSUs vest, Grantee Separates from Service for any reason other than as set forth in Section 2(b) below, including a Separation from Service (“Separation from Service”) as defined in Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the “Code”), initiated by the Company other than for Cause, or as the result of Grantee’s Retirement, death or Disability, any RSUs not yet vested will continue to vest in accordance with this Agreement and shall vest as of the date(s) set forth in the Notice of Grant.

(b) Notwithstanding anything herein to the contrary, RSUs, and Shares issued upon vesting of RSUs, are subject to the following forfeiture rules:

(i) *Separation Initiated by the Company for Cause or Initiated by Grantee*: Upon Grantee’s Separation from Service that is initiated by the Company for Cause, or by the Grantee (other than for Retirement), any RSUs that have not vested pursuant to Section 2(a) on the Grantee’s date of Separation from Service are forfeited. In addition, if Grantee’s Separation from Service is initiated by the Company for Cause, then any RSUs vested pursuant to Section 2(a), but not yet delivered to Grantee, shall also be forfeited and shall not be delivered.

(ii) *Breach of Post-Separation Obligations*: If following Grantee’s Separation from Service, Grantee breaches any material provision of any employment, separation or severance agreement or arrangement with the Company (including, without limitation, any supplemental executive retirement plan in which with the Grantee participates), the Company may, in its sole discretion, deem any RSUs that have not vested pursuant to Section 2(a), or vested pursuant to Section 2(a) but not yet delivered to Grantee, to be forfeited.

(iii) *Clawback*: The RSUs, and the right to receive and retain any Shares issued upon the vesting of the RSUs, together with any proceeds received in connection with the subsequent sale of such Shares, shall be subject to rescission, cancellation or recoupment, in whole or part, if and to the extent so provided under any “clawback” or similar policy of the Company in effect on the Grant Date or that may be established thereafter, including, without limitation, any “clawback” or recoupment policy of the Company as may be adopted by the Company from time to time as required by Section 304 of the Sarbanes-Oxley Act of 2002, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection

felony or of an act or series of acts which results in material injury to the business or reputation of the Company; (4) commission of a crime or act or series of acts involving moral turpitude; (5) commission of an act or series of repeated acts of dishonesty that are materially inimical to the best interests of the Company; (6) willful and repeated failure to perform his or her duties, which failure has not been cured in all substantial respects within fifteen (15) days after the Company gives written notice thereof to Grantee; or (7) breach of any material provision of any employment agreement between the Company and Grantee, which breach has not been cured in all substantial respects within ten (10) days after the Company gives written notice thereof to Grantee.

(ii) “Retirement” shall mean Grantee’s Separation from Service after completing ten (10) or more years of continuous service and attaining age sixty-five (65).

(iii) “Disability” shall mean that Grantee is “disabled” as such term is defined in Code Section 409A(a)(2).

3. Ownership Rights. Except as otherwise provided herein, Grantee will not have the rights of a shareholder of the Company with respect to any Shares issuable upon the vesting of any RSUs. Upon receipt of any portion of Shares issued pursuant to RSUs awarded under Section 1 and vested pursuant to Section 2, Grantee shall be entitled to exercise all ownership rights (including, without limitation, the right to vote and the right to receive dividends) with respect to such Shares, provided that voting and dividend rights with respect to the Shares will be exercisable only if the record date for determining shareholders entitled to vote and receive dividends, as the case may be, falls on or after the date as of which Shares are issued to Grantee pursuant to this Agreement.

4. Deferral of Delivery of Shares. Notwithstanding any provision in this Agreement to the contrary, if any law or regulation of any governmental authority having jurisdiction in the matter requires the Company, the Board, the Committee or Grantee to take any action or refrain from action in connection with the award or delivery of Shares under this Agreement, or to delay such award or delivery, then the award or delivery of such Shares shall be deferred until such action has been taken or such restriction on action has been removed, subject to any applicable requirements under Code Section 409A. If Grantee is eligible to participate in the Company’s Executive Deferred Compensation



Act, or as otherwise required by applicable law or agreement.  
In the event any such clawback or similar policy is deemed unenforceable with respect to the RSUs, or with respect to the Shares issued upon the vesting of the RSUs or proceeds received in connection with the subsequent sale of such Shares, then the award of RSUs subject to this Agreement shall be deemed unenforceable due to lack of adequate consideration.

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Plan and the class of common shares that are subject to the RSUs are otherwise eligible for deferral thereunder, at Grantee's election, Grantee may also defer receipt of any Shares earned under the Agreement in accordance with the Plan, any such deferred Shares to be credited with dividend equivalents. Any such deferred Shares, including dividend equivalents, if any, to be paid at the end of any applicable deferral period shall be paid in shares of the same class of common shares that are subject to the RSUs, rounded to the nearest whole share, with any such deferral election to be made at a time and in a manner that complies with all applicable requirements under Code Section 409A. In addition, if and to the extent required under Code Section 409A, delivery of Shares hereunder to Grantee shall be made no earlier than six months after Grantee's Separation from Service if Grantee is a "specified employee" on such date.

5. General Provisions. Grantee acknowledges that Grantee has read, understands and agrees with all of the provisions in this Agreement and the Plan, including, but not limited to, the following:

(a) Administration. The interpretation and construction by the Board and/or the Committee of any provision of this Agreement, the Plan or any notification or document evidencing the grant of RSUs and that any determination by the Board or such Committee pursuant to any provision of this Agreement or the Plan or of any such agreement, notification or document shall be final and conclusive.

(b) Notices. Any notice that is required or permitted under this Agreement shall be in writing (unless otherwise specified in the Agreement or in a writing from the Company to Grantee), and delivered personally or by mail, postage prepaid, addressed as follows: (i) if to the Company, at One American Road, Cleveland, Ohio 44144, Attention: Human Resources Department, or at such other address as the Company by notice to Grantee may have designated from time to time; (ii) if to Grantee, at the address indicated in Grantee's then-current personnel records, or at such other address as Grantee by notice to the Company may have designated from time to time. Such notice shall be deemed given upon receipt. From time to time, the Company may also authorize communications and any notice that is required or permitted under this Agreement to be provided electronically either through the Company's email or other systems or through third parties, including any administrator of the Company's RSU or other equity programs, as designated from time to time by the Company.

(g) Adjustments. On any change in the number or kind of outstanding common shares of the Company by reason of a recapitalization, merger, consolidation, reorganization, separation, liquidation, share split, share dividend, combination of shares or any other change in the corporate structure or common shares of the Company, the Company, by action of the Board or the Committee shall make such adjustment, if any, in the number and kind of RSUs subject to this agreement as it considers appropriate in order that the rights of Grantee hereunder are neither enlarged nor diminished.

(h) Unsecured Creditor Status. This grant of RSUs constitutes a mere promise by the Company to pay Grantee the benefits described in this grant (to the extent credited and vested). Grantee shall have the status of a general unsecured creditor of the Company with respect to the benefits payable under this Agreement. Grantee's right to receive credited and vested shares shall not be subject to any assignment, pledge, levy, garnishment, attachment or other attempt to assign or alienate such shares prior to their delivery to Grantee, including, without limitation, under any domestic relations order, and any such attempted assignment or alienation shall be null, void and of no effect.

(i) Fractional Shares. Except as otherwise contemplated by Section 2(a), notwithstanding anything in this Agreement to the contrary, in the event that any adjustment to the grant of RSUs or an award of Shares or the calculation of an award pursuant to this Agreement would otherwise result in the creation of a fractional share interest, the affected award shall be rounded to the nearest whole share.

(j) Amendment or Termination. This Agreement may be amended or terminated at any time by the mutual agreement and written consent of Grantee and the Company, but only to the extent permitted under the Plan. The provisions set forth in this Agreement are subject to the restrictions and other requirements of Code Section 409A and related regulations and rulings. Without limiting the generality of the preceding sentence, such provisions shall be modified and amended, as and where necessary, to bring such provisions into compliance with the requirements set forth in Code Section 409A and related regulations and rulings. This Agreement shall be interpreted (and if necessary, amended) to comply with Code Section 409A and to the extent any provision of this Agreement is inconsistent with Code Section 409A, said Code Section 409A shall control even if such action may reduce or diminish the value of Grantee's award.

(c) Compliance With Securities Laws. Grantee acknowledges that the RSUs are intended to conform to the extent necessary with all provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including without limitation Rule 144 under the Securities Act of 1933 and Rule 16b-3 under the Securities Exchange Act of 1934. Notwithstanding anything herein to the contrary, the RSUs are granted only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, this RSU Agreement will be deemed amended to the extent necessary to conform to such laws, rules and regulations.

(d) Taxation. Grantee shall be responsible for all applicable income and withholding taxes and the employee share of FICA taxes with respect to any compensation income generated upon the vesting or issuance of any RSUs under this Agreement. No later than the date as of which an amount first becomes subject to applicable federal, state, or local income, wage or employment tax withholding (including employee share of FICA) with respect to the RSUs awarded hereunder, Grantee shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state or local income, wage or employment taxes of any kind required by law to be withheld with respect to that amount. Unless otherwise determined by the Committee, withholding obligations may be settled (i) with previously owned common shares or (ii) Shares that have vested and that are issuable hereunder (in the minimum amount necessary to satisfy any applicable withholding requirements). The making of that payment or those arrangements is a condition to the obligations of the Company under the Plan, and the Company may, to the extent permitted by law, deduct any taxes from any payment of any kind otherwise payable to Grantee or the Company may retain such number of the Shares issuable upon the vesting of RSUs covered by the grant evidenced by this Agreement as shall be equal in value to the amount of the remaining withholding obligation.

(e) Nontransferability. This Agreement and the RSUs granted to Grantee shall be nontransferable and shall not be sold, hypothecated or otherwise assigned or conveyed by Grantee to any other person, except as specifically permitted in this Agreement. No assignment or transfer of this Agreement or the rights represented thereby, whether voluntary or involuntary, or by operation of law or otherwise, shall vest in the assignee or transferee any interest or right whatsoever, except as specifically permitted in this Agreement. The

(k) Severability. If any provision of this Agreement should be held illegal or invalid for any reason, such determination shall not affect the other provisions of this Agreement, and it shall be construed as if such provision had never been included herein.

(l) Headings/Gender. Headings in this Agreement are for convenience only and shall not be construed to be part of this Agreement. Any reference to the masculine, feminine or neuter gender shall be a reference to other genders as appropriate.

(m) Governing Law. This Agreement shall be construed, and its provisions enforced and administered, in accordance with the laws of the State of Ohio and, where applicable, federal law.

(n) Definitions. Initial capitalized terms used in this Agreement that are not otherwise defined herein shall have the meaning set forth in the Plan.

(o) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed original, but all of which taken together shall constitute one and the same instrument. Grantee's acceptance of this agreement in accordance with the instructions in the Notice of Grant will constitute Grantee's binding agreement with the terms hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and unless Grantee otherwise rejects the Notice of Grant in accordance with the instructions in such notice, Grantee will be deemed a party to, and legally bound by the terms of, this Agreement.

AMERICAN GREETINGS CORPORATION

By:

Brian McGrath, Senior Vice President, Human Resources

GRANTEE

*Unless the Grantee rejects Notice of Grant in accordance with the instructions in such notice, Grantee will be deemed a party to, and legally bound by the terms of, this Agreement.*

Agreement shall terminate, and be of no force or effect, immediately upon any attempt to assign or transfer the Agreement or any of the RSUs to which the Agreement applies.

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(f) Not an Employment Contract. This Agreement shall not be deemed to limit or restrict the right of the Company to terminate Grantee' s employment at any time, for any reason, with or without Cause, or to limit or restrict the right of Grantee to terminate his employment with the Company at any time.

AMERICAN GREETINGS CORPORATION  
Subsidiaries of the Registrant

Subsidiary	State / Jurisdiction of Incorporation
A.G. (UK), Inc.	Ohio
A.G. Industries, Inc.	North Carolina
A.G.C. Investments, Inc.	Delaware
AG Interactive, Inc.	Delaware
AGC Funding Corporation	Delaware
AGC Holdings, LLC	Delaware
Cardstore, Inc.	Washington
Carlton Cards Limited	Canada
John Sands (Australia) Ltd.	Delaware
Microcourt Limited	United Kingdom
Plus Mark LLC	Ohio
Papyrus-Recycled Greetings, Inc.	Illinois
Those Characters From Cleveland, Inc.	Ohio
UK Greetings Limited	United Kingdom

## Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements of American Greetings Corporation listed below of our reports dated April 30, 2012, with respect to the consolidated financial statements and schedule of American Greetings Corporation and the effectiveness of internal control over financial reporting of American Greetings Corporation included in this Annual Report (Form 10-K) for the year ended February 29, 2012.

Registration Number	Description	Filing Date
33-58582	American Greetings Corporation 1992 Stock Option Plan – Form S-8 Registration Statement	February 22, 1993
33-61037	American Greetings Corporation 1995 Director Stock Plan – Form S-8 Registration Statement	July 14, 1995
333-08123	American Greetings Corporation 1996 Employee Stock Option Plan – Form S-8 Registration Statement	July 15, 1996
333-41912	American Greetings Corporation 1997 Equity and Performance Incentive Plan (as amended June 24, 2000) – Form S-8 Registration Statement	July 21, 2000
333-65534	American Greetings Corporation 1997 Equity and Performance Incentive Plan (as amended June 22, 2001) – Form S-8 Registration Statement	July 20, 2001
333-121982	American Greetings Corporation 1997 Equity and Performance Incentive Plan (as amended on June 25, 2004) – Form S-8 Registration Statement	January 12, 2005
333-123041	American Greetings Corporation 1995 Director Stock Plan – Form S-8 Registration Statement	February 28, 2005
333-144220	American Greetings Corporation 2007 Omnibus Incentive Compensation Plan – Form S-8 Registration Statement	June 29, 2007
333-146244	American Greetings Corporation Employees' Retirement Profit Sharing Plan – Form S-8 Registration Statement	September 21, 2007
333-160303	American Greetings Corporation 2007 Omnibus Incentive Compensation Plan – Form S-8 Registration Statement	June 29, 2009
333-175424	American Greetings Corporation 2007 Omnibus Incentive Compensation Plan – Form S-8 Registration Statement	July 8, 2011
333-177986	American Greetings Corporation Form S-3 Registration Statement	November 15, 2011

/s/ Ernst & Young LLP

Cleveland, Ohio  
April 30, 2012

Certification of Principal Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Zev Weiss, certify that:

1. I have reviewed this Annual Report on Form 10-K of American Greetings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of American Greetings Corporation as of, and for, the periods presented in this report;
4. American Greetings Corporation's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for American Greetings Corporation and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to American Greetings Corporation, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of American Greetings Corporation's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in American Greetings Corporation's internal control over financial reporting that occurred during American Greetings Corporation's most recent fiscal quarter (the American Greetings Corporation's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, American Greetings Corporation's internal control over financial reporting; and
5. American Greetings Corporation's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to American Greetings Corporation's auditors and the audit committee of American Greetings Corporation's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect American Greetings Corporation's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in American Greetings Corporation's internal control over financial reporting.

April 30, 2012

/s/ Zev Weiss

Zev Weiss

Chief Executive Officer

(principal executive officer)

Certification of Principal Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen J. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K of American Greetings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of American Greetings Corporation as of, and for, the periods presented in this report;
4. American Greetings Corporation's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for American Greetings Corporation and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to American Greetings Corporation, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of American Greetings Corporation's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in American Greetings Corporation's internal control over financial reporting that occurred during American Greetings Corporation's most recent fiscal quarter (the American Greetings Corporation's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, American Greetings Corporation's internal control over financial reporting; and
5. American Greetings Corporation's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to American Greetings Corporation's auditors and the audit committee of American Greetings Corporation's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect American Greetings Corporation's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in American Greetings Corporation's internal control over financial reporting.

April 30, 2012

/s/ Stephen J. Smith

Stephen J. Smith

Senior Vice President and

Chief Financial Officer (principal financial officer)



CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report of American Greetings Corporation (the "Corporation") on Form 10-K for the year ended February 29, 2012, as filed with the Securities and Exchange Commission on the date therein specified (the "Report"), each of the undersigned officers of the Corporation certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation as of the dates and for the periods expressed in the Report.

April 30, 2012

/s/ Zev Weiss

Zev Weiss

Chief Executive Officer (principal executive officer)

/s/ Stephen J. Smith

Stephen J. Smith

Senior Vice President and

Chief Financial Officer (principal financial officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.

**Long -Term leases and  
Commitments (Tables)**

**[Long -Term leases and Commitments \[Abstract\]](#)**

**[Rental expense under operating leases](#)**

**[Aggregate future minimum noncancelable leases, net of  
aggregate future minimum noncancelable sublease rentals](#)**

**12 Months Ended  
Feb. 29, 2012**

	2012	2011	2010
Gross rentals	\$30,641	\$33,452	\$47,473
Sublease rentals	(11,332)	(16,387)	(24,891)
Net rental expense	\$19,309	\$17,065	\$22,582

Gross rentals:	
2013	\$13,796
2014	10,056
2015	7,482
2016	5,868
2017	5,519
Later years	9,410
	52,131
Sublease rentals	(22,143)
Net rentals	\$29,988

**Earnings Per Share (Details  
Textual)**

**In Millions, unless otherwise  
specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

[Earnings Per Share \(Textual\) \[Abstract\]](#)

<a href="#">Stock option excluded from Earnings per share Computation</a>	2.5	3.1	5.7
---	-----	-----	-----

**Acquisitions and  
Dispositions (Details 2) (USD  
\$)  
In Millions, unless otherwise  
specified**

**12 Months  
Ended**

**Feb. 28, 2010**

North American Social Expression Products [Member]

[Summary of gains, losses and expenses are reflected in the Corporation's reportable segments](#)

[Gain on reportable segments](#)

\$ (0.2)

Retail Operations [Member]

[Summary of gains, losses and expenses are reflected in the Corporation's reportable segments](#)

[Gain on reportable segments](#)

29.2

Reportable Segment [Member]

[Summary of gains, losses and expenses are reflected in the Corporation's reportable segments](#)

[Gain on reportable segments](#)

\$ 29.0

**Retirement and  
Postretirement Benefit Plans  
(Details 1) (USD \$)  
In Thousands, unless  
otherwise specified**

**Feb. 29,  
2012**      **Feb. 28,  
2011**

Pension Plans [Member]

**Summary of amounts recognized on the Consolidated Statement of Financial Position**

<u>Accrued compensation and benefits</u>	\$ (2,257)	\$ (2,347)
<u>Other liabilities</u>	(75,746)	(59,932)
<u>Net amount recognized</u>	(78,003)	(62,279)

**Amounts recognized in accumulated other comprehensive income:**

<u>Net actuarial loss (gain)</u>	69,632	56,938
<u>Net prior service cost (credit)</u>	1,531	847
<u>Net transition obligation</u>	37	43
<u>Accumulated other comprehensive loss (income)</u>	71,200	57,828

Postretirement benefit plan [Member]

**Summary of amounts recognized on the Consolidated Statement of Financial Position**

<u>Accrued compensation and benefits</u>		
<u>Other liabilities</u>	(24,781)	(24,101)
<u>Net amount recognized</u>	(24,781)	(24,101)

**Amounts recognized in accumulated other comprehensive income:**

<u>Net actuarial loss (gain)</u>	(3,081)	1,268
<u>Net prior service cost (credit)</u>	(8,855)	(11,316)
<u>Net transition obligation</u>		
<u>Accumulated other comprehensive loss (income)</u>	\$ (11,936)	\$ (10,048)

**Accumulated Other  
Comprehensive Income  
(Loss) (Details) (USD \$)  
In Thousands, unless  
otherwise specified**

**Feb. 29, 2012 Feb. 28, 2011**

**Accumulated other comprehensive income (loss)**

<u>Foreign currency translation adjustments</u>	\$ 23,609	\$ 26,021
<u>Pension and postretirement benefit adjustments, net of tax (See Note 12)</u>	(35,443)	(28,369)
<u>Unrealized investment gain, net of tax</u>	4	2
<u>Total Accumulated Other Comprehensive Income (Loss)</u>	\$ (11,830)	\$ (2,346)

Retirement and Postretirement Benefit Plans (Details Textual) (USD \$) Share data in Millions, unless otherwise specified	12 Months Ended																		12 Months Ended					
	Feb. 29, 2012 Plans	Feb. 28, 2011	Feb. 28, 2010	Feb. 28, 2013	Feb. 28, 2011	Feb. 28, 2010	Feb. 29, 2012	Feb. 28, 2011	Feb. 28, 2010	Feb. 29, 2012	Feb. 28, 2011	Feb. 28, 2010	Feb. 29, 2012	Feb. 28, 2011	Feb. 28, 2010	Feb. 28, 2010	Feb. 28, 2013	Feb. 29, 2012	Feb. 28, 2011	Feb. 29, 2012	Feb. 28, 2013	Feb. 29, 2012		
				Pension Plans	Pension Plans	Pension Plans	Pension Plans	Pension Plans	Profit Sharing	Profit Sharing	Profit Sharing	Defined Contribution	Defined Contribution	Defined Contribution	Defined Contribution	Defined Contribution	Defined Contribution	Canadian Hourly Plan	Supplemental Employee Retirement Plans, Defined Benefit	Gibson Retirement Plan	Gibson Retirement Plan	Feb. 29, 2012 Credit Rating A	Postretirement benefit plan	Postretirement benefit plan
				[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]
<a href="#">Defined Benefit Plan Disclosure (Line Items)</a>																								
<a href="#">Corporate contributions to the profit sharing plan</a>							\$	\$	\$	\$	\$	\$	\$	\$	\$	\$								
<a href="#">Estimated future employer contribution</a>							9,401,000	9,759,000	9,338,000	2,012,000	1,226,000	1,745,000	5,976,000	4,875,000	4,787,000									
<a href="#">Settlement expense related to the plan</a>				(3,000)	126,000											126,000	2,111,000	0	0		200,000			
<a href="#">Amortization of estimated net loss</a>			3,256,000																		0			
<a href="#">Amortization of prior service cost</a>			240,000																		(2,750,000)			
<a href="#">Amortization of transition obligation</a>			6,000																					
<a href="#">Expected long-term rate of return</a>							5.50%	5.50%														7.00%		
<a href="#">Maturity of debt securities</a>																					2 years 6 months			
<a href="#">Retirement Benefits (Textual) (Abstract)</a>																								
<a href="#">Total pension expense for the multi-employer plan</a>	513,000	467,000	417,000																					
<a href="#">Common shares in the trust</a>	0.2	0.2																						
<a href="#">Value of the common shares</a>	\$	\$	2,772,000	3,368,000																				
<a href="#">Number of unfunded plans</a>	2																							

Acquisitions and Dispositions (Details) (USD \$) In Millions, unless otherwise specified	Feb. 29, 2012 Watermark [Member]	Feb. 28, 2010 Papyrus Brand & Wholesale Business Acquisition / Retail Operations Disposition [Member]
<b><u>Purchase price</u></b>		
<u>Cash paid</u>	\$ 17.1	\$ 20.0
<u>Fair value of Retail Operations</u>		6.0
<u>Cash acquired</u>	(11.2)	(6.0)
<u>Total purchase price</u>	5.9	20.0
<b><u>Allocation</u></b>		
<u>Current assets</u>	11.4	9.9
<u>Property, plant and equipment</u>	0.4	0.1
<u>Other assets</u>		5.4
<u>Intangible assets</u>	1.5	4.7
<u>Goodwill</u>	1.0	0.8
<u>Liabilities assumed</u>	(8.4)	(0.9)
<u>Total allocation</u>	\$ 5.9	\$ 20.0



## Inventories (Tables)

**12 Months Ended  
Feb. 29, 2012**

[Inventories \[Abstract\]](#)

[Inventories](#)

	February 29, 2012	February 28, 2011
Raw materials	\$ 17,565	\$ 21,248
Work in process	9,452	6,476
Finished products	242,767	212,056
	269,784	239,780
Less LIFO reserve	81,077	78,358
	188,707	161,422
Display material and factory supplies	20,238	18,308
	<u>\$ 208,945</u>	<u>\$ 179,730</u>

**Long -Term leases and  
Commitments (Details) (USD  
\$)**

**12 Months Ended**

**In Thousands, unless  
otherwise specified**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

**Rental expense under operating leases**

<u>Gross rentals</u>	\$ 30,641	\$ 33,452	\$ 47,473
<u>Sublease rentals</u>	(11,332)	(16,387)	(24,891)
<u>Net rental expense</u>	\$ 19,309	\$ 17,065	\$ 22,582

**Retirement and  
Postretirement Benefit Plans**

**(Details 4) (USD \$)**

**In Thousands, unless  
otherwise specified**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

Pension Plans [Member]

**For all pension plans:**

<u>Accumulated benefit obligation</u>	\$ 177,489	\$ 164,823	
---------------------------------------	------------	------------	--

**For pension plans that are not fully funded:**

<u>Projected benefit obligation</u>	184,344	170,160	162,845
-------------------------------------	---------	---------	---------

<u>Fair value of plan assets</u>	106,341	107,881	102,092
----------------------------------	---------	---------	---------

Unfunded Pension Plan [Member]

**For all pension plans:**

<u>Accumulated benefit obligation</u>	177,186	164,823	
---------------------------------------	---------	---------	--

**For pension plans that are not fully funded:**

<u>Projected benefit obligation</u>	184,041	170,160	
-------------------------------------	---------	---------	--

<u>Fair value of plan assets</u>	\$ 106,038	\$ 107,881	
----------------------------------	------------	------------	--

Business Segment Information (Details 2) (USD \$) In Thousands, unless otherwise specified	12 Months Ended		
	Feb. 29, 2012	Feb. 28, 2011	Feb. 28, 2010
<b><u>Product Information</u></b>			
<u>Total revenue</u>	\$ 1,695,144	\$ 1,597,894	\$ 1,640,851
<u>Other revenue</u>	31,863	32,355	37,566
Everyday Greeting Cards [Member]			
<b><u>Product Information</u></b>			
<u>Total revenue</u>	832,454	755,799	767,062
Seasonal Greeting Cards [Member]			
<b><u>Product Information</u></b>			
<u>Total revenue</u>	411,605	377,831	369,325
Gift Packaging [Member]			
<b><u>Product Information</u></b>			
<u>Total revenue</u>	241,641	223,093	221,489
All Other Products [Member]			
<b><u>Product Information</u></b>			
<u>Total revenue</u>	\$ 177,581	\$ 208,816	\$ 245,409

**Inventories (Details) (USD \$)**  
**In Thousands, unless**  
**otherwise specified**

**12 Months Ended**  
**Feb. 29,    Feb. 28,    Feb. 28,**  
**2012        2011        2010**

**Inventories**

<u>Raw materials</u>	\$ 17,565	\$ 21,248	
<u>Work in process</u>	9,452	6,476	
<u>Finished products</u>	242,767	212,056	
<u>Inventory, Gross</u>	269,784	239,780	
<u>Less LIFO reserve</u>	81,077	78,358	
<u>Inventory, net of LIFO</u>	188,707	161,422	
<u>Display materials and factory supplies</u>	20,238	18,308	
<u>Inventory, net</u>	208,945	179,730	

**Inventories (Textual) [Abstract]**

<u>Effect of LIFO liquidation on material, labor and other production costs</u>	0	0	13,000
<u>Inventory held on location for retailers with SBT arrangements, which is included in finished products</u>	\$ 52,000	\$ 42,000	

