AMERICAN GREETINGS CORP
Form DEFM14A
July 10, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under Rule 14a-12

AMERICAN GREETINGS CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: Class A common shares and Class B common shares

(2) Aggregate number of securities to which transaction applies: 32,200,977 outstanding common shares (29,288,810 Class A common shares and 2,912,167 Class B common shares), 46,470 Class A common shares underlying certain restricted stock units, 2,995,028 Class A common shares underlying stock options to be cancelled pursuant to the merger

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

In accordance with Exchange Act Rule 0-11(c), the filing fee of $84,536 was determined by multiplying 0.0001364 by the aggregate merger consideration of $619,764,525. The aggregate merger consideration was calculated based on the sum of (i) 32,200,977 (29,288,810 Class A common shares and 2,912,167 Class B common shares) as of June 10, 2013 to be acquired pursuant to the merger multiplied by the $19.00 per share merger consideration, (ii) 46,470 Class A common shares underlying certain restricted stock units held by non-employee directors to be cancelled pursuant to the merger multiplied by the $19.00 per share merger consideration, (iii) $7,062,942 representing an estimate of the aggregate cash payment to be made with respect to options to purchase Class A common shares that will be cancelled pursuant to the merger agreement.

(4) Proposed maximum aggregate value of transaction: $619,764,525

(5) Total fee paid: $84,536

þ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

July 10, 2013

Dear Shareholder:

You are cordially invited to attend a special meeting of the shareholders of American Greetings Corporation, an Ohio corporation (the Company), which we will hold at our world headquarters, One American Road, Cleveland, Ohio 44144, on August 7, 2013, at 10:00 a.m., Cleveland, Ohio time.

At the special meeting, holders of our Class A common shares, par value $1.00 per share, and our Class B common shares, par value $1.00 per share, will be asked to consider and vote on a proposal to adopt an Agreement and Plan of Merger, dated March 29, 2013 and amended on July 3, 2013, among Century Intermediate Holding Company, a Delaware corporation (Parent), Century Merger Company, an Ohio corporation and wholly owned subsidiary of Parent (Merger Sub), and the Company (as so amended, the merger agreement). Pursuant to the merger agreement, Merger Sub will be merged with and into the Company and each Class A common share and Class B common share issued and outstanding at the effective time of the merger (other than shares owned by the Company, Parent (which, at the effective time of the merger, will include common shares currently held by the Family Shareholders, as those terms are defined in the enclosed proxy statement), Merger Sub and holders of common shares who have properly demanded dissenters rights, which shares we refer to as dissenting shares) will be cancelled and converted into the right to receive $19.00, in cash, without interest.

The proposed merger is a going private transaction under Securities and Exchange Commission rules. If the merger is completed, the Company will become a privately held company, wholly owned by Parent. All of the common stock of Parent will be indirectly owned by Zev Weiss, a director and the Company s Chief Executive Officer, Morry Weiss, the Company s Chairman of the board of directors, Jeffrey Weiss, a director and the Company s President and Chief Operating Officer, and certain other members of the Weiss family.

The board of directors of the Company, with Morry Weiss, Zev Weiss and Jeffrey Weiss (the Family Shareholder directors) abstaining, and based in part on the unanimous recommendation of a special committee of independent directors that was established to evaluate and negotiate a potential transaction and consider other alternatives available to the Company (as described more fully in the enclosed proxy statement), has (a) determined unanimously that the merger agreement and the merger are advisable and are fair to, and in the best interests of, the Company and its shareholders (other than the Family Shareholders, Parent and Merger Sub), including the unaffiliated shareholders, (b) approved unanimously the merger agreement and the merger, and (c) resolved unanimously to recommend that the Company s shareholders vote FOR the proposal to adopt the merger agreement. ***The board of directors (with the Family Shareholder directors abstaining) recommends unanimously that you vote FOR the adoption of the merger agreement.***

Pursuant to rules of the Securities and Exchange Commission, you also will be asked to vote at the special meeting on an advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger, as described in the proxy statement. ***The board of directors (with the Family Shareholder directors abstaining) also recommends unanimously that the shareholders of the Company vote FOR the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger.***

The enclosed proxy statement describes the merger agreement, the merger and related agreements and provides specific information concerning the special meeting. In addition, you may obtain information about us

Table of Contents

from documents filed with the Securities and Exchange Commission. We urge you to read the entire proxy statement, including the annexes, carefully, as it sets forth the details of the merger agreement and other important information related to the merger.

Your vote is very important, regardless of the number of common shares you own. The merger cannot be completed unless holders of our issued and outstanding Class A common shares and Class B common shares, voting together as a single class, representing at least two-thirds of the outstanding voting power of the Company, vote in favor of the adoption of the merger agreement. Pursuant to our articles of incorporation, the Class A common shares are entitled to one vote per share and the Class B common shares are entitled to ten votes per share. In addition, the merger agreement makes it a condition to the parties obligations to consummate the merger that at least a majority of our issued and outstanding Class A common shares and Class B common shares, excluding all Class A common shares and Class B common shares beneficially owned by the Family Shareholders, the Irving I. Stone Foundation or any director or executive officer of the Company or any of its subsidiaries, voting together as a single class, vote in favor of the adoption of the merger agreement (which we refer to as the majority of the minority shareholder approval condition). For purposes of this majority of the minority shareholder approval condition only, Class B common shares will be entitled to one vote per share. If you fail to vote on the merger agreement, the effect will be the same as a vote against the adoption of the merger agreement.

If you own shares of record, you will find enclosed a proxy and voting instruction card or cards and an envelope in which to return the card(s). Whether or not you plan to attend this meeting, please sign, date and return your enclosed proxy and voting instruction card(s), or vote over the phone or Internet, as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. You can revoke your proxy before the special meeting and issue a new proxy as you deem appropriate. You will find the procedures to follow if you wish to revoke your proxy on page 92 of the enclosed proxy statement. Your vote is very important.

If you are a participant in and hold shares through the American Greetings Corporation Retirement Profit Sharing and Savings Plan, you may not vote those shares in person at the special meeting. However, you may provide voting directions for the shares (based on units credited to your account) as described in the enclosed proxy statement. Special provisions apply regarding voting of shares for which you fail to provide voting directions. You can find additional information on page 92 of the enclosed proxy statement.

If you are a shareholder of record, submitting a proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting.

Sincerely,

Christopher W. Haffke

Vice President, General Counsel and Secretary

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated July 10, 2013

and is first being mailed to shareholders on or about July 10, 2013.

Table of Contents

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders of American Greetings Corporation will be held at our world headquarters at One American Road, Cleveland, Ohio 44144, on August 7, 2013, at 10:00 a.m., Cleveland, Ohio time, for the following purposes:

1. to consider and vote on a proposal to adopt an Agreement and Plan of Merger, dated March 29, 2013 and amended on July 3, 2013, among Century Intermediate Holding Company, a Delaware corporation (Parent), Century Merger Company, an Ohio corporation and wholly owned subsidiary of Parent (Merger Sub), and the Company (as so amended, the merger agreement);

2. to approve, on an advisory (non-binding) basis, specified compensation that may become payable to the named executive officers of the Company in connection with the merger;

3. to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company shareholder approval (as defined below) or obtain the majority of the minority shareholder approval (as defined below); and

4. to act upon other business that may properly come before the special meeting or any adjournment or postponement thereof.

The holders of record of our Class A common shares, par value $1.00 per share (the Class A common shares), and our Class B common shares, par value $1.00 per share (the Class B common shares and together with the Class A common shares, the common shares), at the close of business on June 10, 2013, are entitled to notice of and to vote at the special meeting and at any adjournment thereof. All shareholders of record are invited to attend the special meeting in person.

Your vote is important, regardless of the number of common shares you own. The merger cannot be completed unless holders of our issued and outstanding Class A common shares and Class B common shares, voting together as a single class, representing at least two-thirds of the outstanding voting power of the Company, vote in favor of the adoption of the merger agreement (which we refer to as the Company shareholder approval). Pursuant to our articles of incorporation, the Class A common shares are entitled to one vote per share and the Class B common shares are entitled to ten votes per share. In addition, the merger agreement makes it a condition to the parties obligations to consummate the merger that at least a majority of our issued and outstanding Class A common shares and Class B common shares, excluding all Class A common shares and Class B common shares beneficially owned by the Family Shareholders, the Irving I. Stone Foundation or any director or executive officer of the Company or any of its subsidiaries, voting together as a single class, vote in favor of the adoption of the merger agreement (which we refer to as the majority of the minority shareholder approval condition). For purposes of this majority of the minority shareholder approval condition only, Class B common shares will be entitled to one vote per share. If you fail to vote on the merger agreement, the effect will be the same as a vote against the adoption of the merger agreement.

Each of the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger and the proposal to adjourn the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company shareholder approval or obtain the majority of the minority shareholder approval requires the affirmative vote of holders of a majority of the votes cast at the special meeting. The Class A common shares are entitled to one vote per share, and the Class B common shares are entitled to ten votes per share on each of these proposals.

Table of Contents

Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy and thus ensure that your shares will be represented at the special meeting if you are unable to attend. You also may submit your proxy by using a toll-free telephone number or the Internet. We have provided instructions in the enclosed proxy statement and on the proxy and voting instruction card for using these convenient services.

If you sign, date and return your proxy and voting instruction card(s) without indicating how you wish to vote, your proxy will be voted in favor of the adoption of the merger agreement, in favor of the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger, and in favor of the proposal to adjourn the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company shareholder approval or obtain the majority of the minority shareholder approval. If you fail to attend the special meeting or submit your proxy, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote against the adoption of the merger agreement. However, assuming a quorum is present, failure to vote or submit your proxy will not affect the advisory vote to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger or the vote regarding the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company shareholder approval or obtain the majority of the minority shareholder approval.

If you are a participant in and hold shares through the American Greetings Corporation Retirement Profit Sharing and Savings Plan, you may not vote those shares in person at the special meeting. However, you may provide voting directions for the shares (based on units credited to your account) as described in the enclosed proxy statement. Special provisions apply regarding voting of shares for which you fail to provide voting directions. You can find additional information on page 92 of the enclosed proxy statement.

You may revoke your proxy at any time before the vote at the special meeting by following the procedures outlined in the enclosed proxy statement. If you are a shareholder of record, attend the special meeting and wish to vote in person, you may revoke your proxy and vote in person.

By order of the Board of Directors

CHRISTOPHER W. HAFFKE

Secretary

Dated: July 10, 2013

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

AMERICAN GREETINGS CORPORATION

SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD AUGUST 7, 2013

PROXY STATEMENT

This proxy statement contains information related to a special meeting of shareholders (the special meeting) of American Greetings Corporation (American Greetings, the Company, we, us or our), which will be held at our world headquarters at One American Road, Cleveland, Ohio 44144, on August 7, 2013, at 10:00 a.m., Cleveland, Ohio time, and any adjournments or postponements thereof. We are furnishing this proxy statement to shareholders of the Company as part of the solicitation of proxies by the Company s board of directors (which we refer to as the board of directors or the board) for use at the special meeting. This proxy statement is dated July 10, 2013 and is first being mailed to shareholders on or about July 10, 2013.

SUMMARY TERM SHEET

This Summary Term Sheet discusses certain material information contained in this proxy statement, including with respect to the merger agreement, as defined below, the merger and the other agreements entered into in connection with the merger. We encourage you to read carefully this entire proxy statement, including its annexes and the documents referred to or incorporated by reference in this proxy statement, as this Summary Term Sheet may not contain all of the information that may be important to you. Each item in this Summary Term Sheet includes page references directing you to a more complete description of that item in this proxy statement.

The proposed merger is a going private transaction under Securities and Exchange Commission rules. If the merger is completed, the Company will become a privately held company, wholly owned by Century Intermediate Holding Company. All of the common stock of Century Intermediate Holding Company will be indirectly owned by Zev Weiss, a director and the Company s Chief Executive Officer, Morry Weiss, the Company s Chairman of the board of directors, Jeffrey Weiss, a director and the Company s President and Chief Operating Officer, and certain other members of the Weiss family.

The Parties to the Merger Agreement

American Greetings

American Greetings is an Ohio corporation. 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 and 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 and electronic mobile devices. We also engage in character and design licensing, and we manufacture custom display fixtures for our products and products of others. We also operate approximately 400 card and gift retail stores throughout the United Kingdom. See *Important Information Regarding American Greetings Company Background* beginning on page 113.

Additional information about American Greetings is contained in our public filings, certain of which are incorporated by reference into this proxy statement. See *Where You Can Find Additional Information* beginning on page 135.

Century Intermediate Holding Company

Century Intermediate Holding Company (Parent) is a Delaware corporation. Parent is currently a wholly owned subsidiary of Three-Twenty-Three Family Holdings, LLC, a Delaware limited liability company (Family LLC), which is currently owned by Zev Weiss, a director and the Chief Executive Officer of the Company. Neither Parent nor Family LLC has engaged in any business other than in connection with the merger and other related transactions. See *The Parties to the Merger Century Intermediate Holding Company* beginning on page 88.

Table of Contents

Century Merger Company

Century Merger Company (Merger Sub) is an Ohio corporation. Merger Sub is a wholly owned subsidiary of Parent and was formed solely for the purpose of engaging in the merger and other related transactions. Merger Sub has not engaged in any business other than in connection with the merger and other related transactions. See *The Parties to the Merger Century Merger Company* beginning on page 88.

The Merger Proposal

You are being asked to consider and vote upon a proposal to adopt an Agreement and Plan of Merger, dated March 29, 2013 and amended on July 3, 2013, among Parent, Merger Sub and the Company (as so amended, the merger agreement). On July 3, 2013, the original Agreement and Plan of Merger, dated March 29, 2013 (the original merger agreement), was amended by Amendment No. 1 thereto (the merger agreement amendment) to increase the merger consideration from $18.20 per share in cash, without interest, to $19.00 per share in cash, without interest. For more information about the background of and reasons for the merger agreement amendment, see *Special Factors Background of the Merger* beginning on page 18 and *Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board of Directors; Fairness of the Merger* beginning on page 38. All references in this proxy statement to the merger agreement are references to the original merger agreement as it has been amended by the merger agreement amendment.

The merger agreement provides that at the closing of the merger, Merger Sub will be merged with and into the Company (which we refer to as the merger), and each outstanding Class A common share, par value $1.00 per share (the Class A common shares), and Class B common share, par value $1.00 per share (the Class B common shares and together with the Class A common shares, the common shares), other than shares owned by the Company, Parent (which, at the effective time of the merger will include common shares currently held by the Family Shareholders) and Merger Sub and holders of common shares who have properly demanded dissenters rights (which shares we refer to as dissenting shares), will be converted into the right to receive $19.00 in cash, without interest and less any applicable withholding taxes.

If the merger is consummated, the Company will become a privately held company, wholly owned by Parent. All of the common stock of Parent will be owned by Family LLC, which, immediately prior to the closing of the merger, will be owned by Zev Weiss, Morry Weiss, the Company s Chairman of the board of directors, Jeffrey Weiss, a director and the Company s President and Chief Operating Officer, and certain other members of the Weiss family (collectively, the Weiss Family), who have collectively committed to roll over all of the common shares held by them immediately prior to the closing of the merger (which we refer to as the rolled shares) (which rolled shares will include the common shares contributed by Irving I. Stone Limited Liability Company (Irving Stone LLC and, together with the Weiss Family, the Family Shareholders) to each of the members of the Weiss Family pursuant to a planned dissolution of Irving Stone LLC), in exchange for all of the equity interests in Family LLC, and Family LLC has, in turn, committed to contribute the rolled shares to Parent in exchange for all of the common stock of Parent. For more information, see *Special Factors Financing Rollover Financing* beginning on page 74. Additionally, Koch AG Investment, LLC (Koch AG Investment), a subsidiary of Koch Industries, Inc., will hold between $215.6 million and $254.8 million in aggregate stated value of non-voting preferred stock of Parent. This preferred stock is non-voting and does not include a right to any board seats in Parent or the Company, but does have limited consent rights with respect to certain significant corporate actions proposed to be taken by Parent and the Company. For more information, see *Special Factors Financing Koch AG Investment Non-Voting Preferred Equity Financing* beginning on page 75.

The Special Meeting (Page 89)

The special meeting will be held at our world headquarters, which are located at One American Road, Cleveland, Ohio 44144, on August 7, 2013, at 10:00 a.m., Cleveland, Ohio time.

Table of Contents

Record Date and Quorum (Page 89)

The holders of record of the common shares as of the close of business on June 10, 2013 (the record date for determination of shareholders entitled to notice of and to vote at the special meeting) are entitled to receive notice of and to vote at the special meeting.

The presence at the special meeting, in person or by proxy, of the holders of common shares entitled to exercise at least 25% of the outstanding voting power of the Company on the record date will constitute a quorum, permitting the Company to conduct its business at the special meeting.

Required Shareholder Votes for the Merger (Page 89)

The merger cannot be completed unless holders of our issued and outstanding Class A common shares and Class B common shares, voting together as a single class, representing at least two-thirds of the outstanding voting power of the Company, vote in favor of the adoption of the merger agreement (which we refer to as the Company shareholder approval). Pursuant to our articles of incorporation, the Class A common shares are entitled to one vote per share and the Class B common shares are entitled to ten votes per share. In addition, the merger agreement makes it a condition to the parties obligations to consummate the merger that at least a majority of our issued and outstanding Class A common shares and Class B common shares, excluding all Class A common shares and Class B common shares beneficially owned by the Family Shareholders, the Irving I. Stone Foundation or any director or executive officer of the Company or any of its subsidiaries, voting together as a single class, vote in favor of the adoption of the merger agreement (which we refer to as the majority of the minority shareholder approval condition). For purposes of this majority of the minority shareholder approval condition only, Class B common shares will be entitled to one vote per share.

A failure to vote common shares or an abstention from voting will have the same effect as a vote against the merger for purposes of each required shareholder vote.

The Family Shareholders and the Irving I. Stone Foundation have voting power with respect to, in the aggregate, 9,368 Class A common shares and 2,510,697 Class B common shares, representing in the aggregate 43.0% of our outstanding voting power as of the record date. As of the record date, there were 29,288,810 Class A common shares outstanding and 2,912,167 Class B common shares outstanding.

The Family Shareholders and the Irving I. Stone Foundation have agreed, subject to certain conditions, to vote all common shares that they beneficially own in favor of adopting the merger agreement, pursuant to a guaranty and voting agreement entered into with the Company on March 29, 2013 and amended on July 3, 2013 (as so amended, the guaranty and voting agreement). See *Agreements Involving Common Shares Guaranty and Voting Agreement* beginning on page 112.

Except in their capacities as members of the board of directors or as members of the special committee of independent directors that was established to evaluate and negotiate a potential transaction and consider other alternatives available to the Company (as described more fully under *Special Factors Background of the Merger* below and which we refer to as the special committee), no executive officer or director of the Company has made any recommendation either in support of or in opposition to the merger or the merger agreement. Morry Weiss, Zev Weiss and Jeffrey Weiss (who we collectively refer to as the Family Shareholder directors) recused themselves from the vote of the board of directors to approve and recommend the merger agreement and the merger.

Conditions to the Merger (Page 108)

The obligations of the Company, Parent and Merger Sub to effect the merger are subject to the fulfillment or waiver, at or before the effective time, of the following conditions:

- that the Company shareholder approval has been obtained;
- that the majority of the minority shareholder approval has been obtained;

that no restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing, or making illegal, the

Table of Contents

consummation of the merger and other transactions contemplated by the merger agreement, other than the financing, be in effect; and

that any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), has expired or been terminated.

The obligation of the Company to effect the merger is subject to the fulfillment or waiver, at or before to the effective time, of the following conditions:

that the representations and warranties of Parent and Merger Sub set forth in the merger agreement are true and correct at and as of the date of the original merger agreement and at and as of the closing date of the merger as though made at and as of the closing date of the merger, except where the failure of such representations and warranties to be true and correct (in each case without giving effect to any materiality or material adverse effect qualifier) does not have, and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect (as defined below) with respect to Parent and except that representations and warranties that are made as of a specified date or period need be true and correct only as of that specified date or period;

that each of Parent and Merger Sub has in all material respects performed all obligations and complied with all covenants required by the merger agreement to be performed or complied with by it at or prior to the effective time; and

that Parent has delivered to the Company a certificate, dated the effective time and signed by its chief executive officer or another senior executive officer, certifying that the conditions set forth in the two items described above have been satisfied.

The obligation of Parent and Merger Sub to effect the merger is subject to the fulfillment or waiver, at or before the effective time, of the following conditions:

that the representations and warranties of the Company set forth in the merger agreement are true and correct at and as of the date of the original merger agreement and at and as of the closing date of the merger as though made at and as of the closing date of the merger, except where the failure of such representations and warranties to be true and correct (in each case without giving effect to any materiality or material adverse effect qualifier) does not have, and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect with respect to the Company and except that representations and warranties that are made as of a specified date or period need be true and correct only as of that specified date or period; and except that (i) the representations and warranties of the Company pertaining to corporate organization, existence and good standing (with respect to the Company only), finders and brokers and state takeover statutes and rights agreements must be true and correct in all material respects, (ii) the representations and warranties pertaining to the Company s capitalization must be true and correct in all respects, except for such inaccuracies as are *de minimis* in nature and amount relative to each such representation and warranty taken as a whole and (iii) the representations and warranties of the Company pertaining to corporate authority, the absence of a material adverse effect on the Company since March 1, 2012, the opinion of the financial advisor to the special committee and the required vote of Company shareholders under Ohio law must be true and correct in all respects;

that the Company has in all material respects performed all obligations and complied with all covenants required by the merger agreement to be performed or complied with by it at or prior to the effective time;

that the Company has delivered to Parent a certificate, dated the effective time and signed by a senior executive officer of the Company (other than any affiliate of Parent), certifying that the conditions set forth in the two items described immediately above have been satisfied;

that Parent and Merger Sub have received the proceeds of the financing as contemplated by the Preferred Stock Purchase Agreement (as defined in *Special Factors Financing Koch AG Investment Non-Voting Preferred Equity Financing* beginning on page 75) and the Debt Commitment Letter (as defined in *Special Factors Financing Debt Financing* beginning on page 78); and

that since the date of the original merger agreement, there has not been any material adverse effect on the Company, subject to certain exceptions.