**Retirement and  
Postretirement Benefit Plans  
(Details 7) (USD \$)  
In Thousands, unless  
otherwise specified**

	Feb. 29, 2012	Feb. 28, 2011	Feb. 28, 2010
U.S. Pension Plans [Member]   Short-term investments [Member]			
<a href="#"><u>Summary of the fair value of the defined benefit pension plan assets</u></a>			
<a href="#"><u>Fair value of defined benefit pension plan assets</u></a>	\$ 710	\$ 689	
U.S. Pension Plans [Member]   Short-term investments [Member]   Quoted prices in active markets for identical assets (Level 1) [Member]			
<a href="#"><u>Summary of the fair value of the defined benefit pension plan assets</u></a>			
<a href="#"><u>Fair value of defined benefit pension plan assets</u></a>			
U.S. Pension Plans [Member]   Short-term investments [Member]   Significant other observable inputs (Level 2) [Member]			
<a href="#"><u>Summary of the fair value of the defined benefit pension plan assets</u></a>			
<a href="#"><u>Fair value of defined benefit pension plan assets</u></a>	710	689	
U.S. Pension Plans [Member]   Equity securities [Member]			
<a href="#"><u>Summary of the fair value of the defined benefit pension plan assets</u></a>			
<a href="#"><u>Fair value of defined benefit pension plan assets</u></a>	41,322	42,776	
U.S. Pension Plans [Member]   Equity securities [Member]   Quoted prices in active markets for identical assets (Level 1) [Member]			
<a href="#"><u>Summary of the fair value of the defined benefit pension plan assets</u></a>			
<a href="#"><u>Fair value of defined benefit pension plan assets</u></a>			
U.S. Pension Plans [Member]   Equity securities [Member]   Significant other observable inputs (Level 2) [Member]			
<a href="#"><u>Summary of the fair value of the defined benefit pension plan assets</u></a>			
<a href="#"><u>Fair value of defined benefit pension plan assets</u></a>	41,322	42,776	
U.S. Pension Plans [Member]   Fixed-income funds [Member]			
<a href="#"><u>Summary of the fair value of the defined benefit pension plan assets</u></a>			
<a href="#"><u>Fair value of defined benefit pension plan assets</u></a>	39,510	40,717	
U.S. Pension Plans [Member]   Fixed-income funds [Member]   Quoted prices in active markets for identical assets (Level 1) [Member]			
<a href="#"><u>Summary of the fair value of the defined benefit pension plan assets</u></a>			
<a href="#"><u>Fair value of defined benefit pension plan assets</u></a>			
U.S. Pension Plans [Member]   Fixed-income funds [Member]   Significant other observable inputs (Level 2) [Member]			
<a href="#"><u>Summary of the fair value of the defined benefit pension plan assets</u></a>			
<a href="#"><u>Fair value of defined benefit pension plan assets</u></a>	39,510	40,717	
International Pension Plans [Member]   Short-term investments [Member]			
<a href="#"><u>Summary of the fair value of the defined benefit pension plan assets</u></a>			
<a href="#"><u>Fair value of defined benefit pension plan assets</u></a>	1,163	639	
International Pension Plans [Member]   Short-term investments [Member]   Quoted prices in active markets for identical assets (Level 1) [Member]			
<a href="#"><u>Summary of the fair value of the defined benefit pension plan assets</u></a>			

[Fair value of defined benefit pension plan assets](#)

International Pension Plans [Member] | Short-term investments [Member] | Significant other observable inputs (Level 2) [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#) 1,163 639

International Pension Plans [Member] | Equity securities [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#) 7,753 7,191

International Pension Plans [Member] | Equity securities [Member] | Quoted prices in active markets for identical assets (Level 1) [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#)

International Pension Plans [Member] | Equity securities [Member] | Significant other observable inputs (Level 2) [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#) 7,753 7,191

International Pension Plans [Member] | Fixed-income funds [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#) 15,883 15,869

International Pension Plans [Member] | Fixed-income funds [Member] | Quoted prices in active markets for identical assets (Level 1) [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#)

International Pension Plans [Member] | Fixed-income funds [Member] | Significant other observable inputs (Level 2) [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#) 15,883 15,869

Pension Plans [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#) 106,341 107,881 102,092

Pension Plans [Member] | Quoted prices in active markets for identical assets (Level 1) [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#)

Pension Plans [Member] | Significant other observable inputs (Level 2) [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#) 106,341 107,881

Postretirement benefit plan [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#) 57,563 66,935 66,928

Postretirement benefit plan [Member] | Quoted prices in active markets for identical assets (Level 1) [Member]

[Summary of the fair value of the defined benefit pension plan assets](#)

[Fair value of defined benefit pension plan assets](#) 17,245 29,229

Postretirement benefit plan [Member] | Significant other observable inputs (Level 2) [Member]

**Summary of the fair value of the defined benefit pension plan assets**

**Fair value of defined benefit pension plan assets** 40,318 37,706

Postretirement benefit plan [Member] | Short-term investments [Member]

**Summary of the fair value of the defined benefit pension plan assets**

**Fair value of defined benefit pension plan assets** 849 1,176

Postretirement benefit plan [Member] | Short-term investments [Member] | Quoted prices in active markets for identical assets (Level 1) [Member]

**Summary of the fair value of the defined benefit pension plan assets**

**Fair value of defined benefit pension plan assets**

Postretirement benefit plan [Member] | Short-term investments [Member] | Significant other observable inputs (Level 2) [Member]

**Summary of the fair value of the defined benefit pension plan assets**

**Fair value of defined benefit pension plan assets** 849 1,176

Postretirement benefit plan [Member] | Equity securities [Member]

**Summary of the fair value of the defined benefit pension plan assets**

**Fair value of defined benefit pension plan assets** 17,245 29,229

Postretirement benefit plan [Member] | Equity securities [Member] | Quoted prices in active markets for identical assets (Level 1) [Member]

**Summary of the fair value of the defined benefit pension plan assets**

**Fair value of defined benefit pension plan assets** 17,245 29,229

Postretirement benefit plan [Member] | Equity securities [Member] | Significant other observable inputs (Level 2) [Member]

**Summary of the fair value of the defined benefit pension plan assets**

**Fair value of defined benefit pension plan assets**

Postretirement benefit plan [Member] | Fixed-income funds [Member]

**Summary of the fair value of the defined benefit pension plan assets**

**Fair value of defined benefit pension plan assets** 39,469 36,530

Postretirement benefit plan [Member] | Fixed-income funds [Member] | Quoted prices in active markets for identical assets (Level 1) [Member]

**Summary of the fair value of the defined benefit pension plan assets**

**Fair value of defined benefit pension plan assets**

Postretirement benefit plan [Member] | Fixed-income funds [Member] | Significant other observable inputs (Level 2) [Member]

**Summary of the fair value of the defined benefit pension plan assets**

**Fair value of defined benefit pension plan assets** \$ \$  
39,469 36,530



**Common Shares and Stock  
Based Compensation  
(Details Textual) (USD \$)  
In Thousands, except Share  
data, unless otherwise  
specified**

**12 Months Ended**

**Feb. 29, 2012      Feb. 28, 2011      Feb. 28, 2010      Feb. 28, 2009**

**Common Shares and Stock Based Compensation (Textual)**

**[Abstract]**

<u>Total stock-based compensation expense, before tax</u>	\$ 10,982	\$ 13,017	\$ 5,819
<u>Period of unrecognized compensation expense, recognized</u>	1		
<u>Cash received from stock options exercised</u>	13,310	18,842	5,834
<u>Actual tax benefit realized from the exercise of share-based payment arrangements</u>	6,705	6,510	762

**Stock options granted**

Stock Options [Member]

**Class of Stock [Line Items]**

<u>Unrecognized compensation expense , before taxes</u>	508		
<u>Weighted average fair value per share of options granted</u>		\$ 10.43	\$ 2.83
<u>Total intrinsic value of options exercised</u>	17,117	16,666	1,985
<u>Period of commencement of option exercisable</u>	twelve months after the date of grant		

**Period of expiration of stock option**

not more than ten  
years

Performance Shares [Member]

**Class of Stock [Line Items]**

<u>Period of performance of management objectives to receive common shares</u>		3 years	2 years
<u>Compensation expense related to the performance shares</u>		0	
<u>Fair value per share of the performance and restricted shares</u>		\$ 10.20	\$ 9.67
<u>Period required for the shares to continuing service</u>	two or three years		
<u>Unrecognized compensation expense , before taxes</u>	996		

Performance Shares [Member] | Amended Plan [Member]

**Class of Stock [Line Items]**

<u>Number of performance shares awarded</u>	746,000	709,000
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Performance Shares [Member] | Original Plan [Member]

**Class of Stock [Line Items]**

<u>Number of performance shares awarded</u>	0	59,864
<u>Share based compensation arrangement by share based payment award equity instruments performance shares initially granted</u>		59,864

Restricted Stock Units [Member]

**Class of Stock [Line Items]**

<u>Fair value per share of the performance and restricted shares</u>	\$ 22.64	\$ 23.65
<u>Period required for the shares to continuing service</u>	2 years	

<a href="#">Unrecognized compensation expense , before taxes</a>	2,901		
Common shares - Class A [Member]			
<a href="#">Class of Stock [Line Items]</a>			
<a href="#">Common shares authorized</a>	187,600,000	187,600,000	
<a href="#">Number of voting right per share</a>	one vote per share		
<a href="#">Issuance of additional common stock</a>			1,600,000
<a href="#">Number of shares available for future grant</a>	963,234		
<a href="#">Common Shares and Stock Based Compensation (Textual)</a>			
<a href="#">[Abstract]</a>			
<a href="#">Stock options granted</a>			
Common shares - Class A [Member]   Performance Shares [Member]			
<a href="#">Class of Stock [Line Items]</a>			
<a href="#">Cost incurred on receiving common shares by employees</a>	0		
Common shares - Class A [Member]   Restricted Stock Units [Member]			
<a href="#">Class of Stock [Line Items]</a>			
<a href="#">Cost incurred on receiving common shares by employees</a>	0		
Common shares - Class B [Member]			
<a href="#">Class of Stock [Line Items]</a>			
<a href="#">Common shares authorized</a>	15,832,968	15,832,968	
<a href="#">Number of voting right per share</a>	ten vote per share		
<a href="#">Issuance of additional common stock</a>			400,000
<a href="#">Number of shares available for future grant</a>	139,920		
<a href="#">Common Shares and Stock Based Compensation (Textual)</a>			
<a href="#">[Abstract]</a>			
<a href="#">Stock options granted</a>			
Common shares - Class B [Member]   Performance Shares [Member]			
<a href="#">Class of Stock [Line Items]</a>			
<a href="#">Cost incurred on receiving common shares by employees</a>	0		
Common shares - Class B [Member]   Restricted Stock Units [Member]			
<a href="#">Class of Stock [Line Items]</a>			
<a href="#">Cost incurred on receiving common shares by employees</a>	\$ 0		

**Fair Value Measurements  
(Details) (USD \$)  
In Thousands, unless  
otherwise specified**

	Feb. 29, 2012	Feb. 28, 2011
Recurring [Member]		
<a href="#"><u>Assets measured on a recurring and non-recurring basis:</u></a>		
<a href="#"><u>Total</u></a>	\$	10,094
Nonrecurring [Member]		
<a href="#"><u>Assets measured on a recurring and non-recurring basis:</u></a>		
<a href="#"><u>Assets held for sale</u></a>		5,282
Quoted prices in active markets for identical assets and liabilities (Level 1) [Member]		
Recurring [Member]		
<a href="#"><u>Assets measured on a recurring and non-recurring basis:</u></a>		
<a href="#"><u>Total</u></a>		10,094
Quoted prices in active markets for similar assets and liabilities (Level 2) [Member]		
Nonrecurring [Member]		
<a href="#"><u>Assets measured on a recurring and non-recurring basis:</u></a>		
<a href="#"><u>Assets held for sale</u></a>		5,282
Significant unobservable inputs (Level 3) [Member]   Recurring [Member]		
<a href="#"><u>Assets measured on a recurring and non-recurring basis:</u></a>		
<a href="#"><u>Total</u></a>		
Significant unobservable inputs (Level 3) [Member]   Nonrecurring [Member]		
<a href="#"><u>Assets measured on a recurring and non-recurring basis:</u></a>		
<a href="#"><u>Assets held for sale</u></a>		
Active employees' medical plan trust assets [Member]   Recurring [Member]		
<a href="#"><u>Assets measured on a recurring and non-recurring basis:</u></a>		
<a href="#"><u>Fair Value of Investments, measured on recurring basis</u></a>		3,223
Active employees' medical plan trust assets [Member]   Quoted prices in active markets for identical assets and liabilities (Level 1) [Member]   Recurring [Member]		
<a href="#"><u>Assets measured on a recurring and non-recurring basis:</u></a>		
<a href="#"><u>Fair Value of Investments, measured on recurring basis</u></a>		3,223
Active employees' medical plan trust assets [Member]   Significant unobservable inputs (Level 3) [Member]   Recurring [Member]		
<a href="#"><u>Assets measured on a recurring and non-recurring basis:</u></a>		
<a href="#"><u>Fair Value of Investments, measured on recurring basis</u></a>		
Deferred Compensation plan assets [Member]   Recurring [Member]		
<a href="#"><u>Assets measured on a recurring and non-recurring basis:</u></a>		
<a href="#"><u>Fair Value of Investments, measured on recurring basis</u></a>	9,198	6,871
Deferred Compensation plan assets [Member]   Quoted prices in active markets for identical assets and liabilities (Level 1) [Member]   Recurring [Member]		
<a href="#"><u>Assets measured on a recurring and non-recurring basis:</u></a>		
<a href="#"><u>Fair Value of Investments, measured on recurring basis</u></a>	9,198	6,871

Deferred Compensation plan assets [Member] | Significant unobservable inputs (Level 3)  
[Member] | Recurring [Member]

**Assets measured on a recurring and non-recurring basis:**

Fair Value of Investments, measured on recurring basis

**Business Segment  
Information (Details) (USD  
\$)  
In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29,  
2012      Feb. 28,  
2011      Feb. 28,  
2010**

**Total Revenue:**

Net \$ 1,695,144 \$ 1,597,894 \$ 1,640,851

**Segment Earnings (Loss) Before Tax:**

Segment Earnings (Loss) 97,815 156,007 120,954

**Depreciation and Intangible Assets Amortization**

Depreciation and intangible assets amortization 39,225 41,048 45,165

**Capital Expenditures**

Capital Expenditures 70,943 36,346 26,550

**Assets**

Assets 1,549,464 1,547,249

North American Social Expression Products [Member]

**Total Revenue:**

Net 1,228,548 1,196,809 1,245,211

Intersegment items (5,039)

Segment Revenue 1,228,548 1,196,809 1,240,172

**Segment Earnings (Loss) Before Tax:**

Segment Earnings (Loss) 149,655 194,199 217,244

Intersegments items (3,465)

Net 149,655 194,199 213,779

**Depreciation and Intangible Assets Amortization**

Depreciation and intangible assets amortization 29,382 30,065 32,515

**Capital Expenditures**

Capital Expenditures 49,452 28,880 22,152

**Assets**

Assets 1,032,326 961,045

International Social Expression Products [Member]

**Total Revenue:**

Net 347,866 261,712 254,032

**Segment Earnings (Loss) Before Tax:**

Segment Earnings (Loss) 20,276 19,572 16,846

**Depreciation and Intangible Assets Amortization**

Depreciation and intangible assets amortization 4,771 4,431 4,659

**Capital Expenditures**

Capital Expenditures 5,561 3,502 1,293

**Assets**

Assets 155,530 124,862

Retail Operations [Member]

**Total Revenue:**

Net 11,839

<b><u>Segment Earnings (Loss) Before Tax:</u></b>			
<u>Segment Earnings (Loss)</u>			(35,115)
<b><u>Depreciation and Intangible Assets Amortization</u></b>			
<u>Depreciation and intangible assets amortization</u>			413
<b><u>Capital Expenditures</u></b>			
<u>Capital Expenditures</u>			27
AG Interactive [Member]			
<b><u>Total Revenue:</u></b>			
<u>Net</u>	68,514	78,206	80,446
<b><u>Segment Earnings (Loss) Before Tax:</u></b>			
<u>Segment Earnings (Loss)</u>	13,942	13,991	11,419
<b><u>Depreciation and Intangible Assets Amortization</u></b>			
<u>Depreciation and intangible assets amortization</u>	2,622	4,143	5,122
<b><u>Capital Expenditures</u></b>			
<u>Capital Expenditures</u>	1,949	2,762	2,611
<b><u>Assets</u></b>			
<u>Assets</u>	10,799	18,039	
Non-reportable segments [Member]			
<b><u>Total Revenue:</u></b>			
<u>Net</u>	50,216	61,167	53,975
<b><u>Segment Earnings (Loss) Before Tax:</u></b>			
<u>Segment Earnings (Loss)</u>	17,034	9,477	7,634
<b><u>Depreciation and Intangible Assets Amortization</u></b>			
<u>Depreciation and intangible assets amortization</u>	1,661	1,701	1,820
<b><u>Capital Expenditures</u></b>			
<u>Capital Expenditures</u>	2,223	1,130	260
<b><u>Assets</u></b>			
<u>Assets</u>	36,251	39,204	
Unallocated [Member]			
<b><u>Total Revenue:</u></b>			
<u>Net</u>			387
<b><u>Segment Earnings (Loss) Before Tax:</u></b>			
<u>Segment Earnings (Loss)</u>	(103,092)	(81,232)	(93,609)
<b><u>Depreciation and Intangible Assets Amortization</u></b>			
<u>Depreciation and intangible assets amortization</u>	789	708	636
<b><u>Capital Expenditures</u></b>			
<u>Capital Expenditures</u>	11,758	72	207
<b><u>Assets</u></b>			
<u>Assets</u>	314,558	404,099	
Interest expense [Member]   Unallocated [Member]			
<b><u>Segment Earnings (Loss) Before Tax:</u></b>			
<u>Segment Earnings (Loss)</u>	(53,073)	(25,304)	(26,246)
Profit sharing expense [Member]   Unallocated [Member]			
<b><u>Segment Earnings (Loss) Before Tax:</u></b>			

<u>Segment Earnings (Loss)</u>	(9,401)	(9,759)	(9,338)
Stock-based compensation expense [Member]   Unallocated [Member]			
<b><u>Segment Earnings (Loss) Before Tax:</u></b>			
<u>Segment Earnings (Loss)</u>	(10,982)	(13,017)	(5,819)
Corporate overhead expense [Member]   Unallocated [Member]			
<b><u>Segment Earnings (Loss) Before Tax:</u></b>			
<u>Segment Earnings (Loss)</u>	\$ (29,636)	\$ (33,152)	\$ (52,206)

**Retirement and  
Postretirement Benefit Plans**

**(Details 8) (USD \$)**

**Feb. 29, 2012**

**In Thousands, unless  
otherwise specified**

Pension Plans [Member]

**Details of benefits expected to be paid out**

<u>2013</u>	\$ 11,024
<u>2014</u>	11,230
<u>2015</u>	11,315
<u>2016</u>	11,161
<u>2017</u>	11,496
<u>2018 - 2022</u>	57,264

Postretirement benefit plan [Member]

**Details of benefits expected to be paid out**

<u>2013</u>	5,325
<u>2013</u>	4,610
<u>2014</u>	5,370
<u>2014</u>	4,703
<u>2015</u>	5,454
<u>2015</u>	4,730
<u>2016</u>	5,547
<u>2016</u>	4,754
<u>2017</u>	5,584
<u>2017</u>	5,390
<u>2018 - 2022</u>	27,996
<u>2018 - 2022</u>	\$ 27,046



**Retirement and  
Postretirement Benefit Plans  
(Details 2)**

**12 Months Ended  
Feb. 29, 2012 Feb. 28, 2011**

U.S. Pension Plans [Member]

**Benefit obligations at measurement date**

Benefit obligations at measurement date 5.25%

**Net periodic benefit cost**

Net periodic benefit cost 5.25%

Expected long-term return on plan assets 7.00% 7.00%

Rate of compensation increase 6.50% 6.50%

U.S. Pension Plans [Member] | Minimum [Member]

**Benefit obligations at measurement date**

Benefit obligations at measurement date 4.00%

**Net periodic benefit cost**

Net periodic benefit cost 5.50%

U.S. Pension Plans [Member] | Maximum [Member]

**Benefit obligations at measurement date**

Benefit obligations at measurement date 4.25%

**Net periodic benefit cost**

Net periodic benefit cost 5.75%

United States Postretirement Benefit Plans of US Entity, Defined Benefit [Member]

**Benefit obligations at measurement date**

Benefit obligations at measurement date 4.00% 5.50%

**Net periodic benefit cost**

Net periodic benefit cost 5.50% 5.75%

Expected long-term return on plan assets 7.00% 7.00%

International Pension Plans [Member]

**Benefit obligations at measurement date**

Benefit obligations at measurement date 4.45% 5.15%

**Net periodic benefit cost**

Net periodic benefit cost 5.15% 5.50%

Expected long-term return on plan assets 5.50% 5.50%

Rate of compensation increase 3.00% 3.00%

Postretirement benefit plan [Member]

**Net periodic benefit cost**

Expected long-term return on plan assets 7.00%

**Health care cost trend rates**

For year following February 28 or 29 9.50% 10.00%

Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) 5.00% 5.00%

Year the rate reaches the ultimate trend rate 2021 2021

**Valuation and Qualifying  
Accounts**

**12 Months Ended  
Feb. 29, 2012**

[Valuation and Qualifying  
Accounts \[Abstract\]](#)

[VALUATION AND  
QUALIFYING ACCOUNTS](#)

**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS  
AMERICAN GREETINGS CORPORATION AND SUBSIDIARIES**

(In thousands of dollars)

<u>COLUMN A</u>	<u>COLUMN B</u>	<u>COLUMN C</u>		<u>COLUMN D</u>	<u>COLUMN E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>ADDITIONS</u>		<u>Deductions- Describe</u>	<u>Balance at End of Period</u>
		(1)	(2)		
		<u>Charged to Costs and Expenses</u>	<u>Charged (Credited) to Other Accounts-Describe</u>		
Year ended February 29, 2012:					
Deduction from asset account:					
Allowance for doubtful accounts	\$ 5,374	\$4,776	\$ 64 (A)	\$5,734 (B)	\$ 4,480
Allowance for seasonal sales returns	\$ 34,058	\$152,786	\$ (159) (A)	\$152,400 (C)	\$ 34,285
Allowance for other assets	\$ 10,700	\$603	\$ -	\$1,303 (D)	\$ 10,000
Year ended February 28, 2011:					
Deduction from asset account:					
Allowance for doubtful accounts	\$ 2,963	\$3,834	\$ (47) (A)	\$1,376 (B)	\$ 5,374
Allowance for	\$ 36,443	\$164,389	\$ 896 (A)	\$167,670 (C)	\$ 34,058

seasonal sales returns						
Allowance for other assets	<u>\$ 12,400</u>	<u>\$(455 )</u>	<u>\$ -</u>		<u>\$1,245 (D)</u>	<u>\$ 10,700</u>
Year ended February 28, 2010:						
Deduction from asset account:						
Allowance for doubtful accounts	<u>\$ 5,006</u>	<u>\$478</u>	<u>\$ 264</u>	<u>(A)</u>	<u>\$2,785 (B)</u>	<u>\$ 2,963</u>
Allowance for seasonal sales returns	<u>\$ 47,121</u>	<u>\$179,109</u>	<u>\$ 1,854</u>	<u>(A)</u>	<u>\$191,641 (C)</u>	<u>\$ 36,443</u>
Allowance for other assets	<u>\$ 30,897</u>	<u>\$(3,786 )</u>	<u>\$ -</u>		<u>\$14,711 (D)</u>	<u>\$ 12,400</u>

Note A: Translation adjustment on foreign subsidiary balances.

Note B: Accounts charged off, less recoveries.

Note C: Sales returns charged to the allowance account for actual returns.

Note D: Deferred contract costs charged to the allowance account.