Table of Contents

When the Merger Becomes Effective (Page 95)

We anticipate completing the merger in the third calendar quarter of 2013, subject to adoption of the merger agreement by the Company s shareholders as specified herein and the satisfaction of the other closing conditions.

Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board of Directors; Fairness of the Merger (Page 38)

Based in part on the unanimous recommendation of the special committee, the board of directors (with the Family Shareholder directors abstaining) recommends unanimously that the shareholders of the Company vote FOR the proposal to adopt the merger agreement. For a description of the reasons considered by the special committee and the board for their recommendations, see *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board of Directors; Fairness of the Merger* beginning on page 38.

The purpose of the merger for the Company is to enable its shareholders to realize the value of their investment in the Company through their receipt of the $19.00 per share merger consideration (the per share merger consideration) in cash, representing a premium of 18.0% to the closing price of the Class A common shares on March 28, 2013, the last trading day before the public announcement of the signing of the original merger agreement, as well as a premium of 32.5% to the closing price of the Class A common shares on September 25, 2012, the last trading day before the announcement by the Weiss Family of their initial proposal to acquire the Company.

Opinion of Peter J. Solomon Company, L.P. (Page 46 and Annex B)

The special committee retained Peter J. Solomon Company, L.P. (PJSC) to act as its financial advisor in connection with the merger and to evaluate the fairness, from a financial point of view, of the merger consideration to be received in the merger by holders of the Class A common shares and Class B common shares (other than Family Shareholders, the Company, Merger Sub and holders of dissenting shares).

On July 3, 2013, at a meeting of the special committee held to evaluate the merger, PJSC delivered to the special committee an oral opinion, subsequently delivered to the board of directors, confirmed by delivery of a written opinion dated July 3, 2013 to the special committee and the board of directors, to the effect that, as of such date and based on and subject to various assumptions and limitations described in its opinion, the $19.00 per share merger consideration to be received by holders of Class A common shares and Class B common shares (other than Family Shareholders, the Company, Merger Sub and holders of dissenting shares) was fair, from a financial point of view, to such holders.

The full text of PJSC s written opinion, dated July 3, 2013, to the special committee and the board of directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex B to this proxy statement. PJSC provided its opinion for the information and assistance of the special committee and the board of directors in connection with their consideration of the merger. The PJSC opinion is not a recommendation as to how any holder of Class A common shares or Class B common shares should vote with respect to the merger or any other matter.

Purposes and Reasons of Family LLC, Parent, Merger Sub and the Family Shareholders for the Merger (Page 64)

The Weiss Family decided to pursue the merger because it believes that it is time to return the Company to its roots as a family-owned business. The Weiss Family believes that the Company can be operated more effectively as a privately owned company because the Company will have greater operating flexibility, allowing management to concentrate on long-term growth and reduce the focus on the quarter-to-quarter performance often emphasized by the public markets. For a full description of the purposes and reasons of Family LLC, Parent, Merger Sub and the Family Shareholders, see *Special Factors Purposes and Reasons of Family LLC, Parent, Merger Sub and the Family Shareholders for the Merger* beginning on page 64.

Table of Contents

Certain Effects of the Merger (Page 67)

If the conditions to the closing of the merger are either satisfied or waived, Merger Sub will be merged with and into the Company, the separate corporate existence of Merger Sub will cease and the Company will continue its corporate existence under Ohio law as the surviving corporation in the merger, with all of its rights, privileges, immunities, powers and franchises continuing unaffected by the merger. Upon completion of the merger, common shares, other than shares owned by the Company, Parent (including the rolled shares), Merger Sub or holders of dissenting shares, will be converted into the right to receive $19.00 per share, without interest and less any applicable withholding taxes. Following the completion of the merger, the common shares will no longer be publicly traded, and shareholders (other than the Family Shareholders through their interest in Parent) will cease to have any ownership interest in the Company.

Treatment of Company Equity Awards (Page 95)

Company Stock Options

Each option to purchase common shares, if any, held by any of the Family Shareholders immediately prior to the closing of the merger will be cancelled at the closing of the merger without the payment of any consideration.

Each other option to purchase common shares outstanding immediately prior to the closing of the merger will be cancelled at the closing of the merger in exchange for a cash payment. For any option with a per share exercise price less than $19.00, the cash payment will equal the product of (x) the excess of $19.00 over the per share exercise price and (y) the number of Company common shares subject to that option immediately prior to its cancellation. For any option with a per share exercise price that equals or exceeds $19.00, the amount of the cash payment will be based on the Black-Scholes value of the option using certain assumptions specified in the merger agreement.

Company Restricted Stock Units and Company Performance Shares

Each restricted stock unit and each performance share relating to common shares, if any, held by any of the Family Shareholders immediately prior to the closing of the merger will be cancelled at the closing of the merger without the payment of any consideration.

Each restricted stock unit held by a member of the board of directors (other than a Family Shareholder director) and outstanding immediately prior to the closing of the merger will fully vest and be settled for a cash payment equal to $19.00 and paid at the time provided under the applicable restricted stock unit award agreement and/or Company equity plan.

Each other restricted stock unit and performance share outstanding immediately prior to the closing of the merger will continue to be subject to the same terms and conditions (including vesting terms) as applied immediately before the closing of the merger, except that the applicable award will represent only the right to receive an amount of cash, instead of common shares, calculated by reference to a per share reference price of $19.00.

Interests of the Company s Directors and Executive Officers in the Merger (Page 81)

In considering the recommendations of the special committee and of the board of directors with respect to the merger agreement, you should be aware that, aside from their interests as shareholders of the Company, the Company s directors and executive officers have interests in the merger that are different from, or in addition to, those of other shareholders of the Company generally. In particular, the Family Shareholder directors will, together with the other Family Shareholders and related persons, control the Company following the merger. Interests of executive officers and directors other than the Family Shareholders that may be different from or in addition to the interests of the Company s shareholders include:

- They will receive cash payments in the treatment of equity awards pursuant to the merger agreement and, for executive officers, they will have the continued ability to become vested in outstanding restricted stock units and earn outstanding performance awards following the merger.

Table of Contents

Certain executive officers will receive benefits under employment plans or employment agreements that could result from the merger.

The Company s executive officers as of the effective time of the merger will become the initial executive officers of the surviving corporation.

The Company s directors and executive officers are entitled to continued indemnification and insurance coverage under the merger agreement, and the Company s directors and certain executive officers are entitled to continued indemnification and insurance coverage under indemnification agreements.

These interests are discussed in more detail in the section entitled *Special Factors Interests of the Company s Directors and Executive Officers in the Merger* beginning on page 81. The special committee and the board of directors were aware of the different or additional interests described herein and considered those interests along with other matters in recommending and/or approving, as applicable, the merger agreement and the transactions contemplated thereby, including the merger.

Financing (Page 74)

The Company and Parent estimate that the total amount of funds (including rollover equity) required to complete the merger and related transactions and pay related fees and expenses will be approximately $743.5 million. Parent expects this amount to be provided by a combination of proceeds from:

the rollover of the Class A common shares and Class B common shares held by the Family Shareholders;

a non-voting preferred equity investment in Parent by Koch AG Investment in an amount between $215.6 million and $254.8 million; and

debt financing in the form of a $350.0 million term loan and an available $250.0 million revolving credit facility;

together with cash of the Company at the closing of the merger. The financing described above, when funded in accordance with the Preferred Stock Purchase Agreement, the definitive debt loan documents entered into in connection with the Debt Commitment Letter and the rollover and contribution agreement (each as defined in *Special Factors Financing*), as applicable, will provide Parent and Merger Sub with sufficient proceeds to consummate the merger.

Guaranty and Voting Agreement (Page 112)

In connection with the merger, the Family Shareholders, the Irving I. Stone Foundation and the Company entered into the guaranty and voting agreement through which, as amended in connection with the merger agreement amendment on July 3, 2013, (i) the Family Shareholder directors have, jointly and severally, guaranteed to the Company the obligations of Parent and Merger Sub under the merger agreement, subject to a maximum aggregate liability of $7.3 million, and (ii) each Family Shareholder and the Irving I. Stone Foundation has agreed to vote (or cause to be voted) all common shares over which they have voting power (representing 43.0% of the Company s total outstanding voting power as of the record date) in favor of the adoption of the merger agreement and, upon the request of the board of directors (acting through a majority of all directors other than the Family Shareholder directors), any adjournment, postponement or recess of the special meeting and has waived any rights of appraisal or rights of dissent from the merger that are available under applicable law, unless either of the board of directors or the special committee has changed its recommendation or failed to make a recommendation with respect to the merger agreement. See *Agreements Involving Common Shares Guaranty and Voting Agreement* beginning on page 112.

Material U.S. Federal Income Tax Consequences of the Merger (Page 83)

If you are a U.S. holder, the receipt of cash in exchange for common shares pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes. You should consult your own tax advisors regarding the particular tax consequences to you of the exchange of common shares for cash pursuant to the merger in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws).

Table of Contents

Anticipated Accounting Treatment of the Merger (Page 85)

The merger will be accounted for in accordance with U.S. generally accepted accounting principles. The Company is currently researching whether the merger constitutes a change of control under U.S. generally accepted accounting principles, which will impact whether the purchase method of accounting or historical book values will be used to account for the transaction.

Litigation (Page 85)

On September 26, 2012, the Company announced that the board of directors had received a non-binding proposal (the proposal) dated September 25, 2012 from Zev Weiss, our Chief Executive Officer, and Jeffrey Weiss, our President and Chief Operating Officer, on behalf of themselves and certain other members of the Weiss Family and related parties, to acquire all of the outstanding Class A common shares and Class B common shares not then owned by them for $17.18 per share. On September 27, 2012, Dolores Carter, a purported shareholder, filed a putative shareholder derivative and class action lawsuit (the Carter Action) in the Court of Common Pleas in Cuyahoga County, Ohio (the Cuyahoga County Court), against American Greetings Corporation and all of the members of the board of directors. The Carter Action alleged, among other things, that the directors of the Company breached their fiduciary duties owed to shareholders in evaluating and pursuing the proposal. The Carter Action further alleged claims for aiding and abetting breaches of fiduciary duty. Among other things, the Carter Action sought declaratory, injunctive, and other equitable relief.

Subsequently, six more lawsuits were filed in the Cuyahoga County Court purporting to advance substantially similar claims on behalf of American Greetings against the members of the board of directors and, in certain cases, additional direct claims against American Greetings. One lawsuit was voluntarily dismissed. The other lawsuits were consolidated by Judge Richard J. McMonagle on December 6, 2012 (amended order dated December 18, 2012) as In re American Greetings Corp. Shareholder Litigation, Lead Case No. CV 12 792421. Lead plaintiffs and lead plaintiffs counsel also were appointed.

Lead plaintiffs filed a Consolidated Class Action Complaint on April 30, 2013 against the members of the American Greetings board of directors for alleged breaches of fiduciary duty and aiding and abetting alleged breaches of fiduciary duty in connection with the merger agreement announced on April 1, 2013, and the alleged omission of material information from the preliminary proxy statement filed on April 18, 2013. The Consolidated Class Action Complaint seeks, among other things, declaratory, injunctive, and other equitable relief. On June 13, 2013, defendants filed motions to dismiss the Consolidated Class Action Complaint based on plaintiffs failure to properly plead their claims as derivative actions, exercise their statutory appraisal rights as the sole remedy for dissatisfaction with the proposed share price, and overcome the business judgment rule with respect to their breach of fiduciary duty claims. The motions to dismiss remain pending.

On November 6, 2012, R. David Wolfe, a purported shareholder, filed a putative class action (the Wolfe I Action) in the United States District Court for the Northern District of Ohio (the Federal Court) against certain members of the Weiss Family and the Irving I. Stone Oversight Trust, the Irving Stone Limited Liability Company, the Irving I. Stone Support Foundation, and the Irving I. Stone Foundation (the Stone Entities) alleging breach of fiduciary duties in proposing and pursuing the proposal, as well as against American Greetings, seeking, among other things, declaratory, injunctive, and other equitable relief. Shortly thereafter, on November 9, 2012, the Louisiana Municipal Police Employees Retirement System also filed a purported class action in the Federal Court (the LMPERS Action) asserting substantially similar claims against the same defendants and seeking substantially similar relief.

Plaintiffs in the Wolfe I and LMPERS Actions filed motions (1) to consolidate the Wolfe I and LMPERS Actions, (2) for appointment as co-lead plaintiffs, (3) for appointment of co-lead counsel, and, in the Wolfe I Action only, (4) for partial summary judgment. Defendants responded to plaintiffs motions, answered the complaints, and moved to dismiss the complaints on jurisdictional grounds. On February 14, 2013, the Federal

Table of Contents

Court dismissed both the Wolfe I and LMPERS Actions for lack of subject matter jurisdiction. On March 15, 2013, plaintiffs in both the Wolfe I and LMPERS Actions filed notices of appeal with the Sixth Circuit Court of Appeals. On April 18, 2013, plaintiff Wolfe moved to dismiss his appeal, which motion was granted on April 19, 2013. On May 8, 2013, plaintiff LMPERS s appeal also was dismissed.

Plaintiffs in the Wolfe I and LMPERS Actions had alleged, in part, that Article Seventh of the Company s articles of incorporation prohibited the special committee from, among other things, evaluating the merger. The Company considered these allegations and concluded that the Article is co-extensive with Ohio law and thus allows the Company to engage in any activity authorized by Ohio law. The Company also has consistently construed Article Seventh as permitting directors to approve a transaction so long as they are both disinterested and independent.

On April 17, 2013, R. David Wolfe filed a new putative shareholder derivative and class action lawsuit in the Federal Court (the Wolfe II Action) against certain members of the Weiss Family, the Stone Entities and the members of the Company s board of directors, as well as American Greetings as nominal defendant, challenging the merger as financially and procedurally unfair to the Company and its minority shareholders. The complaint alleged, among other things, that Article Seventh of the Company s articles of incorporation prohibited the special committee from, among other things, evaluating the merger, that the board breached its fiduciary duties in considering and approving the merger, and that certain members of the Weiss Family and related entities breached fiduciary duties owed to the Company s minority shareholders. On April 29, 2013, an amended complaint was filed incorporating additional allegations and a claim that the director defendants also have breached their fiduciary duties by failing to disclose certain information to shareholders. Among other things, the Wolfe II Action seeks substantially the same declaratory, injunctive, and other equitable relief as the Wolfe I Action, the LMPERS Action, and the In re American Greetings Corp. Shareholder Litigation. Defendants filed their motions to dismiss the Wolfe II Action Amended Complaint on July 8, 2013.

The Company believes that the allegations in these actions, including the claims in the litigation concerning the Company s articles of incorporation, are without merit.

Dissenters Rights (Page 130 and Annex C)

If the merger is completed, holders of common shares who do not vote in favor of adopting the merger agreement will be entitled to seek relief as dissenting shareholders under Section 1701.85 of the Ohio Revised Code, which will include the right to seek appraisal of the fair cash value of their shares as determined by the Court of Common Pleas in Cuyahoga County, Ohio, but only if they comply with the Ohio law procedures applicable to those dissenting shareholders rights. The appraised value of common shares could be more, the same as, or less than the $19.00 per share that shareholders are entitled to receive pursuant to the merger agreement.

SECTION 1701.85 OF THE OHIO REVISED CODE GOVERNING THE RIGHTS OF DISSENTING SHAREHOLDERS IS REPRINTED IN ITS ENTIRETY AS ANNEX C TO THIS PROXY STATEMENT. ANY AMERICAN GREETINGS SHAREHOLDER WHO WISHES TO EXERCISE DISSENTING SHAREHOLDERS RIGHTS OR WHO WISHES TO PRESERVE HIS, HER, OR ITS RIGHT TO DO SO SHOULD REVIEW ANNEX C CAREFULLY AND SHOULD CONSULT HIS, HER, OR ITS LEGAL ADVISOR, BECAUSE FAILURE TO TIMELY COMPLY WITH THE PROCEDURES SET FORTH THEREIN WILL RESULT IN THE LOSS OF THOSE RIGHTS.

No Solicitation (Page 101)

Pursuant to the merger agreement, except as described below, the Company will not, nor will it authorize or permit any of its subsidiaries to, and will use its reasonable best efforts to instruct and cause any of its or their respective officers, directors, employees, agents and representatives, not to, directly or indirectly:

initiate, solicit, encourage (including by providing information) or knowingly facilitate any inquiry, proposal or offer with respect to, or the making or completion of, an alternative proposal as described in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation*

Table of Contents

beginning on page 101, and will immediately cease any discussions, negotiations or communications with any party that has made or indicated an intention to make an alternative proposal;

engage or participate in any negotiations concerning, or provide or cause to be provided any non-public information or data relating to the Company or any of its subsidiaries in connection with, an actual or proposed alternative proposal, or otherwise encourage or knowingly facilitate any effort or attempt to make or implement an alternative proposal;

approve, endorse or recommend, or propose publicly to approve, endorse or recommend, any alternative proposal;

approve, endorse or recommend, or propose to approve, endorse or recommend, or execute or enter into, any letter of intent, agreement in principle, merger agreement, acquisition agreement, or other similar agreement relating to any alternative proposal;

amend, terminate, fail to enforce, or grant any consent under, any confidentiality, standstill or similar agreement (except that the Company may allow the counterparty thereto to make an alternative proposal and otherwise amend, terminate or fail to enforce (or grant consent under) the provisions thereof in connection with negotiations and discussions permitted by the merger agreement); or

resolve to propose or agree to do any of the foregoing.

If, prior to the receipt of the Company shareholder approval and the majority of the minority shareholder approval, (i) the Company receives an unsolicited alternative proposal, (ii) the Company has not breached its obligations under the non-solicitation provisions of the merger agreement (except where such breaches did not contribute to the making of the alternative proposal), (iii) the board (acting through the special committee) determines in good faith that the alternative proposal constitutes or is reasonably likely to result in a superior proposal, as described in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation* beginning on page 101, and (iv) after consultation with its counsel, the board (acting through the special committee) determines in good faith that failure to take action concerning an alternative proposal would be inconsistent with the directors fiduciary duties under applicable Ohio law, then the Company may:

furnish information to the person making the alternative proposal and its representatives pursuant to a confidentiality agreement on terms no less restrictive than those contained in the existing confidentiality agreement between the Company and the Weiss Family; provided that such confidentiality agreement will not contain any provisions that would prevent the Company from complying with its obligation to provide certain required disclosures to Parent as set forth in this *The Merger Agreement Other Covenants and Agreements No Solicitation* section; and

participate in discussions or negotiations with that person and its representatives regarding the alternative proposal.

The Company must promptly provide to Parent any non-public information concerning the Company or any of its subsidiaries that is provided to the person making the alternative proposal or its representatives that was not previously provided or made available to Parent.

The Company must promptly (and in any event within 48 hours) advise Parent orally and in writing of (i) any alternative proposal or inquiry with respect to or that would reasonably be expected to lead to any alternative proposal and (ii) any inquiry or request for discussion or negotiation regarding an alternative proposal including, in each case, the identity of the party making the alternative proposal or inquiry and the material terms of the alternative proposal or inquiry (including, if applicable, copies of any document or correspondence evidencing the alternative proposal or inquiry). The Company, upon the request of Parent, will keep Parent reasonably informed of the status (including any material change to the terms) of any such alternative proposal or inquiry.

Except as described below, neither the board of directors nor any committee thereof is permitted to:

withdraw or modify in a manner adverse to Parent or Merger Sub, or publicly propose to withdraw or modify in a manner adverse to Parent or Merger Sub, its recommendation of the merger agreement or fail

Table of Contents

to recommend against acceptance of any tender offer or exchange offer that is publicly disclosed (other than by Parent or Merger Sub) prior to the earlier of the date of the special meeting and ten business days after the commencement of the tender offer or exchange, or recommend that the shareholders of the Company tender their shares in such tender offer or exchange offer;

approve or recommend, or publicly propose to approve, endorse or recommend, any alternative proposal; or

approve any letter of intent, agreement in principle, merger agreement, acquisition agreement or similar agreement relating to any alternative proposal.

At any time prior to obtaining the required votes of the Company shareholders, the special committee may:

make a recommendation change in response to an event, fact, circumstance, development, occurrence or state of facts relating to the Company s prospects that was not known to the board of directors or the special committee as of the date of the original merger agreement, but becomes known to the board of directors or the special committee and would have improved the Company s prospects such that the special committee determines in good faith after consulting with its legal and financial advisors that the transactions contemplated by the merger agreement are less favorable to shareholders than the Company continuing to pursue its business as a publicly traded company (such event, fact, circumstance, development, occurrence or state of facts, as more fully described in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation* beginning on page 101, an intervening event), if the special committee determines in good faith, after consultation with its counsel, that the failure to do so would be inconsistent with the directors fiduciary duties under Ohio law; or

terminate the merger agreement in response to a superior proposal if (i) the superior proposal did not result from a breach by the Company of its covenants under the non-solicitation provisions of the merger agreement as described in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation* beginning on page 101, (ii) the board of directors (acting through the special committee) determines, in good faith after consultation with counsel, that the failure to terminate the merger agreement would be inconsistent with the directors fiduciary duties under Ohio law, (iii) the Company provides Parent five business days prior written notice of its intention to take action, which notice includes the information that is specified in the preceding paragraph of this *Summary Term Sheet No Solicitation* section, (iv) after providing such notice and prior to terminating the merger agreement and entering into a definitive transaction agreement providing for the consummation of the transaction contemplated by the superior proposal, the Company negotiates in good faith with Parent (to the extent Parent desires to negotiate) during the five business days to make revisions to the terms of the merger agreement as would permit the board of directors and the special committee not to terminate the merger agreement, and (v) the board of directors and the special committee consider in good faith any changes to the merger agreement offered in writing by Parent and determine in good faith, after consultation with outside legal counsel and financial advisors, that the superior proposal would continue to constitute a superior proposal if the changes offered in writing by Parent were implemented, provided that in the event that the superior proposal is then modified by the party making the superior proposal, the Company provides written notice of the modified superior proposal to Parent and again complies with the requirements described in this paragraph of this *Summary Term Sheet No Solicitation* section, except that the Company s advance written notice obligation will be reduced to three business days.