	12 Months Ended			3 Months Ended	12 Months Ended	3 Months Ended	12 Months Ended	3 Months Ended	12 Months Ended	3 Months Ended	12 Months Ended	3 Months Ended	12 Months Ended
Other Income and Expense (Details) (USD \$) In Thousands, unless otherwise specified	Feb. 29, 2012	Feb. 28, 2011	Feb. 28, 2010	Aug. 28, 2009 Calendar product lines [Member]	Feb. 28, 2010 Calendar product lines [Member]	Nov. 27, 2009 Candy product lines [Member]	Feb. 28, 2010 Candy product lines [Member]	Feb. 28, 2009 Party goods product lines [Member]	Feb. 28, 2011 Party goods product lines [Member]	Feb. 28, 2010 Party goods product lines [Member]	May 29, 2009 Retail Stores [Member]	Feb. 28, 2010 Retail Stores [Member]	Feb. 29, 2012 AG Intellectual Properties [Member]

**Summary of other operating  
income and expenses**

Net gain on dispositions      \$ (4,500)    \$ (254)    \$ (6,507)    \$ (547)    \$ (547)    \$ (115)    \$ (115)    \$ (34,178)    \$ (254)    \$ (34,178)    \$ 28,333    \$ 28,333    \$ (4,500)

Reclassification of currency  
translation adjustment for  
amounts recognized in income  
(net of tax of \$0)

2,594      8,627

Miscellaneous

(3,238) (2,951) (2,430)

Other operating income - net

\$ (7,738)    \$ (3,205)    \$ (310)

**Business Segment  
Information (Tables)**

**12 Months Ended  
Feb. 29, 2012**

[Business Segment  
Information \[Abstract\]](#)  
[Business Segment Information](#)

	Total Revenue		
	2012	2011	2010
North American Social Expression			
Products	\$1,228,548	\$1,196,809	\$1,245,211
Intersegment items	—	—	(5,039)
Net	1,228,548	1,196,809	1,240,172
International Social Expression			
Products	347,866	261,712	254,032
Retail Operations	—	—	11,839
AG Interactive	68,514	78,206	80,446
Non-reportable segments	50,216	61,167	53,975
Unallocated	—	—	387
	<u>\$1,695,144</u>	<u>\$1,597,894</u>	<u>\$1,640,851</u>

	Segment Earnings (Loss) Before Tax		
	2012	2011	2010
North American Social Expression			
Products	\$149,655	\$194,199	\$ 217,244
Intersegment items	-	-	(3,465)
Net	149,655	194,199	213,779
International Social Expression Products	20,276	19,572	16,846
Retail Operations	-	-	(35,115)
AG Interactive	13,942	13,991	11,419
Non-reportable segments	17,034	9,477	7,634
Unallocated:			
Interest expense	(53,073)	(25,304)	(26,246)
Profit sharing expense	(9,401)	(9,759)	(9,338)
Stock-based compensation expense	(10,982)	(13,017)	(5,819)
Corporate overhead expense	(29,636)	(33,152)	(52,206)
	<u>(103,092)</u>	<u>(81,232)</u>	<u>(93,609)</u>
	<u>\$97,815</u>	<u>\$156,007</u>	<u>\$120,954</u>

	Depreciation and Intangible Assets Amortization			Capital Expenditures		
	2012	2011	2010	2012	2011	2010
North						
American						
Social						
Expression						
Products	\$29,382	\$30,065	\$32,515	\$49,452	\$28,880	\$22,152
International						
Social	4,771	4,431	4,659	5,561	3,502	1,293

Expression Products						
Retail Operations	-	-	413	-	-	27
AG Interactive	2,622	4,143	5,122	1,949	2,762	2,611
Non-reportable segments	1,661	1,701	1,820	2,223	1,130	260
Unallocated	789	708	636	11,758	72	207
	<u>\$39,225</u>	<u>\$41,048</u>	<u>\$45,165</u>	<u>\$70,943</u>	<u>\$36,346</u>	<u>\$26,550</u>

	Assets	
	2012	2011
North American Social Expression Products	\$1,032,326	\$961,045
International Social Expression Products	155,530	124,862
AG Interactive	10,799	18,039
Non-reportable segments	36,251	39,204
Unallocated and intersegment items	314,558	404,099
	<u>\$1,549,464</u>	<u>\$1,547,249</u>

### Geographical Information

	Total Revenue			Fixed Assets - Net	
	2012	2011	2010	2012	2011
United States	\$1,214,715	\$1,207,072	\$1,267,837	\$252,945	\$218,354
United Kingdom	296,472	216,309	209,059	21,136	21,099
Other international	183,957	174,513	163,955	3,516	2,196
	<u>\$1,695,144</u>	<u>\$1,597,894</u>	<u>\$1,640,851</u>	<u>\$277,597</u>	<u>\$241,649</u>

### Product Information

	Total Revenue		
	2012	2011	2010
Everyday greeting cards	\$832,454	\$755,799	\$767,062
Seasonal greeting cards	411,605	377,831	369,325
Gift packaging	241,641	223,093	221,489
Other revenue	31,863	32,355	37,566
All other products	177,581	208,816	245,409
	<u>\$1,695,144</u>	<u>\$1,597,894</u>	<u>\$1,640,851</u>

### Severance charges by segment

	2012	2011	2010
North American Social Expression Products	\$4,610	\$4,737	\$8,517
International Social Expression Products	162	773	263
Retail Operations	-	-	618
AG Interactive	381	900	802
Non-reportable	94	37	232
Unallocated	-	497	382
Total	<u>\$5,247</u>	<u>\$6,944</u>	<u>\$10,814</u>

**Retirement and  
Postretirement Benefit Plans  
(Details 6)**

**12 Months  
Ended  
Feb. 29, 2012**

**Feb. 28,  
2011**

U.S. Pension Plans [Member]

**Summary of assets of plans held in trust**

<u>Defined Benefit Plan, Equity Securities</u>	51.00%	51.00%
<u>Defined Benefit Plan, Debt Securities</u>	48.00%	48.00%
<u>Defined Benefit Plan, Cash and Cash Equivalents</u>	1.00%	1.00%

United States Postretirement Benefit Plans of US Entity, Defined Benefit  
[Member]

**Summary of assets of plans held in trust**

<u>Defined Benefit Plan, Equity Securities</u>	30.00%	43.00%
<u>Defined Benefit Plan, Debt Securities</u>	69.00%	54.00%
<u>Defined Benefit Plan, Cash and Cash Equivalents</u>	1.00%	3.00%
<u>Equity securities, minimum</u>	15.00%	
<u>Equity securities, maximum</u>	30.00%	
<u>Debt securities, minimum</u>	65.00%	
<u>Debt securities, maximum</u>	85.00%	
<u>Cash and cash equivalents, minimum</u>	0.00%	
<u>Cash and cash equivalents, maximum</u>	15.00%	

International Pension Plans [Member]

**Summary of assets of plans held in trust**

<u>Defined Benefit Plan, Equity Securities</u>	31.00%	31.00%
<u>Defined Benefit Plan, Debt Securities</u>	64.00%	67.00%
<u>Defined Benefit Plan, Cash and Cash Equivalents</u>	5.00%	2.00%

**Income Taxes (Details 5)**  
**(USD \$)**

**In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

**Schedule of Company's total gross unrecognized benefits**

<u>Balance at beginning of year</u>	\$ 43,323	\$ 45,661	\$ 34,760
<u>Additions based on tax positions related to current year</u>	270	2,177	12,673
<u>Additions for tax positions of prior years</u>	5,404	1,239	4,656
<u>Reductions for tax positions of prior years</u>	(8,959)	(2,405)	(6,345)
<u>Settlements</u>	(9,444)	(2,972)	(83)
<u>Statute lapse</u>	(234)	(377)	0
<u>Balance at end of year</u>	\$ 30,360	\$ 43,323	\$ 45,661



**Debt (Tables)****12 Months Ended  
Feb. 29, 2012**[Debt \[Abstract\]](#)[Long-term debt and net of unamortized discounts](#)

	February 29, 2012	February 28, 2011
7.375% senior notes, due		
2021	\$ 225,000	\$ -
7.375% senior notes, due		
2016	-	213,077
7.375% notes, due 2016	-	19,430
6.10% senior notes, due		
2028	181	181
	<u>\$ 225,181</u>	<u>\$ 232,688</u>

[Aggregate maturities of long-term debt](#)

2013	\$-
2014	-
2015	-
2016	-
2017	-
Thereafter	225,181
	<u>\$225,181</u>

	12 Months Ended			3 Months Ended		12 Months Ended		3 Months Ended						12 Months Ended		3 Months Ended		12 Months Ended		3 Months Ended		
Other Income and Expense (Details Textual) (USD \$)	Feb. 29, 2012	Feb. 28, 2011	Feb. 28, 2010	Aug. 26, 2011	Feb. 28, 2011	Aug. 26, 2011	Aug. 27, 2010	Feb. 28, 2010	Feb. 28, 2010	Feb. 28, 2010	Aug. 28, 2009	Feb. 28, 2010	Nov. 27, 2009	Feb. 28, 2010	Nov. 25, 2011	Feb. 28, 2010	Feb. 28, 2009	Feb. 28, 2011	Feb. 28, 2010	May 29, 2009	Feb. 28, 2010	
In Thousands, unless otherwise specified	International	Social	Expression	AAH	Intellectual	AG	Mexico	Mexico	Other	Other	Calendar	Calendar	Candy	Candy	Party	Party	Party	Party	Party	Retail	Retail	
	Products	Products	Products	Holdings	Properties		Operations	Operations	Entity 1	Entity 2	product lines	product lines	product lines	product lines	product lines	product lines	product lines	product lines	product lines	Stores	Stores	
	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	[Member]	
Other Income and Expense (Textual) [Abstract]																						
Proceeds received from sales of business and productive assets											\$ 3,063		\$ 1,650									
Gain (loss) on disposition	4,500	254	6,507		4,500						547	547	115	115				34,178	254	34,178	(28,333)	(28,333)
Proceeds from escrow related to party goods transaction																	24,880					
Reclassification of currency translation adjustment for amounts recognized in income (net of tax of \$0)	2,594		8,627					11,300	601	(3,274)												
Proceeds from sale of intellectual properties	4,500				4,500																	
Gain of disposition	461	3,463	(59)	500	2,819		1,000									393						
Miscellaneous, Dividend income					1,300																	
Proceeds from Sale of Property Held-for-sale			\$ 2,400	\$ 9,952			\$ 2,000								\$ 6,000							

**Debt (Details 1) (USD \$)****In Thousands, unless  
otherwise specified****Feb. 29, 2012****Aggregate maturities of long-term debt**20132014201520162017Thereafter

225,181

Long-term Debt, Total

\$ 225,181

**Goodwill and Other  
Intangible Assets (Details 1)**

**(USD \$)**

**Feb. 29, 2012 Feb. 28, 2011**

**In Thousands, unless  
otherwise specified**

**Intangible assets with indefinite useful lives:**

Indefinite intangible assets, Gross carrying amount \$ 6,200 \$ 6,200

Indefinite intangible assets, Accumulated Amortization

Indefinite intangible assets, Net carrying amount 6,200 6,200

**Intangible assets with finite useful lives:**

Finite intangible assets, Gross carrying amount 80,221 78,219

Intangible assets, net of accumulated amortization (46,142) (41,370)

Finite intangible assets, Net carrying amount 34,079 36,849

Intangible assets, Gross carrying amount 86,421 84,419

Intangible assets, Total 40,279 43,049

Patents [Member]

**Intangible assets with finite useful lives:**

Finite intangible assets, Gross carrying amount 4,953 4,616

Intangible assets, net of accumulated amortization (3,730) (3,558)

Finite intangible assets, Net carrying amount 1,223 1,058

Trademarks [Member]

**Intangible assets with finite useful lives:**

Finite intangible assets, Gross carrying amount 11,702 10,901

Intangible assets, net of accumulated amortization (9,789) (9,097)

Finite intangible assets, Net carrying amount 1,913 1,804

Artist relationships [Member]

**Intangible assets with finite useful lives:**

Finite intangible assets, Gross carrying amount 19,230 19,230

Intangible assets, net of accumulated amortization (4,824) (3,201)

Finite intangible assets, Net carrying amount 14,406 16,029

Customer relationships [Member]

**Intangible assets with finite useful lives:**

Finite intangible assets, Gross carrying amount 25,262 24,886

Intangible assets, net of accumulated amortization (12,671) (11,672)

Finite intangible assets, Net carrying amount 12,591 13,214

Other [Member]

**Intangible assets with finite useful lives:**

Finite intangible assets, Gross carrying amount 19,074 18,586

Intangible assets, net of accumulated amortization (15,128) (13,842)

Finite intangible assets, Net carrying amount 3,946 4,744

Trade names [Member]

**Intangible assets with indefinite useful lives:**

Indefinite intangible assets, Gross carrying amount 6,200 6,200

Indefinite intangible assets, Accumulated Amortization

<u>Indefinite intangible assets, Net carrying amount</u>	\$ 6,200	\$ 6,200
--	----------	----------

**Acquisitions and  
Dispositions (Details 1) (USD  
\$)  
In Millions, unless otherwise  
specified**

**12 Months Ended**

**Feb. 28, 2010**

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses \$ 29.0

Party Goods Transaction [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses (18.4)

Mexico Shutdown [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses 18.2

Retail Disposition [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses 29.2

Net sales [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses 0.7

Net sales [Member] | Mexico Shutdown [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses 0.7

Material, labor and other production costs [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses 21.0

Material, labor and other production costs [Member] | Party Goods Transaction [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses 15.6

Material, labor and other production costs [Member] | Mexico Shutdown [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses 4.4

Material, labor and other production costs [Member] | Retail Disposition [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses 1.0

Selling, distribution and marketing expenses [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses 1.2

Selling, distribution and marketing expenses [Member] | Party Goods Transaction [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses 0.2

Selling, distribution and marketing expenses [Member] | Mexico Shutdown [Member]

**Summary of significant gains, losses and expenses**

Net gains, losses and expenses 1.0

Administrative and general expenses [Member]

<b><u>Summary of significant gains, losses and expenses</u></b>	
<u>Net gains, losses and expenses</u>	0.6
Administrative and general expenses [Member]   Mexico Shutdown [Member]	
<b><u>Summary of significant gains, losses and expenses</u></b>	
<u>Net gains, losses and expenses</u>	0.6
Other operating (income) expense net [Member]	
<b><u>Summary of significant gains, losses and expenses</u></b>	
<u>Net gains, losses and expenses</u>	5.5
Other operating (income) expense net [Member]   Party Goods Transaction [Member]	
<b><u>Summary of significant gains, losses and expenses</u></b>	
<u>Net gains, losses and expenses</u>	(34.2)
Other operating (income) expense net [Member]   Mexico Shutdown [Member]	
<b><u>Summary of significant gains, losses and expenses</u></b>	
<u>Net gains, losses and expenses</u>	11.5
Other operating (income) expense net [Member]   Retail Disposition [Member]	
<b><u>Summary of significant gains, losses and expenses</u></b>	
<u>Net gains, losses and expenses</u>	\$ 28.2

**Acquisitions and  
Dispositions**

**12 Months Ended  
Feb. 29, 2012**

**Acquisitions and  
Dispositions [Abstract]  
ACQUISITIONS AND  
DISPOSITIONS**

**NOTE 2 – ACQUISITIONS AND DISPOSITIONS**

*Watermark Acquisition*

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 was 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 for approximately \$17,069 in cash. Cash paid for Watermark, net of cash acquired, was approximately \$5,899 and is reflected in investing activities on the Consolidated Statement of Cash Flows.

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	\$17.1
Cash acquired	(11.2)
	<u>\$5.9</u>
Allocation (in millions):	
Current assets	\$11.4
Property, plant and equipment	0.4
Intangible assets	1.5
Goodwill	1.0
Liabilities assumed	(8.4)
	<u>\$5.9</u>

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. The Watermark business is included in the Corporation's International Social Expression Products segment.

*Papyrus Brand & Wholesale Business Acquisition / Retail Operations Disposition*

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 a variety of brands, including 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 the Liquidity Guaranty and the Bridge Guaranty in favor of the lenders under Schurman's Senior Credit Facility. 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 Topic 805, "Business Combinations," is included in "Cash payments for business acquisitions, net of cash acquired" on the Consolidated Statement of Cash Flows.

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)
	<u>\$20.0</u>
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)
	<u>\$20.0</u>

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 distributed and merchandised greeting cards, gift wrap and related products for retail customers throughout Mexico. 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 shutdown costs. Additionally, during 2010, in accordance with ASC Topic 830 ("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 in the North American Social Expression Products segment 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 agreed that it would no longer manufacture party goods, but agreed to 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. The facility was sold in October 2011. See Note 3 for further information.

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. The Corporation purchased party goods of \$5,531 and \$6,435 during 2012 and 2011, respectively, 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 with respect to its warrant totaling \$6,963, which was in part a return of capital that reduced the investment by \$5,663 from \$16,274 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 sells both Designware and Amscan branded party goods. The Corporation purchases its party goods products from Amscan and continues to distribute party goods to various channels, including to its mass merchandise, drug, grocery and specialty retail customers. In this relationship, Amscan has 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
	<u>\$ (18.4)</u>	<u>\$ 18.2</u>	<u>\$ 29.2</u>	<u>\$29.0</u>

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
	<u>\$29.0</u>

Goodwill and Other Intangible Assets (Details Textual) (USD \$) In Thousands, unless otherwise specified	12 Months Ended				Feb. 29, 2012 North American Social Expression Products [Member]	Feb. 28, 2011 North American Social Expression Products [Member]	Feb. 29, 2012 International Social Expression Products [Member]	Feb. 24, 2009 Recycled Paper Greetings [Member]
	Feb. 29, 2012	Feb. 28, 2011	Feb. 28, 2010					
<a href="#">Goodwill [Line Items]</a>								
<a href="#">First component of tax-deductible goodwill</a>								\$ 28,170
<a href="#">Second component of tax-deductible goodwill</a>								89,806
<a href="#">Impairment charges for continuing operations</a>	27,154				21,254		5,900	
<a href="#">Adjustment related to income taxes</a>	(2,711)	(2,509)			(2,711)	(2,509)		
<a href="#">Goodwill and Other Intangible Assets (Textual) [Abstract]</a>								
<a href="#">Intangible assets, net of accumulated amortization</a>	40,279	43,049						
<a href="#">Impairment charges</a>	0	0						
<a href="#">Amortization expense for intangible assets</a>	5,015	4,583	5,533					
<a href="#">Estimated annual amortization expense for 2013</a>	4,999							
<a href="#">Estimated annual amortization expense for 2014</a>	4,335							
<a href="#">Estimated annual amortization expense for 2015</a>	3,462							
<a href="#">Estimated annual amortization expense for 2016</a>	3,186							
<a href="#">Estimated annual amortization expense for 2017</a>	\$ 2,695							

**Income Taxes (Tables)****12 Months Ended  
Feb. 29, 2012****[Income Taxes \[Abstract\]](#)****[Income from continuing operations before income taxes](#)**

	2012	2011	2010
United States	\$73,811	\$135,859	\$129,115
International	24,004	20,148	(8,161)
	<u>\$97,815</u>	<u>\$156,007</u>	<u>\$120,954</u>

**[Income tax expense from the Corporation's continuing operations](#)**

	2012	2011	2010
Current:			
Federal	\$6,793	\$23,263	\$7,730
International	8,767	8,980	2,079
State and local	9,666	8,104	4,303
	<u>25,226</u>	<u>40,347</u>	<u>14,112</u>
Deferred	15,391	28,642	25,268
	<u>\$40,617</u>	<u>\$68,989</u>	<u>\$39,380</u>

**[Reconciliation of the Corporation's income tax expense from continuing operations](#)**

	2012	2011	2010
Income tax expense at statutory rate	\$34,235	\$54,602	\$42,334
State and local income taxes, net of federal tax benefit	3,870	5,568	1,431
Corporate-owned life insurance	(726)	(1,909)	(4,688)
International items, net of foreign tax credits	135	697	(2,490)
Worthless stock deduction on international subsidiary	-	(53)	(6,043)
Exchange loss of international liquidation	-	-	2,562
Accruals and settlements	4,031	8,866	6,313
Other	(928)	1,218	(39)
Income tax at effective tax rate	<u>\$40,617</u>	<u>\$68,989</u>	<u>\$39,380</u>

## Significant components of deferred tax assets and liabilities

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Deferred tax assets:		
Employee benefit and incentive plans	\$ 62,205	\$ 54,186
Goodwill and other intangible assets	56,720	50,371
Net operating loss carryforwards	26,260	29,850
Foreign tax credit carryforward	25,957	26,638
Reserves not currently deductible	27,631	31,923
Accrued expenses deductible as paid	9,778	10,082
Deferred revenue	6,501	13,327
Deferred capital loss	8,215	8,490
Charitable contributions carryforward	367	1,271
Inventory costing	2,194	-
Other (each less than 5 percent of total assets)	12,514	7,812
	<u>238,342</u>	<u>233,950</u>
Valuation allowance	<u>(20,670 )</u>	<u>(24,042 )</u>
Total deferred tax assets	<u>217,672</u>	<u>209,908</u>
Deferred tax liabilities:		
Property, plant and equipment	37,640	21,654
Inventory costing	-	2,453
Other	<u>2,440</u>	<u>3,404</u>
Total deferred tax liabilities	<u>40,080</u>	<u>27,511</u>
Net deferred tax assets	<u>\$ 177,592</u>	<u>\$ 182,397</u>

## Net deferred tax assets

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Deferred and refundable income taxes (current)	\$ 57,450	\$ 61,475
Deferred and refundable income taxes (noncurrent)	121,056	121,806
Deferred income taxes and noncurrent income taxes payable	<u>(914 )</u>	<u>(884 )</u>
Net deferred tax assets	<u>\$ 177,592</u>	<u>\$ 182,397</u>

Company's total gross unrecognized benefits

	2012	2011	2010
Balance at beginning of year	\$43,323	\$45,661	\$34,760
Additions based on tax positions related to current year	270	2,177	12,673
Additions for tax positions of prior years	5,404	1,239	4,656
Reductions for tax positions of prior years	(8,959)	(2,405)	(6,345)
Settlements	(9,444)	(2,972)	(83)
Statute lapse	(234)	(377)	-
Balance at end of year	<u>\$30,360</u>	<u>\$43,323</u>	<u>\$45,661</u>

**Other Income and Expense  
(Tables)**

**12 Months Ended  
Feb. 29, 2012**

**Other Income and Expense  
[Abstract]**

**Other operating income and  
expenses**

	2012	2011	2010
Gain on sale of intellectual properties	\$(4,500)	\$—	\$—
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	(3,238)	(2,951)	(2,430)
Other operating income – net	<u>\$(7,738)</u>	<u>\$(3,205)</u>	<u>\$(310)</u>

**Other non-operating income and  
expenses**

	2012	2011	2010
Foreign exchange loss (gain)	\$ 1,314	\$ 224	\$ (4,746 )
Rental income	(1,217 )	(1,232 )	(1,194 )
(Gain) loss on asset disposal	(461 )	(3,463 )	59
Miscellaneous	23	(1,370 )	(607 )
Other non-operating income – net	<u>\$ (341 )</u>	<u>\$ (5,841 )</u>	<u>\$ (6,488 )</u>



**Acquisitions and  
Dispositions (Tables)**

[Acquisitions and Dispositions \[Abstract\]  
Purchase Price Allocation](#)

**12 Months Ended  
Feb. 29, 2012**

Purchase price (in millions):	
Cash paid	\$17.1
Cash acquired	(11.2)
	<u>\$5.9</u>
Allocation (in millions):	
Current assets	\$11.4
Property, plant and equipment	0.4
Intangible assets	1.5
Goodwill	1.0
Liabilities assumed	(8.4)
	<u>\$5.9</u>

Purchase price (in millions):	
Cash paid	\$20.0
Fair value of Retail Operations	6.0
Cash acquired	(6.0)
	<u>\$20.0</u>
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)
	<u>\$20.0</u>

[Summary of significant gains, losses and  
expenses related to dispositions in 2010](#)

(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

Summary of significant gains, losses and expenses related to dispositions by reportable segments in 2010

Other operating				
(income)				
expense – net	(34.2)	11.5	28.2	5.5
	<u>\$ (18.4)</u>	<u>\$ 18.2</u>	<u>\$ 29.2</u>	<u>\$29.0</u>

(In millions)

North American Social Expression Products	\$(0.2)
Retail Operations	29.2
	<u>\$29.0</u>

<b>Customer Allowances and Discounts (Details) (USD \$) In Thousands, unless otherwise specified</b>	<b>Feb. 29, 2012</b>	<b>Feb. 28, 2011</b>	<b>Feb. 28, 2010</b>	<b>Feb. 28, 2009</b>
<b><u>Allowances and discounts on trade accounts receivable</u></b>				
<u>Allowances and discounts on trade accounts receivables</u>	\$ 104,068	\$ 98,247		
<b><u>Customer Allowances and Discounts (Textual)</u></b>				
<b><u>[Abstract]</u></b>				
<u>Trade allowances and discounts settled in cash</u>	13,698	11,913		
Allowance for Seasonal Sales Returns [Member]				
<b><u>Allowances and discounts on trade accounts receivable</u></b>				
<u>Allowances and discounts on trade accounts receivables</u>	34,285	34,058	36,443	47,121
Allowance for outdated products [Member]				
<b><u>Allowances and discounts on trade accounts receivable</u></b>				
<u>Allowances and discounts on trade accounts receivables</u>	10,976	8,264		
Allowance for doubtful accounts [Member]				
<b><u>Allowances and discounts on trade accounts receivable</u></b>				
<u>Allowances and discounts on trade accounts receivables</u>	4,480	5,374	2,963	5,006
Allowance for marketing funds [Member]				
<b><u>Allowances and discounts on trade accounts receivable</u></b>				
<u>Allowances and discounts on trade accounts receivables</u>	26,679	25,631		
Allowance for rebates [Member]				
<b><u>Allowances and discounts on trade accounts receivable</u></b>				
<u>Allowances and discounts on trade accounts receivables</u>	\$ 27,648	\$ 24,920		

**Significant Accounting  
Policies (Details) (USD \$)**  
In Thousands, unless  
otherwise specified

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

**Royalty revenue and related royalty expense**

<u>Royalty revenue</u>	\$ 31,360	\$ 32,016	\$ 37,531
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**Royalty expenses:**

<u>Material, labor and other production costs</u>	741,645	682,368	713,075
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<u>Selling, distribution and marketing expenses</u>	533,827	483,553	512,954
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<u>Administrative and general expenses</u>	250,691	260,476	276,031
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AG Intellectual Properties [Member]

**Royalty expenses:**

<u>Material, labor and other production costs</u>	13,516	11,806	9,410
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<u>Selling, distribution and marketing expenses</u>	11,368	14,046	17,970
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<u>Administrative and general expenses</u>	1,748	1,697	2,050
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<u>Expenses associated with royalty revenue</u>	\$ 26,632	\$ 27,549	\$ 29,430
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# Earnings Per Share (Tables)

**12 Months Ended  
Feb. 29, 2012**

## Earnings Per Share [Abstract]

### Computation of earnings per share and earnings per share-assuming dilution

	2012	2011	2010
Numerator			
(thousands):			
Net income	\$ 57,198	\$ 87,018	\$ 81,574
Denominator			
(thousands):			
Weighted average			
shares			
outstanding	39,625	39,983	39,468
Effect of dilutive			
securities:			
Share-based			
payment			
awards	663	1,262	692
Weighted average			
shares			
outstanding –			
assuming			
dilution	40,288	41,245	40,160
Earnings per share	\$ 1.44	\$ 2.18	\$ 2.07
Earnings per share –			
assuming dilution	\$ 1.42	\$ 2.11	\$ 2.03

**Accumulated Other  
Comprehensive Income  
(Loss) (Tables)**

**12 Months Ended  
Feb. 29, 2012**

[Accumulated Other Comprehensive Income  
\(Loss\) \[Abstract\]](#)

[Accumulated other comprehensive income  
\(loss\)](#)

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Foreign currency translation adjustments	\$ 23,609	\$ 26,021
Pension and postretirement benefits adjustments, net of tax (See Note 12)	(35,443 )	(28,369 )
Unrealized investment gain, net of tax	4	2
	<u>\$ (11,830 )</u>	<u>\$ (2,346 )</u>

## Significant Accounting Policies

12 Months Ended  
Feb. 29, 2012

[Significant Accounting Policies \[Abstract\]](#)

[SIGNIFICANT ACCOUNTING POLICIES](#)

### 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, 2012 refers to the year ended February 29, 2012.

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 (“ASC 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 810. Schurman owns and operates 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 29, 2012 includes:

- the investment in the equity of Schurman of \$1,935;
- the limited guaranty (“Liquidity Guaranty”) of Schurman’s indebtedness of \$12,000;
- normal course of business trade accounts receivable due from Schurman of \$13,406, 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 \$22,143 and \$35,985 as of February 29, 2012 and February 28, 2011, respectively; and
- the subordinated credit facility (the “Subordinated Credit Facility”) that provides Schurman with up to \$10,000 of subordinated financing.

The Corporation provides Schurman limited credit support through the provision of a Liquidity Guaranty in favor of the lenders under Schurman’s senior revolving credit facility (the “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. The Corporation’s obligations under the Liquidity 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 29, 2012 requiring the use of the Liquidity Guaranty.

The Subordinated Credit Facility that the Corporation provides to Schurman had an initial term of nineteen months expiring on November 17, 2010, however, unless either party provides the appropriate written notice prior to the expiration of the applicable term, the facility automatically renews for periods of one year, except in the case of the last renewal, in which case the facility can only renew for the partial year ending on the facility's expiration date of June 25, 2013. 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 Schurman's Senior Credit Facility and the Subordinated Credit Facility includes affirmative and negative non-financial covenants and events of default customary for such financings. As of February 29, 2012, the facility was in its second annual renewal and Schurman had not borrowed under the Subordinated Credit Facility.

The April 2009 transaction with Schurman also included a \$12,000 bridge guaranty ("Bridge Guaranty") in favor of the lenders under the Senior Credit Facility, which remained in effect until Schurman was able to include inventory and other assets of the retail stores it acquired from the Corporation in its borrowing base. On April 1, 2011, the Bridge Guaranty was terminated.

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 2012 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 2012 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, 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.