Termination (Page 109)

The Company (authorized by the special committee) and Parent may terminate the merger agreement by mutual written consent at any time before the completion of the merger, whether prior to or after receipt of the Company shareholder approval and the majority of the minority shareholder approval. In addition, either the Company (with the prior approval of the special committee) or Parent may terminate the merger agreement if:

the merger has not been completed by 11:59 p.m. on September 30, 2013 (the end date), provided that this termination right is not available to a party whose failure to perform any of its obligations under the merger agreement has been the primary cause of the failure of the merger to be consummated by the end date;

11

Table of Contents

any final nonappealable injunction, order, decision, opinion, decree, ruling or other action of a governmental entity permanently restrains, enjoins or prohibits the merger, provided that the party seeking to terminate the merger agreement pursuant to this provision shall have used its reasonable best efforts to remove such injunction, other legal restraint or order; or

if the special meeting of the Company shareholders (including any adjournment or postponement of such special meeting) has concluded, and the Company shareholder approval and the majority of the minority shareholder approval has not been obtained.

The Company (with the prior approval of the special committee) may terminate the merger agreement:

if there is a breach of any of the covenants on the part of Parent or if any of the representations or warranties of Parent fail to be true, such that the conditions to each party s obligation to effect the merger or the conditions to the obligation of the Company to effect the merger would be incapable of fulfillment and the breach or failure is incapable of being cured, or is not cured, by the earlier of the end date and thirty days following written notice to Parent of the breach or failure, so long as the Company is not then in material breach of any of its representations, warranties, covenants or agreements contained in the merger agreement; or

prior to the approval of the merger agreement by our shareholders, in order to concurrently enter into a definitive agreement with respect to a superior proposal, but only if the Company has complied in all material respects with its obligations described in *The Merger Agreement Other Covenants and Agreements No Solicitation* beginning on page 101.

Parent may terminate the merger agreement:

if there is a breach of any of the covenants on the part of the Company or if any of the representations or warranties of the Company fail to be true, such that the conditions to each party s obligation to complete the merger or the conditions to the obligation of Parent and Merger Sub to complete the merger would be incapable of fulfillment and the breach or failure is incapable of being cured, or is not cured, by the earlier of the end date and thirty days following written notice to the Company of the breach or failure, so long as Parent is not then in material breach of any of its representations, warranties, covenants or agreements contained in the merger agreement;

if prior to the approval of the merger agreement by our shareholders, the board of directors or the special committee withdraws or modifies its recommendation of the merger agreement or fails to recommend the merger agreement; or

if prior to the approval of the merger agreement by our shareholders, the Company materially breaches (i) its non-solicitation obligations as described in *The Merger Agreement Other Covenants and Agreements No Solicitation* beginning on page 101 or (ii) its filing obligations as described in *The Merger Agreement Other Covenant and Agreements Reasonable Best Efforts* beginning on page 104 and such breach is not cured within five business days following written notice by Parent to the Company.

Expense Reimbursement Provisions (Page 110)

The Company will pay to Parent an amount equal to the sum of Parent s and Merger Sub s expenses up to $7.3 million if:

the Company, prior to obtaining the Company shareholder approval and the majority of the minority shareholder approval, terminates the merger agreement to enter into a definitive agreement providing for a superior proposal;

Parent terminates the merger agreement because of a recommendation change or failure to make a recommendation by the Company s board of directors or the special committee;

Parent, prior to obtaining the Company shareholder approval and the majority of the minority shareholder approval, terminates the merger agreement because the Company materially breaches its non-solicitation

Table of Contents

covenant under the merger agreement or fails to take necessary steps to obtain approval for the merger and such breach is not cured within five business days following written notice by Parent to the Company;

either the Company or Parent terminates the merger agreement because the merger agreement is not approved by the Company s shareholders at the special meeting; or

after an alternative proposal to acquire all or a portion of the Company has been disclosed publicly or has been made directly to the Company s shareholders or any person has publicly announced an intention (whether or not conditional) to make a bona fide alternative proposal, the merger agreement is terminated by the Company or Parent because the merger has not been completed by the end date or by Parent pursuant to a breach by the Company of its covenants or representations and warranties, and the Company enters into a definitive agreement with respect to, or consummates, a transaction contemplated by any alternative proposal to acquire at least 50% of the Company s common shares or assets within 12 months of the date the merger agreement is terminated.

In the event the Family Shareholders actual expenses exceed the $7.3 million maximum expense reimbursement amount provided for in the merger agreement, the Family Shareholders may submit such additional expenses to the Company and the special committee, in its sole discretion, may decide whether to direct the Company to reimburse any additional expenses.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers address briefly some questions you may have regarding the special meeting, the merger agreement and the merger. These questions and answers may not address all questions that may be important to you as a shareholder of the Company. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement.

Q: What is the proposed transaction?

A: The proposed transaction is the merger of Merger Sub with and into the Company pursuant to the merger agreement. If the merger is consummated, the Company will become a privately-held company, wholly owned by Parent. The Family Shareholders will own all of the common stock of Parent.

Q: What will I receive in the merger?

A: If the merger is completed and you do not properly exercise dissenters rights, you will be entitled to receive $19.00 in cash, without interest and less any applicable withholding taxes, for each common share that you own. You will not be entitled to receive shares in the surviving corporation.

Q: Why was the original merger agreement amended?

A: The merger agreement amendment increased the merger consideration to $19.00 per share in cash, without interest. For more information about the background of and reasons for the merger agreement amendment, see *Special Factors Background of the Merger* beginning on page 18 and *Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board of Directors; Fairness of the Merger* beginning on page 38.

Q: When and where is the special meeting?

A: The special meeting will take place on August 7, 2013, starting at 10:00 a.m., Cleveland, Ohio, time, at our world headquarters at One American Road, Cleveland, Ohio 44144.

Q: Will shareholders receive dividends before the merger is completed or the merger agreement is terminated?

A: Under the merger agreement, the Company is permitted to declare and pay one quarterly dividend on its common shares up to $0.15 per share, consistent with prior timing. The board has declared a quarterly cash dividend of $0.15 per share to be paid on July 15, 2013 to shareholders of record at the close of business on July 3, 2013.

Q: What matters will be voted on at the special meeting?

A: You will be asked to vote on the following proposals:

to adopt the merger agreement;

to approve, on an advisory (non-binding) basis, specified compensation that may be payable to the named executive officers of the Company in connection with the merger;

to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company shareholder approval or obtain the majority of the minority shareholder approval; and

to act upon other business that may properly come before the special meeting or any adjournment or postponement thereof.

Table of Contents

Q: What vote of our shareholders is required to approve the merger agreement?

A: The merger cannot be completed unless holders of our issued and outstanding Class A common shares and Class B common shares, voting together as a single class, representing at least two-thirds of the outstanding voting power of the Company, vote in favor of the adoption of the merger agreement. Pursuant to our articles of incorporation, the Class A common shares are entitled to one vote per share and the Class B common shares are entitled to ten votes per share. In addition, the merger agreement makes it a condition to the parties obligations to consummate the merger that at least a majority of our issued and outstanding Class A common shares and Class B common shares, excluding all Class A common shares and Class B common shares beneficially owned by the Family Shareholders, the Irving I. Stone Foundation or any director or executive officer of the Company or any of its subsidiaries, voting together as a single class, vote in favor of the adoption of the merger agreement (which we refer to as the majority of the minority shareholder approval condition). For purposes of this majority of the minority shareholder approval condition only, Class B common shares will be entitled to one vote per share.

The Family Shareholders and the Irving I. Stone Foundation have voting power with respect to, in the aggregate, 9,368 Class A common shares and 2,510,697 Class B common shares, representing in the aggregate 43.0% of our outstanding voting power as of the record date. As of the record date, there were 29,288,810 Class A common shares issued and outstanding and 2,912,167 Class B common shares issued and outstanding.

The Family Shareholders and the Irving I. Stone Foundation have agreed, subject to certain conditions, to vote all common shares that they beneficially own in favor of adopting the merger agreement, pursuant to the guaranty and voting agreement. See *Agreements Involving Common Shares Guaranty and Voting Agreement* on page 112.

Each of the directors and executive officers of the Company has informed the Company that as of the date of this proxy statement, he or she intends to vote in favor of the adoption of the merger agreement.

Q: What vote of our shareholders is required to approve other matters to be presented at the special meeting?

A: Each of the advisory (non-binding) proposal to approve specified compensation that may be payable to the named executive officers of the Company in connection with the merger, and the proposal regarding adjournment, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company shareholder approval or obtain the majority of the minority shareholder approval, requires the affirmative vote of the majority of the votes cast at the special meeting. The Class A common shares are entitled to one vote per share and the Class B common shares are entitled to ten votes per share on each of these proposals.

Q: How does the board of directors recommend that I vote?

A: Based in part on the unanimous recommendation of the special committee, the board of directors (with the Family Shareholder directors abstaining) recommends unanimously that our shareholders vote:

FOR the adoption of the merger agreement;

FOR the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger; and

FOR the proposal regarding adjournment, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to obtain the Company shareholder approval or obtain the majority of the minority shareholder approval.

You should read *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board of Directors; Fairness of the Merger* beginning on page 38 for a discussion of the factors that the special committee and the board of directors (with the Family Shareholder directors abstaining) considered in deciding to recommend and/or approve, as applicable, the merger agreement. See also *Special Factors Interests of the Company s Directors and Executive Officers in the Merger* beginning on page 81.

Table of Contents

Q: What effects will the merger have on American Greetings?

A: The Class A common shares and the Class B common shares are currently registered under the Securities Exchange Act of 1934, as amended (the Exchange Act), and the Class A common shares are quoted on the New York Stock Exchange (NYSE) under the symbol AM. As a result of the merger, the Company will cease to be a publicly traded company and will be wholly owned by Parent. Following the consummation of the merger, the registration of the common shares and our reporting obligations with respect to the common shares under the Exchange Act will be terminated upon application to the Securities and Exchange Commission (SEC). In addition, upon the consummation of the merger, the Class A common shares will no longer be listed on any stock exchange or quotation system, including the NYSE. We expect, however, that we will continue to file reports with the SEC pursuant to requirements contained in the indenture with respect to our 7.375% senior notes due 2021 (the 2021 senior notes indenture).