**Concentration of Credit Risks:** The Corporation sells primarily to customers in the retail trade, primarily those in mass merchandising, which is comprised of three distinct channels: mass merchandisers (including discount retailers), chain drug stores and supermarkets. In addition, the Corporation sells its products through a variety of other distribution channels, including card and gift shops, department stores, military post exchanges, variety stores and combo stores (stores combining food, general merchandise and drug items). The Corporation also sells greeting cards through its Cardstore.com Web site, and, from time to time, the Corporation sells its products to independent, third-party distributors. These customers are located throughout the United States, Canada, the United Kingdom, Australia and New Zealand. Net sales to the Corporation's five largest customers accounted for approximately 42% of total revenue in 2012 and 2011 and 39% of total revenue in 2010. Net sales to Wal-Mart Stores, Inc. and its subsidiaries accounted for approximately 14%, 15% and 14% of total revenue in 2012, 2011 and 2010, respectively. Net sales to Target Corporation accounted for approximately 14% of total revenue in 2012 and 2011 and 13% of total revenue in 2010.

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 29, 2012 and February 28, 2011, 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 \$5,985, \$4,736 and \$4,360 in 2012, 2011 and 2010, respectively, with no significant amounts related to changes in ultimate revenue estimates during these periods. These production costs are included in "Material, labor and other production costs" on the Consolidated Statement of Operations. Amortization of production costs totaling \$3,646, \$3,380 and \$2,209 in 2012, 2011 and 2010, respectively, are included in "Other—net" within "Operating Activities" on the Consolidated Statement of Cash Flows. The balance of deferred film production costs was \$8,405 and \$9,246 at February 29, 2012 and February 28, 2011, respectively, and is included in "Other assets" on the Consolidated Statement of Financial Position. The Corporation expects to recognize amortization of approximately \$2,700 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 \$23,849 and \$21,760 as of February 29, 2012 and February 28, 2011, 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 \$11,209, \$12,122 and \$12,207 in 2012, 2011 and 2010, 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 10 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 Notes 8 and 14 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, which generally occurs upon delivery.

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.” Revenues and expenses associated with the servicing of these agreements are summarized as follows:

	2012	2011	2010
Royalty revenue	\$31,360	\$32,016	\$37,531
Royalty expenses:			
Material, labor and other production costs	13,516	11,806	9,410
Selling, distribution and marketing expenses	11,368	14,046	17,970
Administrative and general expenses	1,748	1,697	2,050
	<u>\$26,632</u>	<u>\$27,549</u>	<u>\$29,430</u>

**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 \$134,204, \$119,391 and \$119,989 in 2012, 2011 and 2010, respectively.

**Advertising Expenses:** Advertising costs are expensed as incurred. Advertising expenses were \$25,718, \$12,079 and \$12,559 in 2012, 2011 and 2010, 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 January 2010, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2010-06 (“ASU 2010-06”), “Improving Disclosures about Fair Value Measurements.” ASU 2010-06 provides amendments to ASC Topic 820, “Fair Value Measurements and Disclosures,” that require separate disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements in addition to the presentation of purchases, sales, issuances and settlements for Level 3 fair value measurements. ASU 2010-06 also provides amendments to subtopic 820-10 that clarify existing disclosures about the level of disaggregation, and inputs and valuation techniques. The new disclosure requirements are effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements of Level 3 fair value measurements, which become effective for interim and annual periods beginning after December 15, 2010. The Corporation’s adoption of this standard did not have a material effect on its financial statements.

In May 2011, the FASB issued ASU No. 2011-04 (“ASU 2011-04”), “Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” ASU 2011-04 improves comparability of fair value measurements presented and disclosed in financial statements prepared with U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements including (1) the application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity’s shareholders’ equity, and (3) quantitative information required for fair value measurements categorized within Level 3. ASU 2011-04 also provides guidance on measuring the fair value of financial instruments managed within a portfolio and application of premiums and discounts in a fair value measurement. In addition, ASU 2011-04 requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The amendments in this guidance are to be applied prospectively, and are effective for interim and annual periods beginning after December 15, 2011. The Corporation does not expect that the adoption of this standard will have a material effect on its financial statements.

In June 2011, the FASB issued ASU No. 2011-05 (“ASU 2011-05”), “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in shareholders’ equity and requires the presentation of components of net income and other comprehensive income either in a single continuous statement or in two separate but consecutive statements. In addition, ASU 2011-05 requires presentation of reclassification adjustments for each component of accumulated other comprehensive income in both the statement in which net income is presented and the statement in which other comprehensive income is presented. In January 2012, the FASB issued ASU No. 2011-12 (“ASU 2011-12”), “Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05.” ASU 2011-12 defers the effective date of the requirements made in ASU 2011-05 pertaining to presentation of reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. ASU 2011-12 reinstates the previous requirements to present reclassification adjustments either on the face of the statement in which other comprehensive income is reported or to disclose them in the notes to the financial statements. The other requirements in ASU 2011-05 are not affected by ASU 2011-12. ASU 2011-05 and ASU 2011-12 are effective for interim and annual periods beginning after December 15, 2011. The Corporation does not expect that the adoption of these standards will have a material impact on

its results of operations or financial condition, but it will affect how the Corporation presents its other comprehensive income.

In September 2011, the FASB issued ASU No. 2011-08 (“ASU 2011-08”), “Testing Goodwill for Impairment.” ASU 2011-08 gives entities the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Only if an entity determines, on the basis of qualitative factors, that it is more likely than not that the fair value of a reporting entity is less than its carrying amount, would it be required to then perform the first step of the two-step quantitative impairment test. Otherwise, the two-step quantitative impairment testing is not required. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Corporation does not expect that the adoption of this standard will have a material effect on its financial statements.

In September 2011, the FASB issued ASU No. 2011-09 (“ASU 2011-09”), “Disclosures about an Employer’s Participation in a Multiemployer Plan.” ASU 2011-09 requires an employer who participates in multiemployer pension plans to provide additional disclosures to help financial statement users to better understand the plans in which an employer participates, the level of the employer’s participation in those plans and the financial health of those plans. ASU 2011-09 is effective for fiscal years ending after December 15, 2011, with early adoption permitted. Since ASU 2011-09 does not change the existing recognition and measurement guidance for an employer’s participation in a multiemployer plan, the Corporation’s adoption of this standard during the fourth quarter of 2012 did not impact its financial statements.

**Customer Allowances and  
Discounts (Tables)**

**12 Months Ended  
Feb. 29, 2012**

[Customer Allowances and Discounts \[Abstract\]](#)  
[Allowances and discounts on trade accounts  
receivable](#)

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Allowance for seasonal sales returns	\$ 34,285	\$ 34,058
Allowance for outdated products	10,976	8,264
Allowance for doubtful accounts	4,480	5,374
Allowance for marketing funds	26,679	25,631
Allowance for rebates	27,648	24,920
	<u>\$ 104,068</u>	<u>\$ 98,247</u>



**Common Shares and Stock  
Based Compensation  
(Details) (USD \$)  
In Thousands, except Share  
data, unless otherwise  
specified**

**12 Months Ended**

**Feb. 29, 2012**

**Stock option transactions and prices**

Granted, Shares

Common shares - Class A [Member]

**Stock option transactions and prices**

<u>Stock option outstanding at beginning, Shares</u>	4,526,821
<u>Stock option outstanding weighted average Exercise price, Beginning</u>	20.12
<u>Stock option outstanding, weighted-average remaining contractual term, Beginning Balance</u>	6.0
<u>Stock option outstanding, aggregate intrinsic value, Beginning Balance</u>	14,278
<u>Granted, Shares</u>	
<u>Granted, Weighted- Average Exercise Price</u>	
<u>Exercised, Shares</u>	(682,297)
<u>Exercised, Weighted- Average Exercise Price</u>	23.25
<u>Expired, Shares</u>	(32,391)
<u>Expired, Weighted Average Exercise Price</u>	20.67
<u>Forfeited, Shares</u>	(214,706)
<u>Forfeited, Weighted- Average Exercise Price</u>	24.72
<u>Stock option outstanding Ending, Shares</u>	3,597,427
<u>Stock option outstanding weighted average Exercise price, Ending</u>	20.96
<u>Stock option outstanding, weighted-average remaining contractual term, Ending Balance</u>	5.2
<u>Stock option outstanding, aggregate intrinsic value, Ending Balance</u>	3,375
<u>Exercisable, Shares</u>	3,339,219
<u>Exercisable, weighted- average exercise price</u>	20.69
<u>Exercisable, weighted-average remaining contractual term (in years)</u>	5.2
<u>Exercisable, aggregate intrinsic value</u>	3,375

Common shares - Class B [Member]

**Stock option transactions and prices**

<u>Stock option outstanding at beginning, Shares</u>	1,166,395
<u>Stock option outstanding weighted average Exercise price, Beginning</u>	19.96
<u>Stock option outstanding, weighted-average remaining contractual term, Beginning Balance</u>	5.7
<u>Stock option outstanding, aggregate intrinsic value, Beginning Balance</u>	2,578
<u>Granted, Shares</u>	
<u>Granted, Weighted- Average Exercise Price</u>	
<u>Exercised, Shares</u>	(245,250)
<u>Exercised, Weighted- Average Exercise Price</u>	24.60
<u>Expired, Shares</u>	(63,564)
<u>Expired, Weighted Average Exercise Price</u>	22.26
<u>Forfeited, Shares</u>	
<u>Forfeited, Weighted- Average Exercise Price</u>	



<u>Stock option outstanding Ending, Shares</u>	857,581
<u>Stock option outstanding weighted average Exercise price, Ending</u>	23.06
<u>Stock option outstanding, weighted-average remaining contractual term, Ending Balance</u>	4.7
<u>Stock option outstanding, aggregate intrinsic value, Ending Balance</u>	420
<u>Exercisable, Shares</u>	722,415
<u>Exercisable, weighted- average exercise price</u>	24.11
<u>Exercisable, weighted-average remaining contractual term (in years)</u>	4.5
<u>Exercisable, aggregate intrinsic value</u>	

**Fair Value Measurements  
(Tables)**

**12 Months Ended  
Feb. 29, 2012**

[Fair Value Measurements \[Abstract\]](#)

[Assets and liabilities measured at fair value as of the measurement date](#)

	Balance as of February 29, 2012	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:				
Deferred compensation plan assets(1)	\$9,198	\$ 9,198	\$ -	\$ -
	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	\$ -

**Earnings Per Share (Details)**  
**(USD \$)**

**In Thousands, except Share  
data, unless otherwise  
specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

**Numerator:**

<u>Net income</u>	\$ 57,198	\$ 87,018	\$ 81,574
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**Denominator:**

<u>Weighted average shares outstanding</u>	39,624,694	39,982,784	39,467,811
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**Effect of dilutive securities:**

<u>Share-based payment awards</u>	663,000	1,262,000	692,000
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<u>Weighted average shares outstanding - assuming dilution</u>	40,288,189	41,244,903	40,159,651
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<u>Earnings per share - basic</u>	\$ 1.44	\$ 2.18	\$ 2.07
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<u>Earnings per share - assuming dilution</u>	\$ 1.42	\$ 2.11	\$ 2.03
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**Retirement and  
Postretirement Benefit Plans  
(Details 3) (USD \$)  
In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011**

**Effect of one percentage point change in assumed health care cost trend rates**

<u>1% increase on service cost plus interest cost</u>	\$ 210	\$ 915
<u>1% increase on accumulated postretirement benefit obligation</u>	3,854	7,571
<u>1% decrease on service cost plus interest cost</u>	(184)	(739)
<u>1% decrease on accumulated postretirement benefit obligation</u>	\$ (3,332)	\$ (6,030)

**Consolidated Statement of  
Operations (USD \$)  
In Thousands, except Share  
data, unless otherwise  
specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

**Consolidated Statement of Operations [Abstract]**

<u>Net sales</u>	\$ 1,663,281	\$ 1,565,539	\$ 1,603,285
<u>Other revenue</u>	31,863	32,355	37,566
<u>Total revenue</u>	1,695,144	1,597,894	1,640,851
<u>Material, labor and other production costs</u>	741,645	682,368	713,075
<u>Selling, distribution and marketing expenses</u>	533,827	483,553	512,954
<u>Administrative and general expenses</u>	250,691	260,476	276,031
<u>Goodwill impairment</u>	27,154		
<u>Other operating income - net</u>	(7,738)	(3,205)	(310)
<u>Operating income</u>	149,565	174,702	139,101
<u>Interest expense</u>	53,073	25,389	26,311
<u>Interest income</u>	(982)	(853)	(1,676)
<u>Other non-operating income - net</u>	(341)	(5,841)	(6,488)
<u>Income before income tax expense</u>	97,815	156,007	120,954
<u>Income tax expense</u>	40,617	68,989	39,380
<u>Net income</u>	\$ 57,198	\$ 87,018	\$ 81,574
<u>Earnings per share - basic</u>	\$ 1.44	\$ 2.18	\$ 2.07
<u>Earnings per share - assuming dilution</u>	\$ 1.42	\$ 2.11	\$ 2.03
<u>Average number of shares outstanding</u>	39,624,694	39,982,784	39,467,811
<u>Average number of shares outstanding - assuming dilution</u>	40,288,189	41,244,903	40,159,651
<u>Dividends declared per share</u>	\$ 0.60	\$ 0.56	\$ 0.36

Significant Accounting Policies (Details Textual) (USD \$) In Thousands, unless otherwise specified	12 Months Ended								12 Months Ended								12 Months Ended				12 Months Ended					
	Feb. 28, 2013	Feb. 29, 2012	Feb. 28, 2011	Feb. 28, 2010	Feb. 29, 2012 Buildings [Member] Y	Feb. 29, 2012 Computer hardware and software [Member] Y	Feb. 29, 2012 Machinery and equipment [Member] Y	Feb. 29, 2012 Furniture and fixtures [Member] Y	Feb. 29, 2012 Schurman Subordinated Debt [Member] [Member]	Feb. 29, 2012 Schurman Subordinated Credit Facility [Member] [Member]	Feb. 29, 2012 Schurman Collectibility of Receivables [Member] [Member]	Feb. 29, 2012 Schurman Five Largest Customers [Member] [Member]	Feb. 28, 2011 Five Largest Customers [Member] [Member]	Feb. 28, 2010 Five Largest Customers [Member] [Member]	Feb. 29, 2012 Wal-Mart Stores [Member] [Member]	Feb. 28, 2011 Wal-Mart Stores [Member] [Member]	Feb. 28, 2010 Wal-Mart Stores [Member] [Member]	Feb. 29, 2012 Target Corporation [Member] [Member]	Feb. 28, 2011 Target Corporation [Member] [Member]	Feb. 28, 2010 Target Corporation [Member] [Member]	Feb. 29, 2012 Investment in Equity [Member] [Member]	Feb. 29, 2012 Liquidity Guaranty [Member] [Member]	Feb. 29, 2012 Operating Lease Sublease to Schurman [Member] [Member]	Feb. 28, 2011 Operating Lease Sublease to Schurman [Member] [Member]	Apr. 30, 2009 Limited Guaranty [Member] [Member]	
<a href="#">Variable Interest Entity</a>																										
<a href="#">Line Items</a>																										
<a href="#">Equity interest holdings in Schurman Fine Papers</a>								15.00%																		
<a href="#">Maximum exposure to loss, Amount</a>										\$ 10,000	\$ 13,406										\$ 1,935	\$ 12,000	\$ 22,143	\$ 35,985		
<a href="#">Loans receivable from VIE</a>									0																	
<a href="#">Total investments</a>	12,546																									
<a href="#">Initial term of Subordinated Credit Facility</a>										19 months																
<a href="#">End Period of Subordinated Credit Facility</a>										November 17, 2010																
<a href="#">End period of Liquidity Guaranty</a>																										
<a href="#">End period of Limited Guaranty</a>																										
<a href="#">Renewal Period of Subordinated Credit Facility</a>	1 year																									
<a href="#">Depreciation by straight-line method over the useful lives of various assets, maximum</a>					10	15	20																			
<a href="#">Limited bridge guaranty of vie indebtedness</a>																									12,000	
<a href="#">Net sales percentage</a>												42.00%	42.00%	39.00%	14.00%	15.00%	14.00%	14.00%	14.00%	13.00%						
<a href="#">Depreciation by straight-line method over the useful lives of various assets, minimum</a>					3	3	8																			
<a href="#">Useful life of buildings</a>				40																						
<a href="#">Number of days under liquidity guaranty</a>																						91 days				
<a href="#">Significant Accounting Policies (Textual) (Abstract)</a>																										
<a href="#">Number of investments</a>	2																									
<a href="#">Amortization of production costs</a>	3,646		3,380	2,209																						
<a href="#">Domestic Inventories Under LIFO to Pre-LIFO</a>	80.00%		80.00%																							
<a href="#">consolidated inventories</a>	5,985		4,736	4,360																						
<a href="#">Film production expense</a>	8,405		9,246																							
<a href="#">Deferred film production costs</a>	2,700																									
<a href="#">Expected to recognize amortization production costs</a>	134,204		119,391	119,989																						
<a href="#">Shipping and handling costs</a>	23,849		21,760																							
<a href="#">Net balance of Corporation's investment in corporate-owned life insurance policies</a>	11,209		12,122	12,207																						
<a href="#">Amount paid as related interest expense</a>																										
<a href="#">Advertising Expenses</a>	\$ 25,718		\$ 12,079	12,559																						

**Income Taxes (Details 4)**  
**(USD \$)**  
**In Thousands, unless**  
**otherwise specified**

**Feb. 29, 2012 Feb. 28, 2011**

**Net deferred tax assets**

<u>Deferred and refundable income taxes (current)</u>	\$ 57,450	\$ 61,475
<u>Deferred and refundable income taxes (noncurrent)</u>	121,056	121,806
<u>Deferred income taxes and noncurrent income taxes payable</u>	(914)	(884)
<u>Net deferred tax assets</u>	\$ 177,592	\$ 182,397

Consolidated Statement of Shareholders' Equity (USD \$) In Thousands, unless otherwise specified			Capital		Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Retained Earnings
	Total	Class A	Class B	in Excess of Par Value			
<u>Beginning balance at Feb. 28, 2009</u>	\$ 544,035	\$ 37,043	\$ 3,499	\$ 449,085	\$ (938,086)	\$ (67,278)	\$ 1,059,772
<u>Net income</u>	81,574						81,574
<b><u>Other comprehensive income:</u></b>							
<u>Foreign currency translation adjustment</u>	22,467					22,467	
<u>Reclassification of currency translation adjustment for amounts recognized in income (net of tax of \$0)</u>	8,627					8,627	
<u>Pension and postretirement adjustments recognized in accordance with ASC 715 (net of tax of \$5,837, \$8,083 and \$4,457 in 2010, 2011 and 2012, respectively)</u>	6,366					6,366	
<u>Unrealized gain on available-for-sale securities (net of tax of \$0)</u>	3					3	
<u>Comprehensive income</u>	119,037						
<u>Cash dividends - \$0.36, \$0.56 and \$0.60 per share for the year 2010, 2011 and 2012 respectively</u>	(14,124)						(14,124)
<u>Sale of shares under benefit plans, including tax benefits</u>	6,508	336		6,172			
<u>Purchase of treasury shares</u>	(10,528)	(1,125)	(292)		(9,111)		
<u>Stock compensation expense</u>	5,819			5,819			
<u>Stock grants and other</u>	164	3	16		473		(328)
<u>Ending balance at Feb. 28, 2010</u>	650,911	36,257	3,223	461,076	(946,724)	(29,815)	1,126,894
<u>Net income</u>	87,018						87,018
<b><u>Other comprehensive income:</u></b>							
<u>Foreign currency translation adjustment</u>	15,165					15,165	
<u>Pension and postretirement adjustments recognized in accordance with ASC 715 (net of tax of \$5,837, \$8,083 and \$4,457 in 2010, 2011 and 2012, respectively)</u>	12,303					12,303	
<u>Unrealized gain on available-for-sale securities (net of tax of \$0)</u>	1					1	
<u>Comprehensive income</u>	114,487						
<u>Cash dividends - \$0.36, \$0.56 and \$0.60 per share for the year 2010, 2011 and 2012 respectively</u>	(22,354)						(22,354)
<u>Sale of shares under benefit plans, including tax benefits</u>	21,135	1,213	257	17,951	7,366		(5,652)
<u>Purchase of treasury shares</u>	(13,521)		(547)		(12,974)		



<u>Stock compensation expense</u>	13,017			13,017		
<u>Stock grants and other</u>	83		4	4	126	(51)
<u>Ending balance at Feb. 28, 2011</u>	763,758	37,470	2,937	492,048	(952,206)	(2,346)
<u>Net income</u>	57,198					57,198
<b><u>Other comprehensive income:</u></b>						
<u>Foreign currency translation adjustment</u>	(5,006)				(5,006)	
<u>Reclassification of currency translation adjustment for amounts recognized in income (net of tax of \$0)</u>	2,594				2,594	
<u>Pension and postretirement adjustments recognized in accordance with ASC 715 (net of tax of \$5,837, \$8,083 and \$4,457 in 2010, 2011 and 2012, respectively)</u>	(7,074)				(7,074)	
<u>Unrealized gain on available-for-sale securities (net of tax of \$0)</u>	2				2	
<u>Comprehensive income</u>	47,714					
<u>Cash dividends - \$0.36, \$0.56 and \$0.60 per share for the year 2010, 2011 and 2012 respectively</u>	(23,908)					(23,908)
<u>Sale of shares under benefit plans, including tax benefits</u>	13,549	1,054	314	10,117	11,042	(8,978)
<u>Purchase of treasury shares</u>	(84,708)	(4,514)	(412)		(79,782)	
<u>Stock compensation expense</u>	10,982			10,982		
<u>Stock grants and other</u>	71	1	3	16	108	(57)
<u>Ending balance at Feb. 29, 2012</u>	\$ 727,458	\$ 34,011	\$ 2,842	\$ 513,163	\$ (1,020,838)	\$ (11,830)
						1,210,110

**Income Taxes (Details 2)**  
**(USD \$)**  
**In Thousands, unless**  
**otherwise specified**

**12 Months Ended**

**Feb. 29,    Feb. 28,    Feb. 28,**  
**2012        2011        2010**

**Reconciliation of the Corporation's income tax expense (benefit) from continuing operations**

<u>Income tax expense at statutory rate</u>	\$ 34,235	\$ 54,602	\$ 42,334
<u>State and local income taxes, net of federal tax benefit</u>	3,870	5,568	1,431
<u>Corporate-owned life insurance</u>	(726)	(1,909)	(4,688)
<u>International items, net of foreign tax credits</u>	135	697	(2,490)
<u>Worthless stock deduction on international subsidiary</u>		(53)	(6,043)
<u>Exchange loss of international liquidation</u>			2,562
<u>Accruals and settlements</u>	4,031	8,866	6,313
<u>Other</u>	(928)	1,218	(39)
<u>Income tax at effective tax rate</u>	\$ 40,617	\$ 68,989	\$ 39,380

<b>Property, Plant and Equipment (Details) (Textual) (USD \$) In Thousands, unless otherwise specified</b>	<b>3 Months Ended</b>	<b>12 Months Ended</b>		
	<b>Feb. 28, 2010</b>	<b>Feb. 29, 2012</b>	<b>Feb. 28, 2011</b>	<b>Feb. 28, 2010</b>
<a href="#">Property, Plant and Equipment (Textual) [Abstract]</a>				
<a href="#">Property, plant and equipment disposed</a>		\$ 19,000	\$ 27,000	
<a href="#">Accumulated depreciation of disposed property, plant and equipment</a>		18,000	24,000	
<a href="#">Impairment charges</a>	12,206			
<a href="#">Depreciation expense</a>		\$ 34,210	\$ 36,465	\$ 39,640

**Valuation and Qualifying  
Accounts (Details) (USD \$)**

**In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

**Valuation and Qualifying Accounts**

Balance at End of Period \$ 104,068 \$ 98,247

Allowance for doubtful accounts [Member]

**Valuation and Qualifying Accounts**

Balance at Beginning of Period 5,374 2,963 5,006

Charged to Cost and Expenses 4,776 3,834 478

Charged (Credited) to Other Accounts-Describe 64 (47) 264

Deductions-Describe 5,734 1,376 2,785

Balance at End of Period 4,480 5,374 2,963

Allowance for Seasonal Sales Returns [Member]

**Valuation and Qualifying Accounts**

Balance at Beginning of Period 34,058 36,443 47,121

Charged to Cost and Expenses 152,786 164,389 179,109

Charged (Credited) to Other Accounts-Describe (159) 896 1,854

Deductions-Describe 152,400 167,670 191,641

Balance at End of Period 34,285 34,058 36,443

Allowance for other assets [Member]

**Valuation and Qualifying Accounts**

Balance at Beginning of Period 10,700 12,400 30,897

Charged to Cost and Expenses 603 (455) (3,786)

Deductions-Describe 1,303 1,245 14,711

Balance at End of Period \$ 10,000 \$ 10,700 \$ 12,400

**Goodwill and Other  
Intangible Assets (Tables)**

**12 Months Ended  
Feb. 29, 2012**

**Goodwill and Other Intangible  
Assets [Abstract]**

**Summary of the changes in the  
carrying amount of the  
Corporation's goodwill**

	North American Social Expression Products	International Social Expression Products	Total
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
Adjustment related to income taxes	(2,711 )	—	(2,711 )
Acquisition	—	1,036	1,036
Impairment	(21,254 )	(5,900 )	(27,154 )
Currency translation	—	(74 )	(74 )
Balance at February 29, 2012	\$ —	\$ —	\$ —

**Intangible assets by major class**

	February 29, 2012			February 28, 2011		
	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	4,953	(3,730 )	1,223	4,616	(3,558 )	1,058
Trademarks	11,702	(9,789 )	1,913	10,901	(9,097 )	1,804
Artist relationships	19,230	(4,824 )	14,406	19,230	(3,201 )	16,029
Customer relationships	25,262	(12,671 )	12,591	24,886	(11,672 )	13,214
Other	19,074	(15,128 )	3,946	18,586	(13,842 )	4,744
Subtotal	80,221	(46,142 )	34,079	78,219	(41,370 )	36,849
Total	\$86,421	\$ (46,142 )	\$ 40,279	\$84,419	\$ (41,370 )	\$ 43,049

**Deferred Costs (Details  
Textual) (USD \$)  
In Thousands, unless  
otherwise specified**

**Feb. 29, 2012 Feb. 28, 2011**

[Deferred Costs \(Textual\) \[Abstract\]](#)

[Allowance for deferred costs related to supply agreements](#) \$ 10,000 \$ 10,700

**Common Shares and Stock  
Based Compensation**

**12 Months Ended  
Feb. 29, 2012**

**Common Shares and Stock  
Based Compensation**

**[Abstract]**

**COMMON SHARES AND  
STOCK BASED  
COMPENSATION**

**NOTE 15 – COMMON SHARES AND STOCK BASED COMPENSATION**

At February 29, 2012 and February 28, 2011, 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.

Under the Corporation's stock option plans, when options to purchase common shares are granted to directors, officers or other key employees, they are granted 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. There were no stock options granted during 2012.

Stock option transactions and prices are summarized as follows:

	Number of Class	Weighted- Average	Weighted-Average Remaining Contractual	Aggregate Intrinsic Value
	A Options	Exercise Price	Term (in years)	(in thousands)
Outstanding at February 28, 2011	4,526,821	\$ 20.12	6.0	\$ 14,278
Granted	-	-		
Exercised	(682,297)	23.25		
Expired	(32,391)	20.67		
Forfeited	(214,706)	24.72		
Outstanding at February 29, 2012	<u>3,597,427</u>	\$ 20.96	5.2	\$ 3,375
Exercisable at February 29, 2012	3,339,219	\$ 20.69	5.2	\$ 3,375

	Number of Class	Weighted-Average	Weighted-Average	Aggregate
	B Options	Exercise Price	Remaining Contractual Term (in years)	Intrinsic Value (in thousands)
Outstanding at February 28, 2011	1,166,395	\$ 19.96	5.7	\$ 2,578
Granted	-	-		
Exercised	(245,250)	24.60		
Expired	(63,564)	22.26		
Forfeited	-	-		
Outstanding at February 29, 2012	<u>857,581</u>	\$ 23.06	4.7	\$ 420
Exercisable at February 29, 2012	722,415	\$ 24.11	4.5	\$ -

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

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

The weighted average fair value per share of options granted during 2011 and 2010 was \$10.43 and \$2.83, respectively.

During 2009, performance shares of 59,864 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 was based on the percentage of the officer's target incentive award, if any, that the officer achieved 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 and related compensation expense was recorded.

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 under the Plan to certain of the Corporation's employees, including executive officers of the Corporation. 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 two annual



performance periods and the satisfaction of a service-based vesting period; however, if the management objectives were not achieved in either of the first two annual performance periods, the program provided that the recipient was eligible to earn all or a portion of any such shares upon satisfaction of the management objectives over a third annual performance period. The number of performance shares actually credited to a participant was based on achieving a corporate consolidated earnings before interest and taxes (“EBIT”) goal at the end of each of the annual performance periods. Each of the annual performance periods had 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 were met, shares credited to the participant became 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 746,000 performance shares were credited to participants. As the management objectives for each of the first two performance periods were satisfied, there was no performance period for 2012.

The following table summarizes the activity related to performance shares during 2012:

	Number of Class A Performance Shares	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2011	751,500	1.3	\$ 16,270
Credited	-		
Vested	(482,500)		
Forfeited	(20,000)		
Unvested at February 29, 2012	249,000	1.0	\$ 3,735

	Number of Class B Performance Shares	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2011	141,000	1.3	\$ 3,053
Credited	-		
Vested	(94,000)		
Forfeited	-		
Unvested at February 29, 2012	47,000	1.0	\$ 705

The fair value of the performance shares was 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 2012 and 2011, the Corporation 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 or three 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 2012:

	Number of Class A Restricted Stock Units	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2011	110,749	0.7	\$ 2,398
Granted	248,416		
Vested	(50,803 )		
Forfeited	(16,867 )		
Unvested at February 29, 2012	<u>291,495</u>	0.6	\$ 4,372

	Number of Class B Restricted Stock Units	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2011	29,675	1.1	\$ 642
Granted	54,870		
Vested	(10,276 )		
Forfeited	—		
Unvested at February 29, 2012	<u>74,269</u>	1.0	\$ 1,114

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

	2012		2011	
Risk-free interest rate	0.67	%	1.09	%
Dividend yield	2.6	%	2.3	%
Expected stock volatility	0.59		0.90	
Expected life in years	1.6		1.6	

The fair value per share of the restricted share units in 2012 and 2011 was \$22.64 and \$23.65, respectively.

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.

Total stock-based compensation expense, recognized in “Administrative and general expenses” on the Consolidated Statement of Operations, was \$10,982, \$13,017 and \$5,819 in 2012, 2011 and 2010, respectively. As of February 29, 2012, the Corporation had unrecognized compensation expense of approximately \$508, \$996, and \$2,901 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 29, 2012, February 28, 2011 and February 28, 2010, was \$13,310, \$18,842, and \$5,834, respectively. The total intrinsic value from the exercise of share-based payment awards was \$17,117, \$16,666 and \$1,985 in 2012, 2011 and 2010, respectively. The actual tax benefit realized from the exercise of share-based payment awards totaled \$6,705, \$6,510 and \$762 for the years ended February 29, 2012, February 28, 2011 and February 28, 2010, respectively.

The number of shares available for future grant at February 29, 2012 is 963,234 Class A common shares and 139,920 Class B common shares.

## Deferred Costs (Tables)

[Deferred Cost \[Abstract\]](#)

[Deferred costs and future payment commitments](#)

**12 Months Ended  
Feb. 29, 2012**

	February 29, 2012	February 28, 2011
Prepaid expenses and other	\$ 94,071	\$ 88,352
Other assets	395,397	327,311
Deferred cost assets	489,468	415,663
Other current liabilities	(45,891 )	(64,116 )
Other liabilities	(137,360 )	(76,301 )
Deferred cost liabilities	(183,251 )	(140,417 )
Net deferred costs	<u>\$ 306,217</u>	<u>\$ 275,246</u>

[Summary of the changes in carrying amount of the Corporation's net deferred costs](#)

Balance at February 28, 2009	\$ 303,007
Payments	84,345
Amortization	(102,750)
Currency translation	3,363
Balance at February 28, 2010	287,965
Payments	83,919
Amortization	(98,181)
Currency translation	1,543
Balance at February 28, 2011	275,246
Payments	134,247
Amortization	(102,993)
Currency translation	(283)
Balance at February 29, 2012	<u>\$306,217</u>

Income Taxes (Details Textual) (USD \$) In Thousands, unless otherwise specified	Feb. 28, 2013	12 Months Ended				Feb. 28, 2011	Feb. 28, 2010	Feb. 28, 2009
		Feb. 29, 2012						
<u>Summary of Net Deferred Tax Assets [Line Items]</u>								
<u>Charitable contributions carryforward</u>	\$ 367				\$ 1,271			
<u>Deferred tax asset related to foreign tax credit net operating loss</u>	25,957				26,638			
<u>Income Taxes (Textual) [Abstract]</u>								
<u>Goodwill impairment</u>	27,154							
<u>Worthless stock deduction on international subsidiary</u>					53	6,043		
<u>Income taxes paid from continuing operation</u>	30,420				23,519	12,881		
<u>Valuation allowance</u>	20,670				24,042			
<u>Undistributed earnings of international subsidiaries</u>	76,119							
<u>Unrecognized tax benefits</u>	30,360				43,323	45,661	34,760	
<u>Income tax expenses affected by unrecognized tax benefits if recognized</u>	19,160				32,811			
<u>Decreased unrecognized tax benefit</u>	11,187							
<u>Interest and penalties on unrecognized tax benefit</u>	6,530				16,621			
<u>Accrued Interest and penalties on unrecognized tax benefit</u>	8,558				16,312			
<u>Open tax years by major tax jurisdiction</u>	The Corporation is subject to examination by the Internal Revenue Service 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.							
Impairment of Goodwill [Member]								
<u>Summary of Net Deferred Tax Assets [Line Items]</u>								
<u>Nondeductible tax basis</u>	5,900							

Subject to expiration date  
range 2020 through 2028  
[Member]

**Summary of Net Deferred  
Tax Assets [Line Items]**

Deferred tax asset related to  
domestic net operating loss 14,310

Subject to expiration date  
range 2013 through 2032  
[Member]

**Summary of Net Deferred  
Tax Assets [Line Items]**

Deferred tax asset related to  
state net operating loss 5,998

Subject to expiration date of  
2015 [Member]

**Summary of Net Deferred  
Tax Assets [Line Items]**

Charitable contributions  
carryforward 367

Subject to expiration date  
range 2015 through 2019  
[Member]

**Summary of Net Deferred  
Tax Assets [Line Items]**

Deferred tax asset related to  
foreign tax credit net operating  
loss 25,957

International [Member]

**Summary of Net Deferred  
Tax Assets [Line Items]**

Deferred tax asset relating to  
operating loss carryforward,  
expiration date 1,565

Deferred tax asset relating to  
operating loss carryforward 5,952

Deferred tax asset relating to  
operating loss carryforward,  
no expiration date \$ 4,387

## Income Taxes

**12 Months Ended  
Feb. 29, 2012**

### [Income Taxes \[Abstract\]](#) [INCOME TAXES](#)

#### NOTE 17 – INCOME TAXES

Income (loss) from continuing operations before income taxes:

	2012	2011	2010
United States	\$73,811	\$135,859	\$129,115
International	24,004	20,148	(8,161)
	<u>\$97,815</u>	<u>\$156,007</u>	<u>\$120,954</u>

Income tax expense from the Corporation's continuing operations has been provided as follows:

	2012	2011	2010
Current:			
Federal	\$6,793	\$23,263	\$7,730
International	8,767	8,980	2,079
State and local	9,666	8,104	4,303
	<u>25,226</u>	<u>40,347</u>	<u>14,112</u>
Deferred	15,391	28,642	25,268
	<u>\$40,617</u>	<u>\$68,989</u>	<u>\$39,380</u>

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

	2012	2011	2010
Income tax expense at statutory rate	\$34,235	\$54,602	\$42,334
State and local income taxes, net of			
federal tax benefit	3,870	5,568	1,431
Corporate-owned life insurance	(726)	(1,909)	(4,688)
International items, net of foreign tax			
credits	135	697	(2,490)
Worthless stock deduction on			
international subsidiary	-	(53)	(6,043)
Exchange loss of international			
liquidation	-	-	2,562
Accruals and settlements	4,031	8,866	6,313
Other	(928)	1,218	(39)
Income tax at effective tax rate	<u>\$40,617</u>	<u>\$68,989</u>	<u>\$39,380</u>

During 2012, of the \$27,154 goodwill impairment charge, \$5,900 had no tax basis, and therefore, is permanently nondeductible. The effect of this is included in the "International items, net of foreign tax credits" line above.

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.

Income taxes paid from continuing operations were \$30,420 in 2012, \$23,519 in 2011 and \$12,881 in 2010.

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

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Deferred tax assets:		
Employee benefit and incentive plans	\$ 62,205	\$ 54,186
Goodwill and other intangible assets	56,720	50,371
Net operating loss carryforwards	26,260	29,850
Foreign tax credit carryforward	25,957	26,638
Reserves not currently deductible	27,631	31,923
Accrued expenses deductible as paid	9,778	10,082
Deferred revenue	6,501	13,327
Deferred capital loss	8,215	8,490
Charitable contributions carryforward	367	1,271
Inventory costing	2,194	-
Other (each less than 5 percent of total assets)	12,514	7,812
	<u>238,342</u>	<u>233,950</u>
Valuation allowance	<u>(20,670 )</u>	<u>(24,042 )</u>
Total deferred tax assets	<u>217,672</u>	<u>209,908</u>
Deferred tax liabilities:		
Property, plant and equipment	37,640	21,654
Inventory costing	-	2,453
Other	2,440	3,404
Total deferred tax liabilities	<u>40,080</u>	<u>27,511</u>
Net deferred tax assets	<u>\$ 177,592</u>	<u>\$ 182,397</u>

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

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Deferred and refundable income taxes (current)	\$ 57,450	\$ 61,475
Deferred and refundable income taxes (noncurrent)	121,056	121,806
Deferred income taxes and noncurrent income taxes payable	<u>(914 )</u>	<u>(884 )</u>
Net deferred tax assets	<u>\$ 177,592</u>	<u>\$ 182,397</u>

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 29, 2012, the valuation allowance of \$20,670 related principally to certain international and domestic net operating loss carryforwards and deferred capital losses.

At February 29, 2012, the Corporation had deferred tax assets of approximately \$5,952 for international net operating loss carryforwards, of which \$4,387 has no expiration dates and \$1,565 has expiration dates ranging from 2028 through 2032. 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 \$14,310, \$5,998, \$367 and \$25,957, respectively. The federal net operating loss carryforwards have expiration dates ranging from 2020 to 2028. The state net operating loss carryforwards have expiration dates ranging from 2013 to 2032. The charitable contribution carryforward has an expiration date of 2015. The FTC carryforwards have expiration dates ranging from 2015 to 2019.

Deferred taxes have not been provided on approximately \$76,119 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 29, 2012, the Corporation had unrecognized tax benefits of \$30,360 that, if recognized, would have a favorable effect on the Corporation's income tax expense of \$19,160, compared to unrecognized tax benefits of \$43,323 that, if recognized, would have a favorable effect on the Corporation's income tax expense of \$32,811 at February 28, 2011. It is reasonably possible that the Corporation's unrecognized tax positions as of February 29, 2012 could decrease approximately \$11,187 during 2013 due to anticipated settlements and resulting cash payments related to open years after 1996, which are currently under examination.

The following chart reconciles the Corporation's total gross unrecognized tax benefits for the years ended February 29, 2012, February 28, 2011 and February 28, 2010:

	2012	2011	2010
Balance at beginning of year	\$43,323	\$45,661	\$34,760
Additions based on tax positions related to current year	270	2,177	12,673
Additions for tax positions of prior years	5,404	1,239	4,656
Reductions for tax positions of prior years	(8,959)	(2,405)	(6,345)
Settlements	(9,444)	(2,972)	(83)
Statute lapse	(234)	(377)	-
Balance at end of year	<u>\$30,360</u>	<u>\$43,323</u>	<u>\$45,661</u>

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 29, 2012, the Corporation recognized a net expense of \$6,530 for interest and penalties on unrecognized tax benefits and income taxes. As of February 29, 2012, the total amount of gross accrued interest and penalties related to unrecognized tax benefits and income taxes netted to a payable of \$8,558. During the year ended February 28, 2011, the Corporation recognized a net expense of \$16,621 for interest and penalties related to unrecognized tax benefits and refundable 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.

The Corporation is subject to examination by the Internal Revenue Service 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.

Debt (Details Textual) (USD \$) In Thousands, unless otherwise specified	1 Months Ended		12 Months Ended		12 Months Ended												3 Months Ended			3 Months Ended			3 Months Ended									
	Feb. 29, 2012	Feb. 28, 2011	Feb. 29, 2012	Feb. 28, 2011	Jun. 11, 2010 Amended and Restated Credit Agreement [Member]	Feb. 29, 2012 Accounts Receivable Facility [Member]	Feb. 29, 2012 Accounts Receivable Facility [Member]	Feb. 29, 2012 Accounts Receivable Facility [Member]	Feb. 29, 2012 Accounts Receivable Facility [Member]	Jan. 18, 2012 Credit Agreement [Member]	Jun. 11, 2010 Credit Agreement [Member]	Jan. 18, 2012 Credit Agreement [Member]	Jun. 11, 2010 Credit Agreement [Member]	Jan. 18, 2012 Credit Agreement [Member]	Jun. 11, 2010 Credit Agreement [Member]	Feb. 29, 2012 Publicly Traded [Member]	Feb. 28, 2011 Publicly Traded [Member]	Feb. 29, 2012 senior notes, due 2021 [Member]	Nov. 30, 2011 senior notes, due 2021 [Member]	Feb. 29, 2012 senior notes, due 2016 [Member]	Feb. 28, 2011 senior notes, due 2016 [Member]	Feb. 24, 2009 senior notes, due 2016 [Member]	May 24, 2006 senior notes, due 2016 [Member]	Feb. 29, 2012 senior notes, due 2016 [Member]	Feb. 28, 2011 senior notes, due 2016 [Member]	Feb. 24, 2009 senior notes, due 2016 [Member]	Feb. 29, 2012 senior notes, due 2016 [Member]	Feb. 29, 2012 senior notes, due 2028 [Member]	Feb. 28, 2011 senior notes, due 2028 [Member]	Feb. 29, 2012 Letters of Credit [Member]		
<a href="#">Debt Instrument (Line Item)</a>																																
<a href="#">Increase in size of the revolving credit facility</a>					\$ 350,000					\$ 400,000	\$ 350,000																					\$ 121,828
<a href="#">Aggregate principal amount of senior unsecured notes</a>																			225,000			22,000	200,000			32,686						
<a href="#">Interest rate of debt</a>																			7.375%			7.375%	7.375%			7.375%			6.10%			
<a href="#">Repayment of long term debt under tender</a>																																
<a href="#">Cost charged on repayment of notes</a>																			180,358				24,514									
<a href="#">Discount from the issuance of unsecured notes</a>	0		22,179	0	22,179																						9,101					
<a href="#">Debt instrument principal amount outstanding percentage</a>																			81.00%				75.00%									
<a href="#">Redeemed notes pursuant to tender offers</a>																											49,814					
<a href="#">Fair value of the traded debt</a>	0	0	0	0												239,562	237,453															
<a href="#">Quoted market prices of Corporation's publicly traded debt carrying value</a>	225,181	232,688	225,181	232,688												225,181	232,688	225,000			213,077			19,430			181	181				
<a href="#">Line of credit facility potential maximum borrowing capacity</a>										450,000	400,000																					
<a href="#">Percentage guaranteed on capital stock</a>										65.00%																						
<a href="#">Percentage of principal amount on accrued but unpaid interest</a>										100.00%																						
<a href="#">Available financing of receivables purchase agreement</a>							70,000																									
<a href="#">Available financing of receivables purchase agreement</a>							80,000																									
<a href="#">Amount that can be borrowed, repaid or re-borrowed under the revolving credit facility</a>										400,000	350,000																					
<a href="#">Line of credit facility basis spread on floor rate</a>												1.25%	2.25%	2.25%	3.50%																	
<a href="#">Decrease applicable margin leverage ratio of credit facility, Before Amendment</a>												0.25%	1.25%	1.25%	2.50%																	
<a href="#">Unused portion of revolving credit facility</a>												0.25%	0.375%	0.40%	0.50%																	
<a href="#">Remaining unamortized discount and deferred financing costs related to notes written off</a>																											21,711					
<a href="#">Federal fund rate</a>					0.50%																											
<a href="#">Balances outstanding under the revolving credit facility</a>																														31,791		
<a href="#">Ability to increase credit agreement on revolving basis</a>											50,000																					
<a href="#">Letters of credit outstanding</a>					12,551					19,240																						
<a href="#">Annual commitment fee loss on extinguishment of debt</a>			30,812				0.30%	0.40%																			30,812					
<a href="#">Long and Short Term Debt (Textual) (Abstract)</a>																																
<a href="#">Long-term debt net of unamortized discounts</a>	0	22,179	0	22,179																												
<a href="#">Debt due within one year</a>	0	0	0	0																												
<a href="#">Interest paid on debt</a>			34,946	21,637	23,294																											
<a href="#">Balances outstanding under the amended and restated receivables purchase agreement</a>	\$ 0	\$ 0																														
<a href="#">Line of credit facility borrowing period</a>			5 years																													

**Consolidated Statement of  
Shareholders' Equity  
(Parenthetical) (USD \$)  
In Thousands, except Per  
Share data, unless otherwise  
specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

<a href="#">Tax effect of, Pension and postretirement adjustments</a>	\$ 4,457	\$ 8,083	\$ 5,837
<a href="#">Tax effect of, Reclassification of currency translation adjustment</a>	0		0
<a href="#">Tax effect of, Unrealized gain on available-for-sale securities</a>	0	0	0
<a href="#">Dividends declared per share</a>	\$ 0.60	\$ 0.56	\$ 0.36
Accumulated Other Comprehensive (Loss) Income			
<a href="#">Tax effect of, Pension and postretirement adjustments</a>	4,457	8,083	5,837
<a href="#">Tax effect of, Reclassification of currency translation adjustment</a>	0		0
<a href="#">Tax effect of, Unrealized gain on available-for-sale securities</a>	\$ 0	\$ 0	\$ 0
Retained Earnings			
<a href="#">Dividends declared per share</a>	\$ 0.60	\$ 0.56	\$ 0.36

**Consolidated Statement of  
Financial Position (USD \$)  
In Thousands, unless  
otherwise specified**

	<b>Feb. 29, 2012</b>	<b>Feb. 28, 2011</b>
<b><u>CURRENT ASSETS</u></b>		
<u>Cash and cash equivalents</u>	\$ 132,438	\$ 215,838
<u>Trade accounts receivable, net</u>	113,840	119,779
<u>Inventories</u>	208,945	179,730
<u>Deferred and refundable income taxes</u>	58,118	64,898
<u>Assets held for sale</u>		7,154
<u>Prepaid expenses and other</u>	127,618	128,372
<u>Total current assets</u>	640,959	715,771
<b><u>GOODWILL</u></b>		28,903
<b><u>OTHER ASSETS</u></b>	509,680	436,137
<b><u>DEFERRED AND REFUNDABLE INCOME TAXES</u></b>	121,228	124,789
<b><u>PROPERTY, PLANT AND EQUIPMENT- NET</u></b>	277,597	241,649
<u>Total Assets</u>	1,549,464	1,547,249
<b><u>CURRENT LIABILITIES</u></b>		
<u>Accounts payable</u>	86,166	87,105
<u>Accrued liabilities</u>	58,657	58,841
<u>Accrued compensation and benefits</u>	68,317	72,379
<u>Income taxes payable</u>	7,409	10,951
<u>Deferred revenue</u>	35,519	37,108
<u>Other current liabilities</u>	49,013	65,178
<u>Total current liabilities</u>	305,081	331,562
<b><u>LONG-TERM DEBT</u></b>	225,181	232,688
<b><u>OTHER LIABILITIES</u></b>	269,367	187,505
<b><u>DEFERRED INCOME TAXES AND NONCURRENT INCOME TAXES PAYABLE</u></b>	22,377	31,736
<b><u>SHAREHOLDERS' EQUITY</u></b>		
<u>Capital in excess of par value</u>	513,163	492,048
<u>Treasury stock</u>	(1,020,838)	(952,206)
<u>Accumulated other comprehensive loss</u>	(11,830)	(2,346)
<u>Retained earnings</u>	1,210,110	1,185,855
<u>Total shareholders' equity</u>	727,458	763,758
<u>Total liabilities and stockholders' equity</u>	1,549,464	1,547,249
Class A		
<b><u>SHAREHOLDERS' EQUITY</u></b>		
<u>Common shares</u>	34,011	37,470
<u>Total shareholders' equity</u>	34,011	37,470
Class B		
<b><u>SHAREHOLDERS' EQUITY</u></b>		
<u>Common shares</u>	2,842	2,937
<u>Total shareholders' equity</u>	\$ 2,842	\$ 2,937

## Deferred Costs

**12 Months Ended  
Feb. 29, 2012**

[Deferred Cost \[Abstract\]](#)  
[DEFERRED COSTS](#)

### 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. The agreements are negotiated individually to meet competitive situations and, therefore, while some aspects of the agreements may be similar, important contractual terms may vary. Under these agreements, the customer may receive 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, 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 \$10,000 and \$10,700 at February 29, 2012 and February 28, 2011, respectively. This allowance is included in “Other assets” on the Consolidated Statement of Financial Position.

Deferred costs and future payment commitments were as follows:

	<b>February 29, 2012</b>	<b>February 28, 2011</b>
Prepaid expenses and other	\$ 94,071	\$ 88,352
Other assets	395,397	327,311
Deferred cost assets	489,468	415,663
Other current liabilities	(45,891 )	(64,116 )
Other liabilities	(137,360 )	(76,301 )
Deferred cost liabilities	(183,251 )	(140,417 )
Net deferred costs	<u>\$ 306,217</u>	<u>\$ 275,246</u>

A summary of the changes in the carrying amount of the Corporation’s net deferred costs during the years ended February 29, 2012, February 28, 2011 and February 28, 2010 is as follows:

Balance at February 28, 2009	\$ 303,007
Payments	84,345
Amortization	(102,750)
Currency translation	3,363
Balance at February 28, 2010	287,965
Payments	83,919
Amortization	(98,181)
Currency translation	1,543
Balance at February 28, 2011	275,246

Payments	134,247
Amortization	(102,993)
Currency translation	(283)
Balance at February 29, 2012	<u>\$306,217</u>

Income Taxes (Details 1) (USD \$)	12 Months Ended		
	Feb. 29, 2012	Feb. 28, 2011	Feb. 28, 2010
In Thousands, unless otherwise specified			
<b>Current:</b>			
<u>Federal</u>	\$ 6,793	\$ 23,263	\$ 7,730
<u>International</u>	8,767	8,980	2,079
<u>State and local</u>	9,666	8,104	4,303
<u>Current, Total</u>	25,226	40,347	14,112
<u>Deferred</u>	15,391	28,642	25,268
<u>Income tax at effective tax rate</u>	\$ 40,617	\$ 68,989	\$ 39,380





Document and Entity Information (USD \$)	12 Months Ended			
	Feb. 29, 2012	Aug. 26, 2011	Apr. 26, 2012 Class A	Apr. 26, 2012 Class B
<a href="#">Entity Registrant Name</a>	AMERICAN GREETINGS CORP			
<a href="#">Entity Central Index Key</a>	0000005133			
<a href="#">Document Type</a>	10-K			
<a href="#">Document Period End Date</a>	Feb. 29, 2012			
<a href="#">Amendment Flag</a>	false			
<a href="#">Document Fiscal Year Focus</a>	2012			
<a href="#">Document Fiscal Period Focus</a>	FY			
<a href="#">Current Fiscal Year End Date</a>	--02-29			
<a href="#">Entity Well-known Seasoned Issuer</a>	Yes			
<a href="#">Entity Voluntary Filers</a>	No			
<a href="#">Entity Current Reporting Status</a>	Yes			
<a href="#">Entity Filer Category</a>	Large Accelerated Filer			
<a href="#">Entity Public Float</a>		\$ 753,614,140		
<a href="#">Entity Common Stock, Shares Outstanding</a>			32,307,484	2,842,748

## Debt

## 12 Months Ended Feb. 29, 2012

[Debt \[Abstract\]](#)  
[DEBT](#)

### NOTE 11 – DEBT

There was no debt due within one year as of February 29, 2012 and February 28, 2011.

Long-term debt and their related calendar year due dates, net of unamortized discounts which totaled \$0 and \$22,179 as of February 29, 2012 and February 28, 2011, respectively, were as follows:

	February 29, 2012	February 28, 2011
7.375% senior notes, due 2021	\$ 225,000	\$ -
7.375% senior notes, due 2016	-	213,077
7.375% notes, due 2016	-	19,430
6.10% senior notes, due 2028	181	181
	<u>\$ 225,181</u>	<u>\$ 232,688</u>

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 29, 2012, the Corporation had credit arrangements to support the letters of credit in the amount of \$121,828 with \$31,791 of credit outstanding.

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

2013	\$-
2014	-
2015	-
2016	-
2017	-
Thereafter	225,181
	<u>\$225,181</u>

#### 7.375% Senior Notes Due 2021

On November 30, 2011, the Corporation closed a public offering of \$225,000 aggregate principal amount of 7.375% Senior Notes due 2021 (the “2021 Senior Notes”). The net proceeds from this offering were used to finance or redeem the cash tender offers for all the existing 7.375% senior notes and notes due 2016 which include the original \$200,000 of 7.375% senior unsecured notes issued on May 24, 2006 (the “Original Senior Notes”), the additional \$22,000 of 7.375% senior unsecured notes issued on February 24, 2009 (the “Additional Senior Notes,” together with the Original Senior Notes, the “2016 Senior Notes”) and the \$32,686 of 7.375% unsecured notes issued on February 24, 2009 (the “2016 Notes,” together with the 2016 Senior Notes, the “Notes”). The cash tenders were commenced on November 15, 2011, where, in the fourth quarter, the Corporation purchased \$180,358 and \$24,514 aggregate principal amount of 2016 Senior Notes and 2016 Notes, respectively, representing approximately 81% and 75% of the aggregate principal amount of the outstanding 2016 Senior Notes and 2016 Notes, respectively. On December 15, 2011, the Corporation redeemed the remaining \$49,814 of the Notes that were not repurchased pursuant to the tender offers. In connection with these transactions, the Corporation

wrote off the remaining unamortized discount and deferred financing costs related to the Notes, totaling \$21,711, as well as recorded a charge of \$9,101 for the consent payments, tender fees, call premium and other fees. Both amounts totaling \$30,812 are included in “Interest expense” on the Consolidated Statement of Operations.