Q: What will happen if the merger is not consummated?

A: If the merger is not consummated for any reason, the Company s shareholders will not receive any payment for their shares in connection with the merger. Instead, the Company will remain a public company and the Class A common shares will continue to be listed and traded on the NYSE. Under specified circumstances, the Company may be required to pay Parent and Merger Sub certain expenses, up to a maximum of $7.3 million if the merger is not consummated. In the event the Family Shareholders actual expenses exceed the $7.3 million maximum expense reimbursement amount provided in the merger agreement, the Family Shareholders may submit such additional expenses to the Company and the special committee, in its sole discretion, may decide whether to direct the Company to reimburse any additional expenses. On the terms and conditions set forth in the guaranty and voting agreement, the Family Shareholder directors have, jointly and severally, guaranteed to the Company the obligations of Parent and Merger Sub under the merger agreement, subject to a maximum aggregate liability of $7.3 million. See *The Merger Agreement Termination* beginning on page 109 and *Agreements Involving Common Shares Guaranty and Voting Agreement* beginning on page 112.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes and the documents referred to as incorporated by reference in this proxy statement, as well as the related Schedule 13E-3, including the exhibits thereto, filed with the SEC, and to consider how the merger affects you.

If you are a shareholder of record, you can ensure that your shares are voted at the special meeting by submitting your proxy via:

- telephone, using the toll-free number listed on your proxy and voting instruction card;
- the Internet, at the address provided on your proxy and voting instruction card; or
- mail, by completing, signing, dating and mailing your proxy and voting instruction card and returning it in the envelope provided.

If you hold your shares in street name through a broker, bank or other nominee, you should follow the directions provided by it regarding how to instruct it to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting against adoption of the merger agreement.

If you are a participant in the American Greetings Retirement Profit Sharing and Savings Plan and you invest in the American Greetings stock fund of the Retirement Profit Sharing and Savings Plan, the plan s independent trustee, Vanguard Fiduciary Trust Company, will vote the Class A common shares allocated to your account according to your directions. Participants may give voting directions to the plan trustee in any one of the ways set forth above with respect to record shareholders. If you do not timely give voting directions to the trustee, the trustee will vote the shares in your account in the Retirement Profit Sharing and Savings Plan as directed by the Company, based on the direction of the Benefits

Advisory Committee, a committee consisting of employees of the Company.

Table of Contents

Q: Should I send in my stock certificates or other evidence of ownership now?

A: No. After the merger is completed, you will be sent a letter of transmittal with detailed written instructions for exchanging your common shares for the per share merger consideration. If your common shares are held in street name by your broker, bank or other nominee, you may receive instructions from your broker, bank or other nominee as to what action, if any, you need to take to effect the surrender of your street name shares in exchange for the per share merger consideration. Do not send in your certificates now.

Q: Can I revoke my proxy and voting instructions?

Yes. You can revoke your proxy and voting instructions at any time before your proxy is voted at the special meeting. If you are a shareholder of record, you may revoke your proxy by notifying the Company s Secretary in writing at One American Road, Cleveland, Ohio 44144, by submitting a new proxy by telephone, the Internet or mail, in each case, dated after the date of the proxy being revoked, or by attending the special meeting and voting in person (but simply attending the special meeting will not cause your proxy to be revoked). Participants in our Retirement Profit Sharing and Savings Plan may revoke voting instructions in the same manner as shareholders of record, except that they may not do so by attending the special meeting and voting in person.

Please note that if you hold your shares in street name and you have instructed a broker, bank or other nominee to vote your shares, the above-described options for revoking your voting instructions do not apply, and instead you must follow the instructions received from your broker, bank or other nominee to revoke your voting instructions.

Q: What does it mean if I get more than one proxy and voting instruction card?

A: If you are both a record shareholder and hold shares through the American Greetings Retirement Profit Sharing and Savings Plan, you will have received one proxy card that shows the common shares registered in your name, and a separate voting instruction card for the shares you have (based on the units credited to your account) under the Retirement Profit Sharing and Savings Plan.

Please note, however, that unless the identical name or names appeared on all your accounts, we were not able to consolidate your share information. If that was the case, you received more than one proxy and voting instruction card and must vote each separately.

If your shares are held through a broker, bank or other nominee, you will receive either a voting form or a proxy card from the nominee with specific instructions about the voting methods available to you. As a beneficial owner, in order to ensure your shares are voted, you must provide voting instructions to the broker, bank or other nominee by the deadline provided in the materials you receive from them.

Q: Who will count the votes?

A: A representative of Broadridge Financial Solutions, Inc. will count the votes and act as an inspector of election.

Q: Who can help answer my other questions?

A: If you have more questions about the merger, or require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy and voting instruction card(s), please contact Georgeson Inc., which is acting as the proxy solicitation agent and information agent in connection with the merger.

Georgeson Inc.

480 Washington Blvd.

26th Floor

Jersey City, NJ 07310

Toll Free: (888) 660-8331

If your broker, bank or other nominee holds your shares, you can also call your broker, bank or other nominee for additional information.

Table of Contents

SPECIAL FACTORS

Background of the Merger

The Family Shareholders are related to Jacob Sapirstein, who founded the Company s business over a century ago. From time to time, the Family Shareholders (including Messrs. Morry, Zev, Jeffrey and Gary Weiss, who are actively involved in the Company s business) evaluate the state and direction of the Company. Similarly, from time to time the senior management of the Company and the board of directors, including the Family Shareholder directors, evaluate options available to the Company, including plans for growth, cost savings measures, the Company s dividend policy and share repurchases. The Company has returned over $1 billion of capital to its Class A shareholders in dividends and share repurchases since its 2005 fiscal year. At its September 7, 2012 board meeting, the directors reviewed a proposal by management, including the Family Shareholder directors, to consider terminating or substantially reducing the Company s dividend rate and increasing the Company s existing share repurchase authorization in light of, among other factors, the low multiple of the Company s forecasted current fiscal year EBITDA at which the Company s common shares traded. Based on the average closing price of the Company s Class A common shares for the 45 trading days prior to September 7, 2012, the Company s common stock dividend yield was approximately 4.4% and its trading value as a multiple of forecasted current fiscal year EBITDA was 2.4x. It was the consensus of the independent directors that, while such an approach might have financial merit, on balance, the elimination or reduction of the Company s dividend rate likely would not be well received by institutional and other shareholders in light of the focus on yield in the current capital markets. In addition, at the board s September 7, 2012 meeting, at which the possible termination or substantial reduction of the Company s dividend rate was discussed, and at the board s July 23, 2012 meeting, at which the board authorized up to $75 million of share repurchases, the board considered the operational and financial risks involved in continuing share repurchases indefinitely in light of the Company s capital investment requirements and the evolution of its business.

Following the September 7, 2012 meeting, the Family Shareholders evaluated the Company s prospects as a publicly traded company in light of, among other factors, industry conditions, the Company s capital requirements and conditions in the capital markets. On September 25, 2012, the Family Shareholders determined that the best course of action would be for the Company to return to its roots as a family-owned business. For more information, see *Special Factors Purposes and Reasons of Family LLC, Parent, Merger Sub and the Family Shareholders for the Merger* beginning on page 64.

On the evening of September 25, 2012, the board received a written, non-binding proposal from Messrs. Zev and Jeffrey Weiss on behalf of the Family Shareholders to acquire all the Class A common shares and Class B common shares not owned by the Family Shareholders for a price of $17.18 per share. In the Family Shareholders letter to the board, the Family Shareholders stated that they had no current intention to sell all or any significant part of their common shares. The letter also stated that the Family Shareholders recognized that the independent directors of the Company would need to review the proposal and that the proposal was subject to a determination by the independent directors that the proposal is fair. The letter also stated that the proposal was subject to the finalization of financing (including the entering into of definitive agreements by the Family Shareholders and entering into definitive debt financing documents) and the entry into of definitive transaction documents.

On September 26, 2012, the Company issued a press release announcing the Family Shareholders proposal, and certain of the Family Shareholders filed a joint Schedule 13D with the Securities and Exchange Commission, which included as an exhibit the letter to the board that is described in the preceding paragraph.

On September 27, 2012, at a special meeting of the board that included only those directors who are not Family Shareholders, whom we refer to in this proxy statement as the independent directors, the independent directors met with representatives of Baker & Hostetler LLP (Baker & Hostetler), outside counsel to the Company. Representatives of Baker & Hostetler reviewed with the independent directors their fiduciary duties in respect of the proposal, and discussed with the independent directors the approach for establishing a special committee of independent and disinterested directors to consider and act with respect to the proposal, as well as the standard for independence that should be used to evaluate a director s ability to serve on the special committee. Representatives of Baker & Hostetler, along with Ms. Catherine Kilbane, then general counsel to the

Table of Contents

Company, encouraged the independent directors to discuss any factors that might have a bearing on the independence of a special committee member. Representatives of Baker & Hostetler also reviewed with the independent directors the process for the special committee to consider and select its own counsel and financial advisors and the types of issues the independent directors might expect to encounter in connection with the Family Shareholders September 25, 2012 proposal.

Also on September 27, 2012, a shareholder lawsuit was filed against the Company and each of its directors in the Court of Common Pleas in Cuyahoga County, Ohio relating to the Family Shareholders proposal. The complaint alleged, among other things, breaches of fiduciary duties by the Company s directors for pursuing the proposal contemplated by the Family Shareholders proposal letter and for putting their personal interests ahead of the interests of the Company.

On September 28, 2012, the Company reported its earnings for the second quarter of its 2013 fiscal year, which included a net loss of $4.3 million, or $0.13 per share (on a fully diluted basis).

On September 30, 2012, at a special meeting of the board at which all but one of the independent directors were in attendance and in which the Family Shareholder directors did not participate, the board established a special committee to consider and act with respect to the Family Shareholders proposal. Following disclosure by the directors of any factors that might have a bearing on the independence of a special committee member, the board appointed Dr. Scott S. Cowen and Messrs. William E. MacDonald, III, Jeffrey D. Dunn and Michael J. Merriman, Jr., to the special committee, each of whom the board determined to be independent, with Dr. Cowen appointed to serve as the chair. The special committee was delegated the exclusive power and authority of the board of directors to, among other things: review and evaluate the advisability of the proposal; identify, review and evaluate other alternatives available to the Company; recommend, reject or seek to modify the terms of the proposal or any other alternatives available to the Company; if considered appropriate or advisable by the special committee, negotiate the price, structure, form, terms and conditions of the proposal or any alternative thereto and the form, terms and conditions of any definitive agreements in connection with the proposal or other alternative; determine whether the proposal or any alternative thereto is fair to, and in the best interests of, the Company and its shareholders; and recommend to the full board what action, if any, should be taken by the Company with respect to the proposal or any alternative thereto.

The board also authorized the special committee to retain the services of its own legal, financial and other advisors, at the Company s expense. At the request of the special committee, the Company s management (other than any Family Shareholders) evaluated numerous legal and financial advisors for these roles in order to identify firms that could present an actual or perceived conflict of interest if those advisors were engaged by the special committee.