The 2021 Senior Notes will mature on December 1, 2021 and bear interest at a fixed rate of 7.375% per year. The 2021 Senior Notes constitute general unsecured senior obligations of the Corporation. The 2021 Senior Notes rank senior in right of payment to all future obligations of the Corporation that are, by their terms, expressly subordinated in right of payment to the 2021 Senior Notes and pari passu in right of payment with all existing and future unsecured obligations of the Corporation that are not so subordinated. The 2021 Senior Notes are effectively subordinated to secured indebtedness of the Corporation, including borrowings under its revolving credit facility described below, to the extent of the value of the assets securing such indebtedness. The 2021 Senior Notes also contain certain restrictive covenants that are customary for similar credit arrangements, including covenants that limit the Corporation’s ability to incur additional debt; declare or pay dividends; make distributions on or repurchase or redeem capital stock; make certain investments; enter into transactions with affiliates; grant or permit liens; sell assets; enter into sale and leaseback transactions; and consolidate, merge or sell all or substantially all of the Corporation’s assets. These restrictions are subject to customary baskets and financial covenant tests.

The total fair value of the Corporation’s publicly traded debt, based on quoted market prices, was \$239,562 (at a carrying value of \$225,181) and \$237,453 (at a carrying value of \$232,688) at February 29, 2012 and February 28, 2011, respectively.

#### Credit Facility

The Corporation is a party to a \$400,000 credit agreement (the “Credit Agreement”), under which there were no borrowings outstanding as of February 29, 2012 and February 28, 2011; however, the Corporation had \$19,240 of letters of credit outstanding as of February 29, 2012, which reduced the total credit availability thereunder.

Under the original terms of the Credit Agreement, the Corporation was permitted to borrow, on a revolving basis, up to \$350,000 (with an ability to increase this amount by \$50,000 to \$400,000) during a five year term from June 11, 2010 ending on June 11, 2015. On January 18, 2012, the Corporation amended its Credit Agreement, to, among other things, extend the expiration date of the Credit Agreement from June 11, 2015 to January 18, 2017, and increase the maximum principal amount that can be borrowed, on a revolving basis, from \$350,000 to \$400,000, with the continued ability to further increase such maximum principal amount from \$400,000 to \$450,000, subject to customary conditions.

The amendment also:

- decreased the applicable margin paid on U.S. dollar loans bearing interest based on the London Inter-Bank Offer Rate (“LIBOR”) and Canadian dollar loans bearing interest based on the Canadian Dollar Offer Rate, from a range of 2.25% to 3.50% per year to a range of 1.25% to 2.25%;
- decreased the applicable margin paid on U.S. dollar loans bearing interest based on the U.S. base rate and the Canadian base rate from a range of 1.25% to 2.50% per year to a range of 0.25% to 1.25%; and
- reduced commitment fees paid on the unused portion of the revolving credit facility from a range of 0.375% to 0.500% per annum to a range of 0.250% to 0.400%.

The obligations under the 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 first tier international subsidiaries.

The Credit Agreement also contains certain restrictive covenants that are customary for similar credit arrangements. For example, the Credit Agreement contains covenants relating to financial reporting and notification, compliance with laws, preserving existence, maintenance of books and records, how the Corporation may use proceeds from borrowings, and maintenance of properties and insurance. In addition, the Credit Agreement includes covenants that limit the Corporation's ability to incur additional debt; declare or pay dividends; make distributions on or repurchase or redeem capital stock; make certain investments; enter into transactions with affiliates; grant or permit liens; sell assets; enter into sale and leaseback transactions; and consolidate, merge or sell all or substantially all of the Corporation's assets. 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. These restrictions are subject to customary baskets.

#### Accounts Receivable Facility

The Corporation is also a party to an accounts receivable facility that provides funding of up to \$70,000, under which there were no borrowings outstanding as of February 29, 2012 and February 28, 2011; however, outstanding letters of credit issued under the accounts receivable program totaled \$12,551 as of February 29, 2012, which reduced the total credit availability thereunder. Until the facility was amended on September 21, 2011, the account receivable facility provided funding of up to \$80 million.

Under the terms of the accounts receivable facility, the Corporation and certain of its subsidiaries sell accounts receivable to AGC Funding Corporation (a wholly-owned, consolidated subsidiary of the Corporation), 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.

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 that ranges from 30 to 40 basis points on the unfunded portion of the accounts receivable securitization facility, based on the level of utilization, together with customary administrative fees on letters of credit that have been issued and on outstanding amounts funded under the facility. Funding under the facility may be used for working capital, general corporate purposes and the issuance of letters of credit.

The accounts receivable facility 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 Credit Agreement.

At February 29, 2012, the Corporation was in compliance with its financial covenants under the borrowing agreements described above.

Interest paid in cash on short-term and long-term debt was \$34,946 in 2012, \$21,637 in 2011 and \$23,294 in 2010.

**Long -Term leases and  
Commitments (Details 1)**

**(USD \$)**

**In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29, 2012**

**Aggregate future minimum noncancelable sublease**

2013 \$ 13,796

2014 10,056

2015 7,482

2016 5,868

2017 5,519

Later years 9,410

Total 52,131

Sublease rentals (22,143)

Net rentals \$ 29,988

**Long Term Leases and Commitments (Textual) [Abstract]**

Operating lease term 10 years

**Business Segment  
Information (Details 3) (USD  
\$)**

**In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

**Severance charges by segment**

Severance charges \$ 5,247 \$ 6,944 \$ 10,814

North American Social Expression Products [Member]

**Severance charges by segment**

Severance charges 4,610 4,737 8,517

International Social Expression Products [Member]

**Severance charges by segment**

Severance charges 162 773 263

Retail Operations [Member]

**Severance charges by segment**

Severance charges 618

AG Interactive [Member]

**Severance charges by segment**

Severance charges 381 900 802

Non-reportable segments [Member]

**Severance charges by segment**

Severance charges 94 37 232

Unallocated [Member]

**Severance charges by segment**

Severance charges \$ 497 \$ 382

**Consolidated Statement of**  
**Financial Position**      **Feb. 29, 2012 Feb. 28, 2011**  
**(Parenthetical) (USD \$)**

Class A

<u>Common shares, par value</u>	\$ 1	\$ 1
<u>Common stock, shares issued</u>	83,405,116	82,181,659
<u>Treasury stock, shares</u>	49,393,801	44,711,736

Class B

<u>Common shares, par value</u>	\$ 1	\$ 1
<u>Common stock, shares issued</u>	6,066,092	6,066,092
<u>Treasury stock, shares</u>	3,223,683	3,128,841



**Accumulated Other  
Comprehensive Income  
(Loss)**

**12 Months Ended**

**Feb. 29, 2012**

[Accumulated Other Comprehensive Income  
\(Loss\) \[Abstract\]](#)

[ACCUMULATED OTHER  
COMPREHENSIVE INCOME \(LOSS\)](#)

**NOTE 5 – ACCUMULATED OTHER COMPREHENSIVE INCOME  
(LOSS)**

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

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Foreign currency translation adjustments	\$ 23,609	\$ 26,021
Pension and postretirement benefits adjustments, net of tax (See Note 12)	(35,443 )	(28,369 )
Unrealized investment gain, net of tax	4	2
	<u>\$ (11,830 )</u>	<u>\$ (2,346 )</u>

## Earnings Per Share

**12 Months Ended  
Feb. 29, 2012**

[Earnings Per Share](#)

[\[Abstract\]](#)

[EARNINGS PER SHARE](#)

### NOTE 4 – EARNINGS PER SHARE

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

	2012	2011	2010
Numerator (thousands):			
Net income	<u>\$ 57,198</u>	<u>\$ 87,018</u>	<u>\$ 81,574</u>
Denominator (thousands):			
Weighted average shares outstanding	39,625	39,983	39,468
Effect of dilutive securities:			
Share-based payment awards	<u>663</u>	<u>1,262</u>	<u>692</u>
Weighted average shares outstanding – assuming dilution	<u>40,288</u>	<u>41,245</u>	<u>40,160</u>
Earnings per share	<u>\$ 1.44</u>	<u>\$ 2.18</u>	<u>\$ 2.07</u>
Earnings per share – assuming dilution	<u>\$ 1.42</u>	<u>\$ 2.11</u>	<u>\$ 2.03</u>

Approximately 2.5 million, 3.1 million and 5.7 million stock options in 2012, 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.

**Business Segment  
Information**

**12 Months Ended  
Feb. 29, 2012**

**Business Segment  
Information [Abstract]  
BUSINESS SEGMENT  
INFORMATION**

**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 merchandising as the primary channel. As permitted under ASC Topic 280, “Segment Reporting,” certain operating segments have been aggregated into the International Social Expression Products segment. The aggregated operating segments have similar economic characteristics, products, production processes, types of customers and distribution methods. Approximately 55%, 54% and 51% of the North American Social Expression Products segment’s revenue in 2012, 2011 and 2010, respectively, is attributable to its top five customers. Approximately 48%, 44% and 45% of the International Social Expression Products segment’s revenue in 2012, 2011 and 2010, 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 a variety of brands including the American Greetings, Carlton Cards and Papyrus brands. See Note 2 for further information.

AG Interactive distributes social expression products, including electronic greetings 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.

During the current year, certain items that were previously considered corporate expenses are now included in the calculation of segment earnings for the North American Social Expression Products segment. This change is the result of modifications to organizational structures and is intended to better align the segment financial results with the responsibilities of segment management and the way

management evaluates the Corporation's operations. In addition, segment results are now reported using actual foreign exchange rates for the periods presented. Previously, segment results were reported at constant exchange rates to eliminate the impact of foreign currency fluctuations. Prior year segment results have been presented to be consistent with the current methodologies.

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 insurance programs, among other costs, are included in the unallocated items. In 2010, unallocated items included the negotiated settlement of a lawsuit totaling \$24,000.

#### *Operating Segment Information*

	Total Revenue		
	2012	2011	2010
North American Social Expression			
Products	\$1,228,548	\$1,196,809	\$1,245,211
Intersegment items	—	—	(5,039)
Net	1,228,548	1,196,809	1,240,172
International Social Expression			
Products	347,866	261,712	254,032
Retail Operations	—	—	11,839
AG Interactive	68,514	78,206	80,446
Non-reportable segments	50,216	61,167	53,975
Unallocated	—	—	387
	<u>\$1,695,144</u>	<u>\$1,597,894</u>	<u>\$1,640,851</u>

	Segment Earnings (Loss) Before Tax		
	2012	2011	2010
North American Social Expression			
Products	\$149,655	\$194,199	\$ 217,244
Intersegment items	-	-	(3,465)
Net	149,655	194,199	213,779
International Social Expression Products	20,276	19,572	16,846
Retail Operations	-	-	(35,115)
AG Interactive	13,942	13,991	11,419
Non-reportable segments	17,034	9,477	7,634
Unallocated:			
Interest expense	(53,073)	(25,304)	(26,246)
Profit sharing expense	(9,401)	(9,759)	(9,338)
Stock-based compensation expense	(10,982)	(13,017)	(5,819)
Corporate overhead expense	(29,636)	(33,152)	(52,206)
	<u>(103,092)</u>	<u>(81,232)</u>	<u>(93,609)</u>
	<u>\$97,815</u>	<u>\$156,007</u>	<u>\$120,954</u>

Depreciation and  
Intangible Assets Amortization

Capital Expenditures

	2012	2011	2010	2012	2011	2010
North						
American						
Social						
Expression						
Products	\$29,382	\$30,065	\$32,515	\$49,452	\$28,880	\$22,152
International						
Social						
Expression						
Products	4,771	4,431	4,659	5,561	3,502	1,293
Retail						
Operations	-	-	413	-	-	27
AG Interactive	2,622	4,143	5,122	1,949	2,762	2,611
Non-reportable						
segments	1,661	1,701	1,820	2,223	1,130	260
Unallocated	789	708	636	11,758	72	207
	<u>\$39,225</u>	<u>\$41,048</u>	<u>\$45,165</u>	<u>\$70,943</u>	<u>\$36,346</u>	<u>\$26,550</u>

	Assets	
	2012	2011
North American Social Expression Products	\$1,032,326	\$961,045
International Social Expression Products	155,530	124,862
AG Interactive	10,799	18,039
Non-reportable segments	36,251	39,204
Unallocated and intersegment items	314,558	404,099
	<u>\$1,549,464</u>	<u>\$1,547,249</u>

#### *Geographical Information*

	Total Revenue			Fixed Assets - Net	
	2012	2011	2010	2012	2011
United States	\$1,214,715	\$1,207,072	\$1,267,837	\$252,945	\$218,354
United Kingdom	296,472	216,309	209,059	21,136	21,099
Other international	183,957	174,513	163,955	3,516	2,196
	<u>\$1,695,144</u>	<u>\$1,597,894</u>	<u>\$1,640,851</u>	<u>\$277,597</u>	<u>\$241,649</u>

#### *Product Information*

	Total Revenue		
	2012	2011	2010
Everyday greeting cards	\$832,454	\$755,799	\$767,062
Seasonal greeting cards	411,605	377,831	369,325
Gift packaging	241,641	223,093	221,489
Other revenue	31,863	32,355	37,566
All other products	177,581	208,816	245,409
	<u>\$1,695,144</u>	<u>\$1,597,894</u>	<u>\$1,640,851</u>

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

#### *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 \$5,247, \$6,944 and \$10,814 in 2012, 2011 and 2010, 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 following table summarizes the severance charges by segment:

	2012	2011	2010
North American Social Expression Products	\$4,610	\$4,737	\$8,517
International Social Expression Products	162	773	263
Retail Operations	-	-	618
AG Interactive	381	900	802
Non-reportable	94	37	232
Unallocated	-	497	382
<b>Total</b>	<b>\$5,247</b>	<b>\$6,944</b>	<b>\$10,814</b>

The remaining balance of the severance accrual was \$6,761 and \$8,002 at February 29, 2012 and February 28, 2011, 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.

**Retirement And  
Postretirement Benefit Plans**

**12 Months Ended  
Feb. 29, 2012**

**Retirement and  
Postretirement Benefit Plans**

**[Abstract]**

**RETIREMENT AND  
POSTRETIREMENT  
BENEFIT PLANS**

**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 \$9,401, \$9,759 and \$9,338 for 2012, 2011 and 2010, respectively. In addition, the Corporation matches a portion of 401(k) employee contributions. The Corporation's matching contributions were \$5,976, \$4,875 and \$4,787 for 2012, 2011 and 2010, respectively.

The Corporation also has a defined contribution plan for its European subsidiary which covers the employees in the United Kingdom. Under this plan, the employees contribute to the plan and the Corporation matches a portion of the employee contributions. The Corporation's matching contributions were \$2,012, \$1,226 and \$1,745 for 2012, 2011 and 2010, respectively.

The Corporation also participates in a multiemployer pension plan covering certain domestic employees who are part of a collective bargaining agreement. Total pension expense for the multiemployer plan, representing contributions to the plan, was \$513, \$467 and \$417 in 2012, 2011 and 2010, 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 generally funds these deferred compensation liabilities by making contributions to a rabbi trust. On December 8, 2011, the Corporation froze the deferred compensation plans. Accordingly, participants are no longer permitted to make new deferral elections, although deferral elections previously made will continue to be honored and amounts already deferred may be re-deferred in accordance with deferred compensation plans. In accordance with ASC Topic 710-10-25, "Compensation – Recognition – Deferred Compensation – Rabbi Trusts," 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 29, 2012 with a cost of \$2,772 compared to approximately 0.2 million common shares with a cost of \$3,368 at February 28, 2011.

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 2012 or 2011. The Gibson Retirement Plan was underfunded at February 29, 2012 and February 28, 2011.

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 2011 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	
	2012	2011	2012	2011
Change in benefit obligation:				
Benefit obligation at beginning of year	\$170,160	\$162,845	\$91,035	\$110,921
Service cost	1,106	957	726	2,290
Interest cost	8,353	8,757	3,929	6,014
Participant contributions	29	28	4,585	4,165
Retiree drug subsidy payments	-	-	1,072	1,670
Plan amendments	924	198	-	(7,263)
Actuarial loss (gain)	15,310	5,825	(10,726)	(18,639)
Benefit payments	(11,036)	(10,567)	(8,277)	(8,123)
Settlements	-	52	-	-
Currency exchange rate changes	(502)	2,065	-	-
Benefit obligation at end of year	184,344	170,160	82,344	91,035



Change in plan assets:				
Fair value of plan assets at beginning of year	107,881	102,092	66,935	66,928
Actual return on plan assets	7,172	11,311	(1,301)	7,130
Employer contributions	2,736	3,187	(4,379)	(3,165)
Participant contributions	29	28	4,585	4,165
Benefit payments	(11,036)	(10,567)	(8,277)	(8,123)
Settlements	-	52	-	-
Currency exchange rate changes	(441)	1,778	-	-
Fair value of plan assets at end of year	106,341	107,881	57,563	66,935
Funded status at end of year	<u>\$(78,003)</u>	<u>\$(62,279)</u>	<u>\$(24,781)</u>	<u>\$(24,100)</u>

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

	Pension Plans		Postretirement Benefits	
	2012	2011	2012	2011
Accrued compensation and benefits	\$ (2,257 )	\$ (2,347 )	\$ -	\$ -
Other liabilities	(75,746 )	(59,932 )	(24,781 )	(24,101 )
Net amount recognized	<u>\$ (78,003 )</u>	<u>\$ (62,279 )</u>	<u>\$ (24,781 )</u>	<u>\$ (24,101 )</u>

Amounts recognized in accumulated other comprehensive income:

Net actuarial loss (gain)	\$ 69,632	\$ 56,938	\$ (3,081 )	\$ 1,268
Net prior service cost (credit)	1,531	847	(8,855 )	(11,316 )
Net transition obligation	37	43	-	-

Accumulated other comprehensive loss (income)

	<u>\$ 71,200</u>	<u>\$ 57,828</u>	<u>\$ (11,936 )</u>	<u>\$ (10,048 )</u>
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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 \$3,256, \$240 and \$6, respectively. For the postretirement benefit plan, the estimated net gain 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 (\$2,750), respectively.

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

	Pension Plans		Postretirement Benefits	
	2012	2011	2012	2011
Weighted average discount rate used to determine:				
Benefit obligations at measurement date				
U.S.	4.00-4.25%	5.25%	4.00%	5.50%
International	4.45%	5.15%	N/A	N/A
Net periodic benefit cost				
U.S.	5.25%	5.50-5.75%	5.50%	5.75%
International	5.15%	5.50%	N/A	N/A
Expected long-term return on plan assets:				
U.S.	7.00%	7.00%	7.00%	7.00%
International	5.50%	5.50%	N/A	N/A
Rate of compensation increase:				
U.S.	6.50%	6.50%	N/A	N/A
International	3.00%	3.00%	N/A	N/A
Health care cost trend rates:				
For year following February 28 or 29	N/A	N/A	9.50%	10.00%
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	2021

For 2012, 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 2012, 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.

	2012	2011
Effect of a 1% increase in health care cost trend rate on:		
Service cost plus interest cost	\$210	\$915
Accumulated postretirement benefit obligation	3,854	7,571

Effect of a 1% decrease in health care cost trend rate on:

Service cost plus interest cost	(184 )	(739 )
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Accumulated postretirement benefit obligation	(3,332 )	(6,030 )
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The following table presents selected pension plan information:

	2012	2011
For all pension plans:		
Accumulated benefit obligation	\$ 177,489	\$ 164,823
For pension plans that are not fully funded:		
Projected benefit obligation	184,041	170,160
Accumulated benefit obligation	177,186	164,823
Fair value of plan assets	106,038	107,881

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

	2012	2011	2010
Components of net periodic benefit cost:			
Service cost	\$1,106	\$957	\$730
Interest cost	8,353	8,757	9,279
Expected return on plan assets	(6,858 )	(6,588 )	(5,637 )
Amortization of transition obligation	6	6	6
Amortization of prior service cost	240	178	261
Amortization of actuarial loss	2,126	133	1,942
Settlements	-	(3 )	126
Net periodic benefit cost	4,973	3,440	6,707
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Actuarial loss	14,996	1,175	6,069
Prior service cost	924	198	53
Amortization of prior service cost	(240 )	(178 )	(261 )
Amortization of actuarial loss	(2,126 )	(133 )	(1,942 )
Amortization of transition obligation	(6 )	(6 )	(6 )
Settlements	-	3	(126 )
Total recognized in other comprehensive income	13,548	1,059	3,787
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$18,521</u>	<u>\$4,499</u>	<u>\$10,494</u>

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

	2012	2011	2010
Components of net periodic benefit cost:			
Service cost	\$726	\$2,290	\$2,365
Interest cost	3,929	6,014	7,359
Expected return on plan assets	(4,310)	(4,503 )	(4,107 )
Amortization of prior service credit	(2,461)	(7,712 )	(7,418 )
Amortization of actuarial (gain) loss	(766 )	1,078	2,386
Net periodic benefit cost	(2,882)	(2,833 )	585

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

Actuarial gain	(5,115)	(21,265)	(21,723)
Prior service credit added during the year	-	(7,263 )	-
Amortization of actuarial loss (gain)	766	(1,078 )	(2,386 )
Amortization of prior service credit	<u>2,461</u>	<u>7,712</u>	<u>7,418</u>
Total recognized in other comprehensive income	<u>(1,888)</u>	<u>(21,894)</u>	<u>(16,691)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u><u>\$ (4,770)</u></u>	<u><u>\$ (24,727)</u></u>	<u><u>\$ (16,106)</u></u>

At February 29, 2012 and February 28, 2011, the assets of the plans are held in trust and allocated as follows:

	Pension Plans		Postretirement Benefits		
	2012	2011	2012	2011	Target Allocation
Equity securities:					
U.S.	51 %	51 %	30%	43%	15%-30%
International	31 %	31 %	N/A	N/A	N/A
Debt securities:					
U.S.	48 %	48 %	69%	54%	65%-85%
International	64 %	67 %	N/A	N/A	N/A
Cash and cash equivalents:					
U.S.	1 %	1 %	1%	3%	0%-15%
International	5 %	2 %	N/A	N/A	N/A

As of February 29, 2012, 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 30/65/5 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 approximately 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 29, 2012:

	Fair value at February 29, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
U.S. plans:			
Short-term investments	\$ 710	\$ -	\$ 710
Equity securities (collective funds)	41,322	-	41,322
Fixed-income funds	39,510	-	39,510

International plans:			
Short-term investments	1,163	-	1,163
Equity securities (collective funds)	7,753	-	7,753
Fixed-income funds	15,883	-	15,883
Total:	<u>\$ 106,341</u>	<u>\$ -</u>	<u>\$ 106,341</u>

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 (collective funds)	42,776	-	42,776
Fixed-income funds	40,717	-	40,717
International plans:			
Short-term investments	639	-	639
Equity securities (collective funds)	7,191	-	7,191
Fixed-income funds	15,869	-	15,869
Total:	<u>\$ 107,881</u>	<u>\$ -</u>	<u>\$ 107,881</u>

The following table summarizes the fair value of the postretirement benefit plan assets at February 29, 2012:

	Fair value at February 29, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Short-term investments	\$ 849	\$ -	\$ 849
Equity securities (common stocks)	17,245	17,245	-
Fixed-income funds	39,469	-	39,469
Total:	<u>\$ 57,563</u>	<u>\$ 17,245</u>	<u>\$ 40,318</u>

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 (common stocks)	29,229	29,229	-

Fixed-income funds	36,530	-	36,530
Total:	<u>\$ 66,935</u>	<u>\$ 29,229</u>	<u>\$ 37,706</u>

*Short-term investments:* Short-term investments, which are primarily money market funds, are valued based on exit prices or net asset values. These investments are generally classified as Level 2 since the valuations use observable inputs.

*Equity securities:* The fair value of collective funds is valued at the closing net asset value or at the executed exchange trade prices. Pricing for these securities is typically provided by a recognized pricing service. Generally, these collective fund investments are classified as Level 2 because the valuations are based on observable inputs. Common stock is valued at the closing price reported on the active market on which the individual securities are traded. The investment in common stocks is classified as Level 1 because a quoted price in an active market is available.

*Fixed-income funds:* Fixed income funds primarily consist of U.S. and foreign-issued corporate notes and bonds, convertible bonds, asset-backed securities, government agency obligations, government obligations, municipal bonds and interest-bearing commercial paper. The fair value of these securities is valued using evaluated prices provided by a recognized pricing service. Because the evaluated prices are based on observable inputs, such as dealer quotes, available trade information, spread, bids and offers, prepayment speeds, U.S. Treasury curves and interest rate movements, securities in this category are classified as Level 2.

Although the Corporation does not anticipate that contributions to the Gibson Retirement Plan will be required in 2013, 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 \$2,111 to the Supplemental Executive Retirement Plan in 2013. 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 expects to contribute \$200 to the postretirement benefit plan in 2013.

The benefits expected to be paid out are as follows:

	Pension Plans	Postretirement Benefits	
		Excluding Effect of Medicare Part D Subsidy	Including Effect of Medicare Part D Subsidy
2013	\$11,024	\$ 5,325	\$ 4,610
2014	11,230	5,370	4,703
2015	11,315	5,454	4,730
2016	11,161	5,547	4,754
2017	11,496	5,584	5,390
2018 – 2022	57,264	27,996	27,046

**Common Shares and Stock  
Based Compensation  
(Details 1)**

**12 Months Ended**  
**Feb. 29, 2012   Feb. 28, 2011   Feb. 28, 2010**  
**Y                      Y                      Y**

**Estimated fair value of options granted under the assumptions of Black-Scholes option-pricing model**

<u>Risk-free interest rate</u>	1.40%	1.30%
<u>Dividend yield</u>	2.30%	6.00%
<u>Expected stock volatility</u>	81.00%	71.00%
<u>Expected life in years</u>	2.3	2.4

**Estimated fair value of performance shares under the assumptions of Black-Scholes option-pricing model**

<u>Risk-free interest rate</u>	1.62%	1.54%
<u>Dividend yield</u>	4.38%	4.48%
<u>Expected stock volatility</u>	76.00%	78.00%
<u>Share based compensation arrangement by share based payment award fair value assumptions performance shares expected term</u>	2.5	2.3

**Estimated fair value of restricted stock under the assumptions of Black-Scholes option-pricing model**

<u>Risk-free interest rate</u>	0.67%	1.09%
<u>Dividend yield</u>	2.60%	2.30%
<u>Expected stock volatility</u>	59.00%	90.00%
<u>Expected life in years</u>	1.6	1.6

**Property, Plant and  
Equipment**

**12 Months Ended  
Feb. 29, 2012**

[Property, Plant and  
Equipment \[Abstract\]](#)  
[PROPERTY, PLANT AND  
EQUIPMENT](#)

**NOTE 8 – PROPERTY, PLANT AND EQUIPMENT**

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Land	\$ 17,727	\$ 10,552
Buildings	186,205	176,879
Capitalized software	240,424	221,564
Equipment and fixtures	456,423	440,557
	<u>900,779</u>	<u>849,552</u>
Less accumulated depreciation	623,182	607,903
	<u>\$ 277,597</u>	<u>\$ 241,649</u>

During 2012, the Corporation disposed of approximately \$19,000 of property, plant and equipment that included accumulated depreciation of approximately \$18,000. During 2011, the Corporation disposed of approximately \$27,000 of property, plant and equipment with accumulated depreciation of approximately \$24,000.