On October 6, 2012, the special committee met with representatives of several law firms in New York City. The representatives of the various firms presented their credentials and preliminary views on the Company, financing and other issues that could arise in connection with the proposal. They also responded to questions from the special committee regarding their experience in advising special committees, their preliminary thoughts on how to position negotiations with the Family Shareholders regarding the Company s value, their proposed fees, and their independence, objectivity and any relationships that could present an actual or perceived conflict of interest. Following each presentation, the special committee discussed the strengths and weaknesses of the firms, and, after considering all the firms, the special committee selected Sullivan & Cromwell LLP (Sullivan & Cromwell) as its legal advisor.

During the period from October 7, 2012, when the special committee selected Sullivan & Cromwell as its legal advisor, through March 29, 2013, when the merger agreement was executed, the special committee met 27 times in person or telephonically and all of those meetings were attended by representatives of Sullivan & Cromwell. All of the meetings were attended by all members of the special committee, with the exception of the meetings held on October 14, 2012, November 1, 2012 and December 15, 2012, at each of which three of the four members of the special committee were present.

On October 8, 2012, the special committee met in New York City with representatives of Sullivan & Cromwell to discuss preliminary steps in connection with the Family Shareholders proposal. Later that day, a representative from Sullivan & Cromwell had an introductory conversation with a representative from Jones Day, counsel to the Family Shareholders.

Table of Contents

Also on October 8, 2012, the special committee met telephonically with representatives of Sullivan & Cromwell to discuss the initial conversation between representatives of Sullivan & Cromwell and Jones Day and the process of hiring an independent financial advisor.

On October 9, 2012, at the direction of the special committee, representatives of Sullivan & Cromwell participated in a telephone call with Ms. Kilbane, Mr. Christopher Haffke, then the deputy general counsel of the Company, Mr. Stephen Smith, the chief financial officer of the Company, and representatives of Baker & Hostetler. During the call, at the request of the Company s senior management and the special committee, Sullivan & Cromwell provided guidance to the Company s management regarding the operation and management of the Company during the pendency of the Family Shareholders proposal.

On October 11, 2012, a shareholder of the Company filed a shareholder lawsuit against the Company and its individual directors in the Court of Common Pleas in Cuyahoga County, Ohio. Throughout October and November 2012, five additional shareholder lawsuits were filed against the Company and its directors in the Court of Common Pleas in Cuyahoga County, Ohio, one of which was later dismissed. The complaints alleged, among other things, breaches of fiduciary duties by the Company s directors for pursuing the proposal contemplated by the Family Shareholders letter dated September 25, 2012.

Also on October 11, 2012, Jones Day sent to Sullivan & Cromwell a draft confidentiality agreement for the Family Shareholders to enter into with the Company.

On October 12, 2012 and October 13, 2012, the special committee and representatives of Sullivan & Cromwell met in Chicago and interviewed representatives of several financial advisory firms with the objective of selecting a financial advisor to the special committee. The representatives of the various firms presented their credentials and preliminary views on valuation, financing and other issues that could arise in connection with the proposal. They also responded to questions from the special committee regarding their experience in advising special committees, their preliminary thoughts on how to position negotiations with the Family Shareholders regarding the Company s value, their proposed fees and their independence, objectivity and any relationships that could present an actual or perceived conflict of interest. Following each presentation, the special committee discussed the strengths and weaknesses of the financial advisory firms.

Later on October 13, 2012, the special committee, after considering all the firms, determined to retain Peter J. Solomon, L.P. (PJSC), subject to confirmation of the absence of conflicting interests (which was subsequently confirmed and discussed at a meeting of the special committee held for that purpose on October 14, 2012) and entering into a formal engagement letter. The special committee determined to retain PJSC for a variety of reasons, including PSJC s experience in comparable situations, its experience in representing special committees, its knowledge of the consumer products, social expressions and gifts and media and IP licensing industries and its objectivity and independence with respect to the Company.

Also on October 13, 2012, the special committee was joined by Mr. Charles Ratner and Dr. Jerry Sue Thornton, the other independent directors of the Company, and Mr. Haffke, and the special committee briefed them on its intention to retain PJSC. The board then convened in a special meeting (which did not include directors who are Family Shareholders), at which it adopted resolutions providing for a quarterly retainer of $25,000, to be paid in advance, for each of Messrs. Dunn, MacDonald and Merriman, and a quarterly retainer of $37,500, to be paid in advance, for Dr. Cowen, in each case for their service on the special committee (see *Interests of the Company s Directors and Executive Officers in the Merger Compensation of the Special Committee* on page 83). The board also directed the Company s management to suspend the Company s practice of repurchasing Class B common shares when offered to the Company in accordance with its articles of incorporation, consistent with its September 25, 2012 suspension of repurchases of Class A common shares under its Rule 10b5-1 share repurchase program, for so long as the proposal from the Family Shareholders remained outstanding. No Class B common shares had been repurchased since the proposal.

Between October 15, 2012 and October 17, 2012, Sullivan & Cromwell, with guidance from Dr. Cowen on behalf of the special committee, and PJSC negotiated the terms of the PJSC engagement letter, and the engagement letter was entered into on October 17, 2012. The engagement letter provided for a fee to be paid to PJSC as described in *Special Factors Fees and Expenses* and *Special Factors Opinion of Peter J. Solomon Company*.

Table of Contents

On October 16, 2012, PJSC submitted a preliminary financial due diligence request list to the Company. After the special committee s October 17, 2012 engagement of PJSC, all of its meetings included representatives of PJSC.

On October 19, 2012, Dr. Cowen (on behalf of the special committee) and representatives of Sullivan & Cromwell and PJSC met with members of the Family Shareholders and representatives of Jones Day at Jones Day s offices in Cleveland, Ohio. At the meeting, Dr. Cowen stressed the special committee s commitment to discharge its responsibilities and fiduciary duties in evaluating the Family Shareholders proposal and any alternatives available to the Company. Representatives of Jones Day stated that the Family Shareholders agreed with the need for a thorough evaluation process and were prepared to work with the special committee as it evaluated and, if appropriate, negotiated the Family Shareholders proposal, including any related financing structure. Mr. Zev Weiss reiterated in response to a question the position noted in the Family Shareholders September 25, 2012 letter that the Family Shareholders had no intention to sell all or any significant portion of their shares in the Company. Later on October 19, 2012, a representative of Jones Day sent a revised draft of the confidentiality agreement to Sullivan & Cromwell, and the special committee met telephonically with representatives of Sullivan & Cromwell and PJSC to receive an update on the meeting in Cleveland, the due diligence process and the confidentiality agreement negotiations and to discuss retaining counsel to defend the shareholder lawsuits.

Also on October 19, 2012, representatives of PJSC met telephonically with representatives of the Company s management (other than any Family Shareholders) as part of PJSC s due diligence review. During the call, members of senior management discussed and responded to initial diligence questions that PJSC had prepared, including providing a general overview of the Company, its three-year financial plan prepared by the Company's management and its performance during the first half of the fiscal year, as well as overall industry trends.

Also on October 19, 2012, at the direction of the special committee, the Company issued a press release announcing that the board of directors had formed the special committee to evaluate the proposal from the Family Shareholders and that the special committee had engaged PJSC and Sullivan & Cromwell to assist it in that process.

From October 19, 2012 through March 27, 2013, PJSC and Sullivan & Cromwell continued their respective ongoing due diligence reviews of the Company, including participating in multiple in-person and telephonic due diligence meetings with various members of the Company s management team, the first of which took place at the Company s headquarters in Cleveland, Ohio on October 22, 2012. Included in many of these diligence calls with PJSC were discussions with the Company s management regarding adjustments for unusual or nonrecurring items that may be considered as they relate to the Company s historical, and fiscal year 2013 estimated, EBIT and EBITDA for purposes of PJSC s analyses.

During the period from October 22, 2012 through November 2, 2012, representatives of Sullivan & Cromwell and Jones Day exchanged several drafts of the confidentiality agreement, and the special committee met telephonically with representatives of Sullivan & Cromwell and PJSC on October 24, 2012 and November 1, 2012 to discuss the negotiations of the confidentiality agreement. The parties discussed in particular the special committee s requirement that the confidentiality agreement contain a meaningful standstill provision pursuant to which the Family Shareholders would be prohibited, for a specified period of time, from pursuing a bid to acquire the Company (or taking certain other related actions) without the cooperation or consent of the special committee. Following the negotiations between representatives of Sullivan & Cromwell and Jones Day, and after discussions between Dr. Cowen and Mr. Zev Weiss, the Family Shareholders agreed to a 22-week standstill provision in the proposed confidentiality agreement, and the confidentiality agreement was entered into on November 2, 2012.

On October 26, 2012, the special committee met with representatives of Sullivan & Cromwell and PJSC in New Orleans. At the meeting, PJSC presented financial information relating to the Family Shareholders proposal and provided an overview of the status of the proposal, as well as an overview of the Company and the social expressions industry more generally. PJSC noted that the presentation was based on information provided to date by the Company and would be updated as more information was provided to it in due diligence. Among other things, PJSC explained its understanding of the Company s internal financial forecasting processes, in particular the Company s treasury model, which is a consolidated view of the Company s financial forecast covering the current fiscal year and a multi-year period going forward and is prepared annually by the Company s treasury department and updated on a periodic basis to reflect material changes to the Company s financial and operating plan. PJSC noted that the Company indicated that, of the Company s financial models, the treasury model was considered the

Table of Contents

most up-to-date forecasting tool and was the most appropriate model to rely on as the basis on which to evaluate the management financial forecasts. PJSC also described the work it had undertaken to understand any recent Company updates to the Company s treasury model.

The presentation contained a review of the Company s historical and projected financial performance (based on the Company s treasury model) and its stock price trading history. PJSC also presented preliminary valuation analyses, applying various corporate finance methodologies, including comparable companies, selected precedent transactions, sum-of-the-parts, present value of the Company s future share price, discounted cash flow and leveraged buyout analyses. The presentation also included observations regarding market conditions and financing feasibility for the Family Shareholders. The special committee inquired into the details regarding certain valuation analyses and discussed certain aspects of the Company s business and the social expression industry that the special committee members thought PJSC should consider. The special committee and PJSC also discussed the possible effect of having three years of projections from the Company, as compared to having projections covering a longer period, on the results of the discounted cash flow analysis. Finally, the special committee and its advisors discussed potential restructuring alternatives that might be available to the Company in lieu of engaging in a potential transaction with the Family Shareholders.

On November 4, 2012, the independent directors participated in a call with representatives of Sullivan & Cromwell and PJSC for an update on actions taken to date by the special committee and PJSC in connection with the Family Shareholders proposal. Members of the special committee informed the other independent directors that the special committee was in communication with Mr. Smith regarding the financial performance of the Company, and updated the independent directors on the special committee s actions to engage counsel to represent the independent directors collectively in connection with the shareholder lawsuits. Following its meeting with the other independent directors, the special committee determined to retain Squire Sanders (US) LLP (Squire Sanders) as litigation counsel for the independent directors, based in part on the recommendation of Messrs. MacDonald and Merriman who, on behalf of the special committee, had interviewed representatives of several law firms.