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 \$34,210, \$36,465 and \$39,640 in 2012, 2011 and 2010, respectively.



**Goodwill and Other  
Intangible Assets (Details)  
(USD \$)  
In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011**

**Summary of the changes in the carrying amount of the Corporation's goodwill**

<u>Beginning Balance</u>	\$ 28,903	\$ 31,106
<u>Adjustment related to income taxes</u>	(2,711)	(2,509)
<u>Acquisition</u>	1,036	
<u>Goodwill impairment</u>	(27,154)	
<u>Currency translation</u>	(74)	306
<u>Ending Balance</u>		28,903

North American Social Expression Products [Member]

**Summary of the changes in the carrying amount of the Corporation's goodwill**

<u>Beginning Balance</u>	23,965	26,474
<u>Adjustment related to income taxes</u>	(2,711)	(2,509)
<u>Goodwill impairment</u>	(21,254)	
<u>Ending Balance</u>		23,965

International Social Expression Products [Member]

**Summary of the changes in the carrying amount of the Corporation's goodwill**

<u>Beginning Balance</u>	4,938	4,632
<u>Acquisition</u>	1,036	
<u>Goodwill impairment</u>	(5,900)	
<u>Currency translation</u>	(74)	306
<u>Ending Balance</u>		\$ 4,938

**Customer Allowances and  
Discounts**

**12 Months Ended  
Feb. 29, 2012**

[Customer Allowances and  
Discounts \[Abstract\]](#)

[CUSTOMER ALLOWANCES  
AND DISCOUNTS](#)

**NOTE 6 – CUSTOMER ALLOWANCES AND DISCOUNTS**

In the normal course of business, the Corporation enters into agreements with certain customers for the supply of greeting cards and related products. The agreements are negotiated individually to meet competitive situations and, therefore, while some aspects of the agreements may be similar, important contractual terms may vary. Under these agreements, the customer may receive allowances and discounts including 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.

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

	<b>February 29, 2012</b>	<b>February 28, 2011</b>
Allowance for seasonal sales returns	\$ 34,285	\$ 34,058
Allowance for outdated products	10,976	8,264
Allowance for doubtful accounts	4,480	5,374
Allowance for marketing funds	26,679	25,631
Allowance for rebates	27,648	24,920
	<u>\$ 104,068</u>	<u>\$ 98,247</u>

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 \$13,698 and \$11,913 as of February 29, 2012 and February 28, 2011, respectively.

## Inventories

**12 Months Ended  
Feb. 29, 2012**

[Inventories \[Abstract\]](#)  
[INVENTORIES](#)

### NOTE 7 – INVENTORIES

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Raw materials	\$ 17,565	\$ 21,248
Work in process	9,452	6,476
Finished products	242,767	212,056
	<u>269,784</u>	<u>239,780</u>
Less LIFO reserve	81,077	78,358
	<u>188,707</u>	<u>161,422</u>
Display material and factory supplies	20,238	18,308
	<u>\$ 208,945</u>	<u>\$ 179,730</u>

There were no material LIFO liquidations in 2012 and 2011. 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 \$52,000 and \$42,000 as of February 29, 2012 and February 28, 2011, respectively.

**Goodwill and Other  
Intangible Assets**

**12 Months Ended  
Feb. 29, 2012**

**Goodwill and Other  
Intangible Assets [Abstract]**

**GOODWILL AND OTHER  
INTANGIBLE ASSETS**

**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 the fourth quarter of 2012, the Corporation's market capitalization significantly declined as a result of decreases in its stock price. In connection with the preparation of its annual financial statements, the Corporation concluded the decline in the stock price and market capitalization were indicators of potential impairment which required the performance of an impairment analysis. Based on this analysis, it was determined that the fair values of the North American Social Expression Products segment, which is also the reporting unit, and the Corporation's reporting unit located in the United Kingdom (the "UK Reporting Unit") within the International Social Expression Products segment, were less than their carrying values. As a result, the Corporation recorded goodwill impairment charges of \$21,254 and \$5,900, which include all of the goodwill for the North American Social Expression Products segment and the UK Reporting Unit, respectively.

During 2011, the Corporation completed the required annual impairment test of goodwill as of the end of the third quarter and based on the results of the testing, no impairment charges were recorded.

A summary of the changes in the carrying amount of the Corporation's goodwill during the years ended February 29, 2012 and February 28, 2011 by segment is as follows:

	North American Social Expression Products	International Social Expression Products	Total
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
Adjustment related to income taxes	(2,711 )	–	(2,711 )
Acquisition	–	1,036	1,036
Impairment	(21,254 )	(5,900 )	(27,154 )
Currency translation	–	(74 )	(74 )
Balance at February 29, 2012	\$ –	\$ –	\$ –

The above adjustment related to income taxes totaling \$2,711 and \$2,509 for 2012 and 2011, respectively, is a reduction related to second component goodwill, which results in a reduction of goodwill for financial reporting purposes when amortized for tax purposes. At the date of the acquisition of Recycled Paper Greetings, Inc. ("RPG") during 2009, 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 Topic 740, "Income Taxes," the tax benefits associated with this excess can 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.

At February 29, 2012 and February 28, 2011, intangible assets, net of accumulated amortization, were \$40,279 and \$43,049, respectively. The following table presents information about these intangible assets, which are included in "Other assets" on the Consolidated Statement of Financial Position:

	February 29, 2012			February 28, 2011		
	Gross		Net	Gross		Net
	Carrying	Accumulated	Carrying	Carrying	Accumulated	Carrying
	Amount	Amortization	Amount	Amount	Amortization	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	4,953	(3,730 )	1,223	4,616	(3,558 )	1,058
Trademarks	11,702	(9,789 )	1,913	10,901	(9,097 )	1,804
Artist relationships	19,230	(4,824 )	14,406	19,230	(3,201 )	16,029
Customer relationships	25,262	(12,671 )	12,591	24,886	(11,672 )	13,214
Other	19,074	(15,128 )	3,946	18,586	(13,842 )	4,744
Subtotal	80,221	(46,142 )	34,079	78,219	(41,370 )	36,849
Total	<u>\$86,421</u>	<u>\$ (46,142 )</u>	<u>\$ 40,279</u>	<u>\$84,419</u>	<u>\$ (41,370 )</u>	<u>\$ 43,049</u>

The Corporation completed the required annual impairment test of indefinite-lived intangible assets in the fourth quarter of 2012 and 2011 and based on the results of the testing, no impairment charges were recorded.

Amortization expense for intangible assets totaled \$5,015, \$4,583 and \$5,533 in 2012, 2011 and 2010, respectively. Estimated annual amortization expense for the next five years will approximate \$4,999 in 2013, \$4,335 in 2014, \$3,462 in 2015, \$3,186 in 2016 and \$2,695 in 2017.

**Deferred Costs (Details 1)**  
**(USD \$)**  
**In Thousands, unless**  
**otherwise specified**

**12 Months Ended**

<b>Feb. 29, 2012</b>	<b>Feb. 28, 2011</b>	<b>Feb. 28, 2010</b>
--------------------------	--------------------------	--------------------------

**Summary of Changes in Carrying Amount of Corporations net  
deferred costs**

<u>Beginning balance</u>	\$ 275,246	\$ 287,965	\$ 303,007
<u>Payments</u>	134,247	83,919	84,345
<u>Amortization</u>	(102,993)	(98,181)	(102,750)
<u>Currency translation</u>	(283)	1,543	3,363
<u>Ending balance</u>	\$ 306,217	\$ 275,246	\$ 287,965

**Common Shares and Stock  
Based Compensation  
(Details 2) (USD \$)  
In Thousands, except Share  
data, unless otherwise  
specified**

**12 Months Ended**

**Feb. 29,      Feb. 28,  
2012          2011  
Y              Y**

Performance Shares - Class A [Member]

**Summary of the activity related to performance shares and restricted stock units**

<a href="#">Shares, Unvested, Beginning balance</a>	751,500	
<a href="#">Weighted-Average Remaining Contractual Term, Beginning Balance</a>	1.0	1.3
<a href="#">Aggregate Intrinsic Value, Beginning balance</a>	\$ 16,270	
<a href="#">Shares, Credited and Granted</a>		
<a href="#">Shares, Vested</a>	(482,500)	
<a href="#">Shares, Forfeited</a>	(20,000)	
<a href="#">Shares, Unvested, Ending balance</a>	249,000	751,500
<a href="#">Weighted-Average Remaining Contractual Term, Ending Balance</a>	1.0	1.3
<a href="#">Aggregate Intrinsic Value, Ending balance</a>	3,735	16,270

Performance Shares - Class B [Member]

**Summary of the activity related to performance shares and restricted stock units**

<a href="#">Shares, Unvested, Beginning balance</a>	141,000	
<a href="#">Weighted-Average Remaining Contractual Term, Beginning Balance</a>	1.0	1.3
<a href="#">Aggregate Intrinsic Value, Beginning balance</a>	3,053	
<a href="#">Shares, Credited and Granted</a>		
<a href="#">Shares, Vested</a>	(94,000)	
<a href="#">Shares, Forfeited</a>		
<a href="#">Shares, Unvested, Ending balance</a>	47,000	141,000
<a href="#">Weighted-Average Remaining Contractual Term, Ending Balance</a>	1.0	1.3
<a href="#">Aggregate Intrinsic Value, Ending balance</a>	705	3,053

Restricted Stock Units - Class A [Member]

**Summary of the activity related to performance shares and restricted stock units**

<a href="#">Shares, Unvested, Beginning balance</a>	110,749	
<a href="#">Weighted-Average Remaining Contractual Term, Beginning Balance</a>	0.6	0.7
<a href="#">Aggregate Intrinsic Value, Beginning balance</a>	2,398	
<a href="#">Shares, Credited and Granted</a>	248,416	
<a href="#">Shares, Vested</a>	(50,803)	
<a href="#">Shares, Forfeited</a>	(16,867)	
<a href="#">Shares, Unvested, Ending balance</a>	291,495	110,749
<a href="#">Weighted-Average Remaining Contractual Term, Ending Balance</a>	0.6	0.7
<a href="#">Aggregate Intrinsic Value, Ending balance</a>	4,372	2,398

Restricted Stock Units - Class B [Member]

**Summary of the activity related to performance shares and restricted stock units**

<u>Shares, Unvested, Beginning balance</u>	29,675	
<u>Weighted-Average Remaining Contractual Term, Beginning Balance</u>	1.0	1.1
<u>Aggregate Intrinsic Value, Beginning balance</u>	642	
<u>Shares, Credited and Granted</u>	54,870	
<u>Shares, Vested</u>	(10,276)	
<u>Shares, Forfeited</u>		
<u>Shares, Unvested, Ending balance</u>	74,269	29,675
<u>Weighted-Average Remaining Contractual Term, Ending Balance</u>	1.0	1.1
<u>Aggregate Intrinsic Value, Ending balance</u>	\$ 1,114	\$ 642



**Debt (Details) (USD \$)**  
**In Thousands, unless**  
**otherwise specified**

**Feb. 29, 2012 Feb. 28, 2011**

**Long-term debt and net of unamortized discounts**

**LONG-TERM DEBT** \$ 225,181 \$ 232,688

7.375% senior notes, due 2021 [Member]

**Long-term debt and net of unamortized discounts**

**LONG-TERM DEBT** 225,000

7.375% senior notes, due 2016 [Member]

**Long-term debt and net of unamortized discounts**

**LONG-TERM DEBT** 213,077

7.375% notes, due 2016 [Member]

**Long-term debt and net of unamortized discounts**

**LONG-TERM DEBT** 19,430

6.10% senior notes, due 2028 [Member]

**Long-term debt and net of unamortized discounts**

**LONG-TERM DEBT** \$ 181 \$ 181

**Deferred Costs (Details)****(USD \$)****In Thousands, unless  
otherwise specified****Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010 Feb. 28, 2009****Deferred costs and future payment commitments**

<u>Prepaid expenses and other</u>	\$ 94,071	\$ 88,352		
<u>Other assets</u>	395,397	327,311		
<u>Deferred cost assets</u>	489,468	415,663		
<u>Other current liabilities</u>	(45,891)	(64,116)		
<u>Other liabilities</u>	(137,360)	(76,301)		
<u>Deferred cost liabilities</u>	(183,251)	(140,417)		
<u>Net deferred costs</u>	\$ 306,217	\$ 275,246	\$ 287,965	\$ 303,007

**Income Taxes (Details) (USD  
\$)**

**In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

**Income (loss) from continuing operations before income taxes**

<u>United States</u>	\$ 73,811	\$ 135,859	\$ 129,115
<u>International</u>	24,004	20,148	(8,161)
<u>Income before income tax expense</u>	\$ 97,815	\$ 156,007	\$ 120,954

**Property, Plant and  
Equipment (Tables)**

**12 Months Ended  
Feb. 29, 2012**

[Property, Plant and Equipment \[Abstract\]](#)

[Property, plant and equipment](#)

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Land	\$ 17,727	\$ 10,552
Buildings	186,205	176,879
Capitalized software	240,424	221,564
Equipment and fixtures	456,423	440,557
	<u>900,779</u>	<u>849,552</u>
Less accumulated depreciation	623,182	607,903
	<u>\$ 277,597</u>	<u>\$ 241,649</u>

**Other Income and Expense  
(Details 1) (USD \$)**

**In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

**Other non-operating income and expenses**

<u>Foreign exchange loss (gain)</u>	\$ 1,314	\$ 224	\$ (4,746)
<u>Rental income</u>	(1,217)	(1,232)	(1,194)
<u>Net (gain) loss on disposal of fixed assets</u>	(461)	(3,463)	59
<u>Miscellaneous</u>	23	(1,370)	(607)
<u>Other non-operating income - net</u>	\$ (341)	\$ (5,841)	\$ (6,488)

## Fair Value Measurements

**12 Months Ended  
Feb. 29, 2012**

### [Fair Value Measurements](#)

#### [\[Abstract\]](#)

### [FAIR VALUE MEASUREMENTS](#)

#### 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 following table summarizes the financial assets measured at fair value as of the measurement date, February 29, 2012, and the basis for that measurement, by level within the fair value hierarchy:

	Balance as of February 29, 2012	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:				
Deferred compensation plan assets(1)	\$9,198	\$ 9,198	\$ -	\$ -

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	\$ -

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

As of February 29, 2012, the active employees' medical plan trust was terminated. During the prior year, the fair value of the investments in the active employees' medical plan trust was considered a Level 1 valuation as it was based on the quoted market value per share of each individual security investment in an active market.

The deferred compensation plan includes mutual fund assets. Assets held in mutual funds were recorded at fair value, which was considered a Level 1 valuation as it is based on each fund's quoted market value per share in an active market. Although the Corporation is under no obligation to fund employees' nonqualified accounts, the fair value of the related nonqualified deferred compensation liability is based on the fair value of the mutual fund assets.

Certain assets are measured at fair value on a nonrecurring basis and are subject to fair value adjustments only in certain circumstances. During the fourth quarter of 2010, assets held for sale relating to the Corporation's party goods product lines 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. These assets related to the party good product lines were sold in the third quarter of 2012.

**Significant Accounting  
Policies (Policies)**

**12 Months Ended  
Feb. 29, 2012**

[Significant Accounting  
Policies \[Abstract\]](#)

[Consolidation](#)

**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, 2012 refers to the year ended February 29, 2012.

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 (“ASC 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 810. Schurman owns and operates 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 29, 2012 includes:

- the investment in the equity of Schurman of \$1,935;
- the limited guaranty (“Liquidity Guaranty”) of Schurman’s indebtedness of \$12,000;
- normal course of business trade accounts receivable due from Schurman of \$13,406, 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 \$22,143 and \$35,985 as of February 29, 2012 and February 28, 2011, respectively; and
- the subordinated credit facility (the “Subordinated Credit Facility”) that provides Schurman with up to \$10,000 of subordinated financing.

The Corporation provides Schurman limited credit support through the provision of a Liquidity Guaranty in favor of the lenders under Schurman’s senior revolving credit facility (the “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. The Corporation’s obligations under the Liquidity 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 29, 2012 requiring the use of the Liquidity Guaranty.

The Subordinated Credit Facility that the Corporation provides to Schurman had an initial term of nineteen months expiring on November 17, 2010, however, unless either party provides the appropriate written notice prior to the expiration of the applicable term, the facility automatically renews for periods of one year, except in the case of the last renewal, in which case the facility can only renew for the partial year ending on the facility's expiration date of June 25, 2013. 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 Schurman's Senior Credit Facility and the Subordinated Credit Facility includes affirmative and negative non-financial covenants and events of default customary for such financings. As of February 29, 2012, the facility was in its second annual renewal and Schurman had not borrowed under the Subordinated Credit Facility.

The April 2009 transaction with Schurman also included a \$12,000 bridge guaranty ("Bridge Guaranty") in favor of the lenders under the Senior Credit Facility, which remained in effect until Schurman was able to include inventory and other assets of the retail stores it acquired from the Corporation in its borrowing base. On April 1, 2011, the Bridge Guaranty was terminated.

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 2012 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](#)

**Reclassifications:** Certain amounts in the prior year financial statements have been reclassified to conform to the 2012 presentation.

## [Use of Estimates](#)

**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, 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](#)

**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](#)

**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.

## Concentration of Credit Risks

**Concentration of Credit Risks:** The Corporation sells primarily to customers in the retail trade, primarily those in mass merchandising, which is comprised of three distinct channels: mass merchandisers (including discount retailers), chain drug stores and supermarkets. In addition, the Corporation sells its products through a variety of other distribution channels, including card and gift shops, department stores, military post exchanges, variety stores and combo stores (stores combining food, general merchandise and drug items). The Corporation also sells greeting cards through its Cardstore.com Web site, and, from time to time, the Corporation sells its products to independent, third-party distributors. These customers are located throughout the United States, Canada, the United Kingdom, Australia and New Zealand. Net sales to the Corporation's five largest customers accounted for approximately 42% of total revenue in 2012 and 2011 and 39% of total revenue in 2010. Net sales to Wal-Mart Stores, Inc. and its subsidiaries accounted for approximately 14%, 15% and 14% of total revenue in 2012, 2011 and 2010, respectively. Net sales to Target Corporation accounted for approximately 14% of total revenue in 2012 and 2011 and 13% of total revenue in 2010.

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

**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 29, 2012 and February 28, 2011, 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

**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

**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 \$5,985, \$4,736 and \$4,360 in 2012, 2011 and 2010, respectively, with no significant amounts related to changes in ultimate revenue estimates during these periods. These production costs are included in "Material, labor and other production costs" on the Consolidated Statement of Operations. Amortization of production costs totaling \$3,646, \$3,380 and \$2,209 in 2012, 2011 and 2010, respectively, are included in "Other—net" within "Operating Activities" on the Consolidated Statement of Cash Flows. The balance of deferred film production costs was \$8,405 and \$9,246 at February 29, 2012 and February 28, 2011, respectively, and is included in "Other assets" on the Consolidated Statement of Financial Position. The Corporation expects to recognize amortization of approximately \$2,700 of production costs during the next twelve months.

#### Investment in Life Insurance

**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 \$23,849 and \$21,760 as of February 29, 2012 and February 28, 2011, 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 \$11,209, \$12,122 and \$12,207 in 2012, 2011 and 2010, respectively.

#### Goodwill and Other Intangible Assets

**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 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 10 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 Notes 8 and 14 for further information.

### Operating Leases

**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

**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

**Revenue Recognition:** Sales are recognized when title and the risk of loss have been transferred to the customer, which generally occurs upon delivery.

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." Revenues and expenses associated with the servicing of these agreements are summarized as follows:

	2012	2011	2010
Royalty revenue	\$31,360	\$32,016	\$37,531
Royalty expenses:			
Material, labor and other production costs	13,516	11,806	9,410
Selling, distribution and marketing expenses	11,368	14,046	17,970
Administrative and general expenses	1,748	1,697	2,050
	<u>\$26,632</u>	<u>\$27,549</u>	<u>\$29,430</u>

## [Sales Taxes](#)

**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](#)

**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](#)

**Shipping and Handling Fees:** The Corporation classifies shipping and handling fees as part of "Selling, distribution and marketing expenses." Shipping and handling costs were \$134,204, \$119,391 and \$119,989 in 2012, 2011 and 2010, respectively.

## [Advertising Expenses](#)

**Advertising Expenses:** Advertising costs are expensed as incurred. Advertising expenses were \$25,718, \$12,079 and \$12,559 in 2012, 2011 and 2010, respectively.

## [Income Taxes](#)

**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](#)

### **Recent Accounting Pronouncements**



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

In May 2011, the FASB issued ASU No. 2011-04 (“ASU 2011-04”), “Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” ASU 2011-04 improves comparability of fair value measurements presented and disclosed in financial statements prepared with U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements including (1) the application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity’s shareholders’ equity, and (3) quantitative information required for fair value measurements categorized within Level 3. ASU 2011-04 also provides guidance on measuring the fair value of financial instruments managed within a portfolio and application of premiums and discounts in a fair value measurement. In addition, ASU 2011-04 requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The amendments in this guidance are to be applied prospectively, and are effective for interim and annual periods beginning after December 15, 2011. The Corporation does not expect that the adoption of this standard will have a material effect on its financial statements.

In June 2011, the FASB issued ASU No. 2011-05 (“ASU 2011-05”), “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in shareholders’ equity and requires the presentation of components of net income and other comprehensive income either in a single continuous statement or in two separate but consecutive statements. In addition, ASU 2011-05 requires presentation of reclassification adjustments for each component of accumulated other comprehensive income in both the statement in which net income is presented and the statement in which other comprehensive income is presented. In January 2012, the FASB issued ASU No. 2011-12 (“ASU 2011-12”), “Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05.” ASU 2011-12 defers the effective date of the requirements made in ASU 2011-05 pertaining to presentation of reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. ASU 2011-12 reinstates the previous requirements to present reclassification adjustments either on the face of the statement in which other comprehensive income is reported or to disclose them in the notes to the financial statements. The other requirements in ASU 2011-05 are not affected by ASU 2011-12. ASU 2011-05 and ASU 2011-12 are effective for interim and annual periods beginning after December 15, 2011. The Corporation does not expect that the adoption of these standards will have a material impact on

its results of operations or financial condition, but it will affect how the Corporation presents its other comprehensive income.

In September 2011, the FASB issued ASU No. 2011-08 (“ASU 2011-08”), “Testing Goodwill for Impairment.” ASU 2011-08 gives entities the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Only if an entity determines, on the basis of qualitative factors, that it is more likely than not that the fair value of a reporting entity is less than its carrying amount, would it be required to then perform the first step of the two-step quantitative impairment test. Otherwise, the two-step quantitative impairment testing is not required. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Corporation does not expect that the adoption of this standard will have a material effect on its financial statements.

In September 2011, the FASB issued ASU No. 2011-09 (“ASU 2011-09”), “Disclosures about an Employer’s Participation in a Multiemployer Plan.” ASU 2011-09 requires an employer who participates in multiemployer pension plans to provide additional disclosures to help financial statement users to better understand the plans in which an employer participates, the level of the employer’s participation in those plans and the financial health of those plans. ASU 2011-09 is effective for fiscal years ending after December 15, 2011, with early adoption permitted. Since ASU 2011-09 does not change the existing recognition and measurement guidance for an employer’s participation in a multiemployer plan, the Corporation’s adoption of this standard during the fourth quarter of 2012 did not impact its financial statements.

**Income Taxes (Details 3)**  
**(USD \$)**

**In Thousands, unless  
otherwise specified**

**Feb. 29, 2012 Feb. 28, 2011**

**Deferred tax assets:**

<u>Employee benefit and incentive plans</u>	\$ 62,205	\$ 54,186
<u>Goodwill and other intangible assets</u>	56,720	50,371
<u>Net operating loss carryforwards</u>	26,260	29,850
<u>Foreign tax credit carryforward</u>	25,957	26,638
<u>Reserves not currently deductible</u>	27,631	31,923
<u>Accrued expense deductible as paid</u>	9,778	10,082
<u>Deferred revenue</u>	6,501	13,327
<u>Deferred capital loss</u>	8,215	8,490
<u>Charitable contributions carryforward</u>	367	1,271
<u>Inventory costing</u>	2,194	0
<u>Other (each less than 5 percent of total assets)</u>	12,514	7,812
<u>Deferred tax assets, Gross</u>	238,342	233,950
<u>Valuation allowance</u>	(20,670)	(24,042)
<u>Total deferred tax assets</u>	217,672	209,908

**Deferred tax liabilities:**

<u>Property, plant and equipment</u>	37,640	21,654
<u>Inventory costing</u>		2,453
<u>Other</u>	2,440	3,404
<u>Total deferred tax liabilities</u>	40,080	27,511
<u>Net deferred tax assets</u>	\$ 177,592	\$ 182,397



Acquisitions and Dispositions (Details Textual) (USD \$) In Thousands, except Share data, unless otherwise specified	12 Months Ended			3 Months Ended					1 Months Ended	3 Months Ended	1 Months Ended	12 Months Ended	3 Months Ended					
	Feb. 29, 2012	Feb. 28, 2011	Feb. 28, 2010	Feb. 28, 2010 Carlton Mexico [Member] Position	Feb. 28, 2010 Kalamazoo Facility [Member]	Feb. 28, 2010 Party Goods [Member]	May 29, 2009 Papyrus Brand & Wholesale Business Acquisition [Member]	May 27, 2011 Watermark [Member]	Feb. 28, 2011 Watermark [Member]	Dec. 21, 2009 AAH Holdings [Member]	Dec. 02, 2010 AAH Holdings [Member]	Feb. 28, 2010 Party Goods [Member]	Dec. 21, 2009 Amscan [Member]	Feb. 29, 2012 Amscan [Member]	Feb. 28, 2011 Amscan [Member]	May 29, 2009 Retail Operations [Member]	Apr. 17, 2009 Retail Operations [Member] Store	Apr. 17, 2009 Investment in Equity [Member] Schurman [Member]
<a href="#">Business Acquisition [Line Items]</a>																		
<a href="#">Cash received from asset disposition</a>																\$ 6,000		
<a href="#">Investment in equity shares</a>	12,546									16,274	10,611							1,935
<a href="#">Net cash paid related to the transaction</a>	5,899	500	19,300				14,000	5,899										
<a href="#">Common stock purchased on for warrants</a>										740.74								
<a href="#">Purchase price of share under warrant</a>										\$ 0.01								
<a href="#">Sale of assets equipment and processes sale price</a>												24,880						
<a href="#">Number of Retail Stores Sold</a>																	341	
<a href="#">Purchase commitments held by supply and distribution agreement</a>													22,500					
<a href="#">Percentage of shares purchased</a>									100.00%									15.00%
<a href="#">Cash paid</a>							18,065	17,069										
<a href="#">Purchased amount under purchase commitment</a>														5,531	6,435			
<a href="#">Cash distributed by AAH to corporation that reduces investments</a>										6,963								
<a href="#">Number of years held for purchase commitments</a>													5 years					
<a href="#">Reduction in investment through cash distribution</a>										5,663								
<a href="#">Value of warrant issued to corporation</a>										16,274								
<a href="#">Acquisition and Disposition (Textual) [Abstract]</a>																		
<a href="#">Number of positions eliminated</a>				170														
<a href="#">Loss on recognition of foreign currency translation adjustments</a>	(2,594)		(8,627)	11,300														
<a href="#">Asset impairments, severance charges and other shutdown costs</a>				6,935														
<a href="#">Gain (loss) on disposition</a>	4,500	254	6,507			34,178												
<a href="#">Goodwill impairment charge</a>					13,005													
<a href="#">Employee termination cost related with the closure of Kalamazoo facility</a>	\$ 5,247	\$ 6,944	\$ 10,814		\$ 2,798													

**Common Shares and Stock  
Based Compensation  
(Tables)**

**12 Months Ended**

**Feb. 29, 2012**

**Share-based Compensation Arrangement  
by Share-based Payment Award [Line  
Items]**

Stock option transactions and prices

	Number of Class	Weighted- Average	Weighted-Average Remaining Contractual	Aggregate Intrinsic Value
	A Options	Exercise Price	Term (in years)	(in thousands)
Outstanding at February 28, 2011	4,526,821	\$ 20.12	6.0	\$ 14,278
Granted	-	-		
Exercised	(682,297)	23.25		
Expired	(32,391)	20.67		
Forfeited	(214,706)	24.72		
Outstanding at February 29, 2012	<u>3,597,427</u>	\$ 20.96	5.2	\$ 3,375
Exercisable at February 29, 2012	3,339,219	\$ 20.69	5.2	\$ 3,375

	Number of Class	Weighted- Average	Weighted-Average Remaining Contractual	Aggregate Intrinsic Value
	B Options	Exercise Price	Term (in years)	(in thousands)
Outstanding at February 28, 2011	1,166,395	\$ 19.96	5.7	\$ 2,578
Granted	-	-		
Exercised	(245,250)	24.60		
Expired	(63,564)	22.26		
Forfeited	-	-		
Outstanding at February 29, 2012	<u>857,581</u>	\$ 23.06	4.7	\$ 420
Exercisable at February 29, 2012	722,415	\$ 24.11	4.5	\$ -

Estimated fair value of the different class of  
stocks under the assumptions of Black-  
Scholes option-pricing model

	2011	2010
Risk-free interest rate	1.4 %	1.3 %
Dividend yield	2.3 %	6.0 %

Expected stock volatility	0.81	0.71
Expected life in years	2.3	2.4

	Number of Class B Performance Shares	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2011	141,000	1.3	\$ 3,053
Credited	-		
Vested	(94,000)		
Forfeited	-		
Unvested at February 29, 2012	47,000	1.0	\$ 705

The fair value of the performance shares was 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	

[Summary of the activity related to performance shares and restricted stock units](#)

	Number of Class A Performance Shares	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2011	751,500	1.3	\$ 16,270
Credited	-		
Vested	(482,500)		
Forfeited	(20,000)		
Unvested at February 29, 2012	249,000	1.0	\$ 3,735

	Number of Class A Restricted Stock Units	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February 28, 2011	110,749	0.7	\$ 2,398
Granted	248,416		
Vested	(50,803 )		
Forfeited	(16,867 )		

Unvested at February			
29, 2012	<u>291,495</u>	0.6	\$ 4,372

	Number of Class B Restricted Stock Units	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested at February			
28, 2011	29,675	1.1	\$ 642
Granted	54,870		
Vested	(10,276 )		
Forfeited	—		
Unvested at February			
29, 2012	<u>74,269</u>	1.0	\$ 1,114

	2012		2011	
Risk-free interest rate	0.67	%	1.09	%
Dividend yield	2.6	%	2.3	%
Expected stock volatility	0.59		0.90	
Expected life in years	1.6		1.6	

**Consolidated Statement of  
Cash Flows (USD \$)  
In Thousands, unless  
otherwise specified**

**12 Months Ended**

	<b>Feb. 29, 2012</b>	<b>Feb. 28, 2011</b>	<b>Feb. 28, 2010</b>
<b><u>OPERATING ACTIVITIES:</u></b>			
<u>Net income</u>	\$ 57,198	\$ 87,018	\$ 81,574
<b><u>Adjustments to reconcile net income to cash flows from operating activities:</u></b>			
<u>Goodwill impairment</u>	27,154		
<u>Stock-based compensation</u>	10,982	13,017	5,870
<u>Net gain on dispositions</u>	(4,500)	(254)	(6,507)
<u>Net (gain) loss on disposal of fixed assets</u>	(461)	(3,463)	59
<u>Loss on extinguishment of debt</u>	30,812		
<u>Depreciation and intangible assets amortization</u>	39,225	41,048	45,165
<u>Deferred income taxes</u>	15,391	28,642	25,268
<u>Fixed asset impairments</u>		119	13,005
<u>Other non-cash charges</u>	3,034	3,663	12,419
<b><u>Changes in operating assets and liabilities, net of acquisitions and dispositions:</u></b>			
<u>Trade accounts receivable</u>	9,271	15,296	(56,105)
<u>Inventories</u>	(23,321)	(13,097)	14,923
<u>Other current assets</u>	6,392	(1,922)	16,936
<u>Income taxes</u>	(11,411)	19,947	18,863
<u>Deferred costs - net</u>	(31,254)	14,262	18,405
<u>Accounts payable and other liabilities</u>	(13,560)	(31,015)	(633)
<u>Other - net</u>	1,586	6,538	8,248
<u>Total Cash Flows From Operating Activities</u>	116,538	179,799	197,490
<b><u>INVESTING ACTIVITIES:</u></b>			
<u>Property, plant and equipment additions</u>	(70,943)	(36,346)	(26,550)
<u>Cash payments for business acquisitions, net of cash acquired</u>	(5,899)	(500)	(19,300)
<u>Proceeds from sale of fixed assets</u>	9,310	14,242	1,124
<u>Proceeds from escrow related to party goods transaction</u>		25,151	
<u>Proceeds from sale of intellectual properties</u>	4,500		
<u>Other - net</u>		5,663	4,713
<u>Total Cash Flows From Investing Activities</u>	(63,032)	8,210	(40,013)
<b><u>FINANCING ACTIVITIES:</u></b>			
<u>Increase in long-term debt</u>	225,000		
<u>Payments associated with reduction of long-term debt</u>	(263,787)	(98,250)	(62,350)
<u>Decrease in short-term debt</u>		(1,000)	
<u>Sale of stock under benefit plans</u>	10,153	16,620	6,557
<u>Excess tax benefits from share-based payment awards</u>	3,468	4,512	148
<u>Purchase of treasury shares</u>	(82,459)	(13,521)	(11,848)
<u>Dividends to shareholders</u>	(23,893)	(22,354)	(19,049)
<u>Debt issuance costs</u>	(5,391)	(3,199)	

<u>Total Cash Flows From Financing Activities</u>	(136,909)	(117,192)	(86,542)
<u>EFFECT OF EXCHANGE RATE CHANGES ON CASH</u>	3	7,072	6,798
<u>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</u>	(83,400)	77,889	77,733
<u>Cash and Cash Equivalents at Beginning of Year</u>	215,838	137,949	60,216
<u>Cash and Cash Equivalents at End of Year</u>	\$ 132,438	\$ 215,838	\$ 137,949

**Business Segment  
Information (Details 1) (USD  
\$)**

**In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

**Geographical Information**

Total revenue \$ 1,695,144 \$ 1,597,894 \$ 1,640,851

PROPERTY, PLANT AND EQUIPMENT- NET 277,597 241,649

United States [Member]

**Geographical Information**

Total revenue 1,214,715 1,207,072 1,267,837

PROPERTY, PLANT AND EQUIPMENT- NET 252,945 218,354

United Kingdom [Member]

**Geographical Information**

Total revenue 296,472 216,309 209,059

PROPERTY, PLANT AND EQUIPMENT- NET 21,136 21,099

Other International [Member]

**Geographical Information**

Total revenue 183,957 174,513 163,955

PROPERTY, PLANT AND EQUIPMENT- NET \$ 3,516 \$ 2,196

## Other Income and Expense

**12 Months Ended  
Feb. 29, 2012**

### Other Income and Expense

#### [Abstract]

### OTHER INCOME AND EXPENSE

#### **NOTE 3 – OTHER INCOME AND EXPENSE**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Gain on sale of intellectual properties	\$(4,500)	\$–	\$–
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	(3,238)	(2,951)	(2,430)
Other operating income – net	<u>\$ (7,738)</u>	<u>\$ (3,205)</u>	<u>\$ (310)</u>

In June 2011, the Corporation sold certain minor character properties and recognized a gain of \$4,500. The proceeds of \$4,500 are included in “Proceeds from sale of intellectual properties” on the Consolidated Statement of Cash Flows.

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.

2012

2011

2010



Foreign exchange loss (gain)	\$ 1,314	\$ 224	\$ (4,746 )
Rental income	(1,217 )	(1,232 )	(1,194 )
(Gain) loss on asset disposal	(461 )	(3,463 )	59
Miscellaneous	23	(1,370 )	(607 )
Other non-operating income – net	<u>\$ (341 )</u>	<u>\$ (5,841 )</u>	<u>\$ (6,488 )</u>

In October 2011, the Corporation sold the land and buildings relating to its party goods product lines in the North American Social Expression Products segment that were previously included in “Assets held for sale” on the Consolidated Statement of Financial Position and recorded a gain of approximately \$393. The cash proceeds of \$6,000 received from the sale of the assets are included in “Proceeds from sale of fixed assets” on the Consolidated Statement of Cash Flows.

In June 2011, the Corporation sold the land, building and certain equipment associated with a distribution facility in the International Social Expression Products segment that were previously included in “Assets held for sale” on the Consolidated Statement of Financial Position and recorded a gain of approximately \$500. The cash proceeds of approximately \$2,400 received from the sale of the assets are included in “Proceeds from sale of fixed assets” on the Consolidated Statement of Cash Flows.

The Corporation sold the land and building associated with its Mexican operations 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, 2011 and 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 equity securities. In 2011, miscellaneous included \$1,300 of dividend income related to the Corporation’s investment in AAH.

**Property, Plant and  
Equipment (Details) (USD \$)  
In Thousands, unless  
otherwise specified**

**Feb. 29, 2012 Feb. 28, 2011**

**Property, Plant and Equipment**

<u>Property, plant and equipment - at cost</u>	\$ 900,779	\$ 849,552
<u>Less accumulated depreciation</u>	623,182	607,903
<u>PROPERTY, PLANT AND EQUIPMENT- NET</u>	277,597	241,649

Land [Member]

**Property, Plant and Equipment**

<u>Property, plant and equipment - at cost</u>	17,727	10,552
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Buildings [Member]

**Property, Plant and Equipment**

<u>Property, plant and equipment - at cost</u>	186,205	176,879
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Capitalized software [Member]

**Property, Plant and Equipment**

<u>Property, plant and equipment - at cost</u>	240,424	221,564
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Equipment and fixtures [Member]

**Property, Plant and Equipment**

<u>Property, plant and equipment - at cost</u>	\$ 456,423	\$ 440,557
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**Fair Value Measurements**  
**(Details Textual)**  
**(Nonrecurring [Member],**  
**USD \$)**  
**In Thousands, unless**  
**otherwise specified**

**12 Months Ended**

**Feb. 28, 2010**

**Feb. 28,**  
**2011**

**Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]**

Assets held for sale

\$ 5,282

Party goods product lines [Member]

**Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]**

Impairment charge

8,379

275

Selling period of assets valued based on observable selling prices

past twelve to eighteen  
months

Party Goods Product Line [Member]

**Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]**

Assets held for sale fair value before cost of sell

5,875

Assets held for sale cost to sell

318

Assets held for sale

\$ 5,557

**Retirement and  
Postretirement Benefit Plans  
(Details) (USD \$)  
In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29, 2012 Feb. 28, 2011 Feb. 28, 2010**

Pension Plans [Member]

**Change in benefit obligation:**

<u>Benefit obligation at beginning of year</u>	\$ 170,160	\$ 162,845	
<u>Service cost</u>	1,106	957	730
<u>Interest cost</u>	8,353	8,757	9,279
<u>Participant contributions</u>	29	28	
<u>Plan amendments</u>	924	198	
<u>Actuarial loss (gain)</u>	15,310	5,825	
<u>Benefit payments</u>	(11,036)	(10,567)	
<u>Settlements</u>		52	
<u>Currency exchange rate changes</u>	(502)	2,065	
<u>Benefit obligation at end of year</u>	184,344	170,160	162,845

**Change in plan assets:**

<u>Fair value of plan assets at beginning of year</u>	107,881	102,092	
<u>Actual return on plan assets</u>	7,172	11,311	
<u>Employer contributions</u>	2,736	3,187	
<u>Participant contributions</u>	29	28	
<u>Benefit payments</u>	(11,036)	(10,567)	
<u>Settlements</u>		52	
<u>Currency exchange rate changes</u>	(441)	1,778	
<u>Fair value of plan assets at end of year</u>	106,341	107,881	102,092
<u>Funded status at end of year</u>	(78,003)	(62,279)	

Postretirement benefit plan [Member]

**Change in benefit obligation:**

<u>Benefit obligation at beginning of year</u>	91,035	110,921	
<u>Service cost</u>	726	2,290	2,365
<u>Interest cost</u>	3,929	6,014	7,359
<u>Participant contributions</u>	4,585	4,165	
<u>Retiree drug subsidy payments</u>	1,072	1,670	
<u>Plan amendments</u>		(7,263)	
<u>Actuarial loss (gain)</u>	(10,726)	(18,639)	
<u>Benefit payments</u>	(8,277)	(8,123)	
<u>Benefit obligation at end of year</u>	82,344	91,035	110,921

**Change in plan assets:**

<u>Fair value of plan assets at beginning of year</u>	66,935	66,928	
<u>Actual return on plan assets</u>	(1,301)	7,130	
<u>Employer contributions</u>	(4,379)	(3,165)	
<u>Participant contributions</u>	4,585	4,165	
<u>Benefit payments</u>	(8,277)	(8,123)	

<u>Fair value of plan assets at end of year</u>	57,563	66,935	66,928
<u>Funded status at end of year</u>	\$ (24,781)	\$ (24,100)	

**Significant Accounting  
Policies (Tables)**

**[Significant Accounting Policies \[Abstract\]](#)**

**Royalty revenue and related expenses**

**12 Months Ended  
Feb. 29, 2012**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Royalty revenue	\$31,360	\$32,016	\$37,531
Royalty expenses:			
Material, labor and other production costs	13,516	11,806	9,410
Selling, distribution and marketing expenses	11,368	14,046	17,970
Administrative and general expenses	<u>1,748</u>	<u>1,697</u>	<u>2,050</u>
	<u>\$26,632</u>	<u>\$27,549</u>	<u>\$29,430</u>

**Retirement and  
Postretirement Benefit Plans  
(Details 5) (USD \$)  
In Thousands, unless  
otherwise specified**

**12 Months Ended**

**Feb. 29,    Feb. 28,    Feb. 28,  
2012        2011        2010**

Pension Plans [Member]

**Components of periodic benefit cost for defined benefit pension and postretirement benefit plans**

<u>Service cost</u>	\$ 1,106	\$ 957	\$ 730
<u>Interest cost</u>	8,353	8,757	9,279
<u>Expected return on plan assets</u>	(6,858)	(6,588)	(5,637)
<u>Amortization of transition obligation</u>	6	6	6
<u>Amortization of prior service cost</u>	240	178	261
<u>Amortization of actuarial (gain) loss</u>	2,126	133	1,942
<u>Settlements</u>		(3)	126
<u>Net periodic benefit cost</u>	4,973	3,440	6,707

**Other changes in plan assets and benefit obligations recognized in other comprehensive income:**

<u>Actuarial loss/gain</u>	14,996	1,175	6,069
<u>Prior service cost</u>	924	198	53
<u>Amortization of prior service cost</u>	(240)	(178)	(261)
<u>Amortization of actuarial loss (gain)</u>	(2,126)	(133)	(1,942)
<u>Amortization of transition obligation</u>	(6)	(6)	(6)
<u>Settlements</u>		3	(126)
<u>Total recognized in other comprehensive income</u>	13,548	1,059	3,787
<u>Total recognized in net periodic benefit cost and other comprehensive income</u>	18,521	4,499	10,494

Postretirement benefit plan [Member]

**Components of periodic benefit cost for defined benefit pension and postretirement benefit plans**

<u>Service cost</u>	726	2,290	2,365
<u>Interest cost</u>	3,929	6,014	7,359
<u>Expected return on plan assets</u>	(4,310)	(4,503)	(4,107)
<u>Amortization of prior service cost</u>	(2,461)	(7,712)	(7,418)
<u>Amortization of actuarial (gain) loss</u>	(766)	1,078	2,386
<u>Net periodic benefit cost</u>	(2,882)	(2,833)	585

**Other changes in plan assets and benefit obligations recognized in other comprehensive income:**

<u>Actuarial loss/gain</u>	(5,115)	(21,265)	(21,723)
<u>Prior service cost</u>		(7,263)	
<u>Amortization of prior service cost</u>	2,461	7,712	7,418
<u>Amortization of actuarial loss (gain)</u>	766	(1,078)	(2,386)
<u>Total recognized in other comprehensive income</u>	(1,888)	(21,894)	(16,691)
<u>Total recognized in net periodic benefit cost and other comprehensive income</u>	\$ (4,770)	\$ (24,727)	\$ (16,106)

**Retirement and  
Postretirement Benefit Plans  
(Tables)**

**12 Months Ended  
Feb. 29, 2012**

**Defined Benefit Plan Disclosure [Line  
Items]**

**Components of net periodic benefit cost and  
changes recognized in other comprehensive  
income**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Components of net periodic benefit cost:			
Service cost	\$726	\$2,290	\$2,365
Interest cost	3,929	6,014	7,359
Expected return on plan assets	(4,310)	(4,503 )	(4,107 )
Amortization of prior service credit	(2,461)	(7,712 )	(7,418 )
Amortization of actuarial (gain) loss	(766 )	1,078	2,386
Net periodic benefit cost	(2,882)	(2,833 )	585
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Actuarial gain	(5,115)	(21,265)	(21,723)
Prior service credit added during the year	-	(7,263 )	-
Amortization of actuarial loss (gain)	766	(1,078 )	(2,386 )
Amortization of prior service credit	2,461	7,712	7,418
Total recognized in other comprehensive income	(1,888)	(21,894)	(16,691)
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (4,770)</u>	<u>\$ (24,727)</u>	<u>\$ (16,106)</u>

**Summary of the fair value of the defined benefit pension plan assets**

	<u>Fair value at February 29, 2012</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>
U.S. plans:			
Short-term investments	\$ 710	\$ -	\$ 710
Equity securities (collective funds)	41,322	-	41,322
Fixed-income funds	39,510	-	39,510
International plans:			



Short-term investments	1,163	-	1,163
Equity securities (collective funds)	7,753	-	7,753
Fixed-income funds	15,883	-	15,883
Total:	<u>\$ 106,341</u>	<u>\$ -</u>	<u>\$ 106,341</u>

	Fair value at February 28, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
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U.S. plans:

Short-term investments	\$ 689	\$ -	\$ 689
Equity securities (collective funds)	42,776	-	42,776
Fixed-income funds	40,717	-	40,717

International plans:

Short-term investments	639	-	639
Equity securities (collective funds)	7,191	-	7,191
Fixed-income funds	15,869	-	15,869
Total:	<u>\$ 107,881</u>	<u>\$ -</u>	<u>\$ 107,881</u>

	Fair value at February 29, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
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Short-term investments	\$ 849	\$ -	\$ 849
Equity securities (common stocks)	17,245	17,245	-
Fixed-income funds	39,469	-	39,469
Total:	<u>\$ 57,563</u>	<u>\$ 17,245</u>	<u>\$ 40,318</u>

	Fair value at February 28, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
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Short-term investments	\$ 1,176	\$ -	\$ 1,176
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[Summary of information on the defined benefit pension plans and postretirement benefits plan](#)

Equity securities (common stocks)	29,229	29,229	-
Fixed-income funds	36,530	-	36,530
Total:	<u>\$ 66,935</u>	<u>\$ 29,229</u>	<u>\$ 37,706</u>

	Pension Plans		Postretirement Benefits	
	2012	2011	2012	2011
Change in benefit obligation:				
Benefit obligation at beginning of year	\$170,160	\$162,845	\$91,035	\$110,921
Service cost	1,106	957	726	2,290
Interest cost	8,353	8,757	3,929	6,014
Participant contributions	29	28	4,585	4,165
Retiree drug subsidy payments	-	-	1,072	1,670
Plan amendments	924	198	-	(7,263)
Actuarial loss (gain)	15,310	5,825	(10,726)	(18,639)
Benefit payments	(11,036)	(10,567)	(8,277)	(8,123)
Settlements	-	52	-	-
Currency exchange rate changes	(502)	2,065	-	-
Benefit obligation at end of year	184,344	170,160	82,344	91,035
Change in plan assets:				
Fair value of plan assets at beginning of year	107,881	102,092	66,935	66,928
Actual return on plan assets	7,172	11,311	(1,301)	7,130
Employer contributions	2,736	3,187	(4,379)	(3,165)
Participant contributions	29	28	4,585	4,165
Benefit payments	(11,036)	(10,567)	(8,277)	(8,123)

Settlements	-	52	-	-
Currency exchange rate changes	(441)	1,778	-	-
Fair value of plan assets at end of year	106,341	107,881	57,563	66,935
Funded status at end of year	<u><u>\$ (78,003)</u></u>	<u><u>\$ (62,279)</u></u>	<u><u>\$ (24,781)</u></u>	<u><u>\$ (24,100)</u></u>

[Summary of amounts recognized on the Consolidated Statement of Financial Position](#)

	Pension Plans		Postretirement Benefits	
	2012	2011	2012	2011
Accrued compensation and benefits	\$ (2,257 )	\$ (2,347 )	\$ -	\$ -
Other liabilities	(75,746 )	(59,932 )	(24,781 )	(24,101 )
Net amount recognized	<u><u>\$ (78,003 )</u></u>	<u><u>\$ (62,279 )</u></u>	<u><u>\$ (24,781 )</u></u>	<u><u>\$ (24,101 )</u></u>

Amounts  
recognized in  
accumulated  
other  
comprehensive  
income:

Net actuarial loss (gain)	\$ 69,632	\$ 56,938	\$ (3,081 )	\$ 1,268
Net prior service cost (credit)	1,531	847	(8,855 )	(11,316 )
Net transition obligation	37	43	-	-

Accumulated other

comprehensive loss (income)	<u><u>\$ 71,200</u></u>	<u><u>\$ 57,828</u></u>	<u><u>\$ (11,936 )</u></u>	<u><u>\$ (10,048 )</u></u>
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[Summary of significant weighted-average assumptions to determine benefit obligations and net periodic benefit cost](#)

	Pension Plans		Postretirement Benefits	
	2012	2011	2012	2011
Weighted average discount rate used to determine:				
Benefit obligations at measurement date				
U.S.	4.00-4.25%	5.25%	4.00%	5.50%
International	4.45%	5.15%	N/A	N/A
Net periodic benefit cost				

U.S.	5.25%	5.50-5.75%	5.50%	5.75%
International	5.15%	5.50%	N/A	N/A
Expected long-term return on plan assets:				
U.S.	7.00%	7.00%	7.00%	7.00%
International	5.50%	5.50%	N/A	N/A
Rate of compensation increase:				
U.S.	6.50%	6.50%	N/A	N/A
International	3.00%	3.00%	N/A	N/A
Health care cost trend rates:				
For year following February 28 or 29	N/A	N/A	9.50%	10.00%
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	2021

	2012	2011	2010
Components of net periodic benefit cost:			
Service cost	\$1,106	\$957	\$730
Interest cost	8,353	8,757	9,279
Expected return on plan assets	(6,858 )	(6,588 )	(5,637 )
Amortization of transition obligation	6	6	6
Amortization of prior service cost	240	178	261
Amortization of actuarial loss	2,126	133	1,942
Settlements	-	(3 )	126
Net periodic benefit cost	4,973	3,440	6,707
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Actuarial loss	14,996	1,175	6,069
Prior service cost	924	198	53
Amortization of prior service cost	(240 )	(178 )	(261 )
Amortization of actuarial loss	(2,126 )	(133 )	(1,942 )
Amortization of transition obligation	(6 )	(6 )	(6 )
Settlements	-	3	(126 )
Total recognized in other comprehensive income	13,548	1,059	3,787
Total recognized in net periodic benefit cost and other comprehensive income	\$18,521	\$4,499	\$10,494

[Effect of one percentage point change in  
assumed health care cost trend rates](#)

2012	2011
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Effect of a 1% increase in health care cost trend rate on:		
Service cost plus interest cost	\$210	\$915
Accumulated postretirement benefit obligation	3,854	7,571

Effect of a 1% decrease in health care cost trend rate on:		
Service cost plus interest cost	(184 )	(739 )
Accumulated postretirement benefit obligation	(3,332 )	(6,030 )

#### Summary of pension plan information

	<b>2012</b>	<b>2011</b>
For all pension plans:		
Accumulated benefit obligation	\$ 177,489	\$ 164,823
For pension plans that are not fully funded:		
Projected benefit obligation	184,041	170,160
Accumulated benefit obligation	177,186	164,823
Fair value of plan assets	106,038	107,881

#### Summary of assets of plans held in trust

	Pension Plans		Postretirement Benefits		
	2012	2011	2012	2011	Target Allocation
Equity securities:					
U.S.	51 %	51 %	30%	43%	15%-30%
International	31 %	31 %	N/A	N/A	N/A
Debt securities:					
U.S.	48 %	48 %	69%	54%	65%-85%
International	64 %	67 %	N/A	N/A	N/A
Cash and cash equivalents:					
U.S.	1 %	1 %	1%	3%	0%-15%
International	5 %	2 %	N/A	N/A	N/A

#### Details of benefits expected to be paid out

	Pension Plans	Postretirement Benefits	
		Excluding Effect of Medicare Part D Subsidy	Including Effect of Medicare Part D Subsidy
2013	\$11,024	\$ 5,325	\$ 4,610
2014	11,230	5,370	4,703
2015	11,315	5,454	4,730
2016	11,161	5,547	4,754
2017	11,496	5,584	5,390
2018 – 2022	57,264	27,996	27,046

**Long -Term leases and  
Commitments**

**12 Months Ended  
Feb. 29, 2012**

[Long -Term leases and  
Commitments \[Abstract\]](#)

[LONG-TERM LEASES AND  
COMMITMENTS](#)

**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 approximately 10 years. Rental expense under operating leases for the years ended February 29, 2012, February 28, 2011 and February 28, 2010 is as follows:

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Gross rentals	\$30,641	\$33,452	\$47,473
Sublease rentals	(11,332)	(16,387)	(24,891)
Net rental expense	<u>\$19,309</u>	<u>\$17,065</u>	<u>\$22,582</u>

At February 29, 2012, future minimum rental payments for noncancelable operating leases, net of aggregate future minimum noncancelable sublease rentals, are as follows:

Gross rentals:	
2013	\$13,796
2014	10,056
2015	7,482
2016	5,868
2017	5,519
Later years	<u>9,410</u>
	52,131
Sublease rentals	<u>(22,143)</u>
Net rentals	<u>\$29,988</u>

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.