On November 5, 2012, following the execution of the confidentiality agreement between the Family Shareholders and the Company, Jones Day opened a data room for the Family Shareholders potential financing sources who executed a confidentiality and standstill agreement, and the data room was maintained for potential financing sources through the execution of the original merger agreement on March 29, 2013. PJSC was granted access to the data room and was provided with copies of all materials provided to potential financing sources, and Jones Day promptly informed PJSC and Sullivan & Cromwell when parties were granted access to the data room, in each case as provided in the confidentiality agreement. By the date the merger agreement was entered into, a total of 35 parties were granted access to the electronic data room.

On November 6, 2012 and November 9, 2012, shareholder lawsuits were filed in the United States District Court for the Northern District of Ohio Eastern Division against the Family Shareholders alleging breach of fiduciary duty and lack of independence of the special committee.

During the week of November 5, 2012, Dr. Cowen had telephone calls with Mr. Morry Weiss to discuss matters unrelated to the Family Shareholders proposal and also to discuss the status of the Family Shareholders efforts to secure financing in support of their proposal.

The special committee met telephonically on November 8, 2012 with representatives of Sullivan & Cromwell, PJSC and Squire Sanders to discuss the status of the Family Shareholders financing activities including the work of the Family Shareholders and KeyBanc Capital Markets (KeyBanc) (the Family Shareholders financial advisor) on the structure of the financing. The special committee also received an update from Squire Sanders on the status of shareholder litigation filed in connection with the Family Shareholders proposal.

During October and November of 2012, the Family Shareholders engaged in discussions with a number of potential financing sources. One of those financing sources was Bank of America, N.A. (Bank of America). Bank of America indicated to Zev Weiss that it was interested in providing financing to the Family Shareholders in connection with the proposed transaction but that it wanted to ensure that the Company was not going to view

Table of Contents

such a role as problematic in light of the fact that Bank of America acted as the second-lead underwriter for the Company s 7.375% senior notes due 2021 and is a co-syndication agent and a lender under the Company s Amended and Restated Credit Agreement.

On November 16, 2012, the Company received a request from Bank of America for a waiver to engage in discussions with, and provide advice to, the Family Shareholders with respect to potential senior debt financing options. On November 19, 2012, the special committee, after representatives of Sullivan & Cromwell conferred on its behalf with Messrs. Smith and Haffke, directed the Company to grant the waiver to facilitate the Family Shareholders discussions regarding potential senior financing structures, in light of Bank of America s familiarity with the Company s capital structure and because the special committee did not believe Bank of America s assistance to the Family Shareholders, as discussed above, would be detrimental to the Company because Bank of America, as one of several lenders, played a relatively limited role in the Company s existing financing.

On November 19, 2012, the special committee met telephonically with representatives of Sullivan & Cromwell, PJSC and Squire Sanders. At the meeting, PJSC updated its presentation from October 26, 2012. Among other things, PJSC s presentation included updated financial analyses of the Company, based on (i) an updated treasury model for fiscal year 2013 provided by the Company s management to PJSC (with projections in the treasury model for fiscal years 2014 through 2016 remaining the same as those that had been provided to PJSC previously) and (ii) due diligence conducted by PJSC on the Company to date.

The special committee and PJSC then discussed management s projections for fiscal years 2013 through 2016 and the evolution of management forecasts as reflected in management treasury models over the past three fiscal years. In particular, PJSC noted that management s expectation for earnings before interest and taxes, or EBIT, in fiscal years 2014 and 2015 had decreased from the expectations expressed in the fiscal year 2012 plan. PJSC also presented other valuation analyses that it had conducted to date, including analyses of comparable companies, selected precedent transactions, sum-of-the-parts, present value of the Company s future share price, discounted cash flow and potential leveraged buyout scenarios, and the special committee and PJSC discussed at length PJSC s discounted cash flow analysis. As part of that discussion, PJSC noted that it had revised its range of terminal multiples downward because PJSC determined that based on further consideration of the trading valuations of selected relevant comparable companies, a 5.0x trading multiple that had been included for illustrative purposes in PJSC s October 26, 2012 presentation was no longer deemed appropriate.

At various times in November 2012, the special committee and its advisors also discussed the Company s plans to finalize its commitment to a new world headquarters building in December 2012 and the potential impact of the financial commitments associated with the headquarters project on the Family Shareholders financing for the proposed transaction and ability to increase the proposed per share merger consideration. The special committee determined that they would raise this issue with the board committee overseeing the headquarters project.

On November 27, 2012, Jones Day informed Sullivan & Cromwell that the Family Shareholders expected to be able to provide a detailed financing plan during the week of December 3, 2012.

On November 28, 2012, the Company issued a press release announcing the temporary delay of its project to move the Company s world headquarters from Brooklyn, Ohio to Westlake, Ohio pending resolution of the Family Shareholders proposal.

On or about November 28, 2012, Dr. Cowen and Mr. Zev Weiss, and on November 29, 2012, representatives of Sullivan & Cromwell and Jones Day, respectively, discussed the Family Shareholders intention to provide updated information concerning financing arrangements for a potential transaction within a matter of weeks. On November 29, 2012, the special committee met telephonically with representatives of Sullivan & Cromwell, PJSC and Squire Sanders to discuss the conversations with Mr. Zev Weiss and representatives of Jones Day. Representatives of PJSC also informed the special committee that they understood that the Company s management was in the process of making further revisions to its forecasts, and that it had produced a five-year treasury model, which would be shared with PJSC and the Family Shareholders potential financing sources when finalized. This updated treasury model was provided to PJSC and the potential financing sources on November 30, 2012.

Table of Contents

On December 5, 2012, Jones Day sent to Sullivan & Cromwell (i) a preliminary draft commitment letter for a senior credit facility of up to $542.0 million, (ii) a highly confident letter from KeyBank National Association regarding a potential junior holding company facility of at least $150.0 million that would consist of either equity or debt and (iii) a letter from the Family Shareholders reiterating their proposal to acquire the Company at $17.18 per share, in cash. The letter from the Family Shareholders expressed the view that the $17.18 per share offer was a compelling price given the high volatility in the equity markets and the fact that it represented a 20% premium over the trading price for the Company s Class A common shares immediately prior to the time of the Family Shareholders proposal on September 25, 2012.

On December 6, 2012, representatives of Sullivan & Cromwell, PJSC, Jones Day and KeyBanc, had a telephone call during which representatives of Jones Day and KeyBanc answered questions from representatives of Sullivan & Cromwell and PJSC regarding the draft financing commitment papers and proposed structure of the financing. The representatives of Jones Day and KeyBanc requested that representatives of the special committee provide guidance as to the special committee s view on valuation inasmuch as it was difficult to progress financing when the price was undetermined.

On December 7, 2012, the Company held a regularly scheduled board meeting and the special committee met with representatives of Sullivan & Cromwell, PJSC and Squire Sanders at the Company s headquarters in Cleveland, Ohio. PJSC provided financial analyses of the Company, updated since PJSC s telephonic presentation to the special committee on November 19, 2012 to reflect certain pro forma adjustments to fiscal year 2013 EBIT based on estimates that the Company s management had provided to PJSC after the November 19, 2012 special committee meeting. The special committee determined, in consultation with PJSC, that the valuation work that had been completed by PJSC to date supported a higher offer price per share than $17.18 but that the Family Shareholders financing package was neither firm nor detailed enough for it to be advisable for the special committee to commence price negotiations. The special committee believed it would be preferable to negotiate price at a time when it understood the Family Shareholders financing structure and could be confident that any price agreed would be financeable. The special committee, Sullivan & Cromwell and PJSC then discussed the possible financing alternatives that might be available to the Family Shareholders in order to produce a proposal at a price that might be acceptable to the special committee, including seeking out traditional equity financing sources such as private equity firms. The participants also discussed insolvency risks that may arise in certain highly leveraged transactions and the merits of alternative transactions that might be available to the Company, such as a share repurchase or a divided recapitalization, as well as potential responses from the special committee to the Family Shareholders letter of December 5, 2012. The special committee determined at the meeting that given the requests from the Family Shareholders for price guidance and their insistence that such guidance was necessary to move forward with financing, Dr. Cowen would be authorized to express the view that the special committee believed that any transaction per share price should be in the $20s. This indication was authorized to be expressed in response to the Family Shareholders request for guidance and did not reflect a determination as to any particular price.

Later on December 7, 2012, Dr. Cowen and representatives of Sullivan & Cromwell and PJSC met with the Family Shareholder directors and representatives from Jones Day and KeyBanc (with some persons present at the Company headquarters and some participating telephonically). During this meeting, Dr. Cowen told the representatives of the Family Shareholders and their advisors that the special committee s view was that the valuation work that had been completed by PJSC to date supported a higher offer price per share than $17.18. Dr. Cowen argued that PJSC s analysis supported a price in excess of $20 per share and that the special committee would not be willing to recommend a transaction for less than $20 per share. Dr. Cowen also indicated that the special committee was concerned about the Family Shareholders ability to execute a transaction with the financing structure that had been contemplated by the draft commitment letter and highly confident letter that had been provided on December 5, 2012. Dr. Cowen raised the possibility of pursuing alternative transactions, such as a recapitalization, to enhance value. The special committee then reconvened and discussed with its advisors additional due diligence requests that PJSC would submit to the Company.

On December 8, 2012, Messrs. Morry, Zev and Jeffrey Weiss spoke with Dr. Cowen and asked whether he wanted a personal response to the special committee s position. Dr. Cowen indicated that a response through advisors would be acceptable. The Weisses also indicated that they expected to be in a position to have definitive

Table of Contents

financing arrangements before final holiday season results would become available in late January or early February, and that they were pursuing financing alternatives in which the Family Shareholders would be in control of the Company after any transaction.

On December 11, 2012 and December 17, 2012, representatives of Sullivan & Cromwell and PJSC, at the request of the special committee, and Jones Day and KeyBanc had teleconferences to discuss issues relating to the financing structure, including the special committee s view that the financial analyses that had been performed by PJSC supported a higher offer price per share than $17.18.

On December 15, 2012, the special committee met telephonically with representatives of Sullivan & Cromwell, PJSC and Squire Sanders to receive an update on the recent discussions between Sullivan & Cromwell, PJSC, Jones Day, KeyBanc and Macquarie Capital (the lead placement agent for any subordinated debt or preferred equity comprising part of the Family Shareholders financing package). Sullivan & Cromwell reported that Jones Day stated that the Family Shareholders (i) recognized the need to propose a viable capital structure on which to obtain financing, including sufficient subordinated debt or preferred equity capital, (ii) wanted to move forward to direct price negotiations as quickly as possible due to the amount of time that had passed since the Family Shareholders initial offer was made and because it was difficult to solidify financing without an agreement on transaction price, (iii) were exploring financing based on the value of certain real estate assets as well as equity financing and (iv) were focused solely on the proposed acquisition of the Company and did not wish to discuss a dividend recapitalization or a share repurchase. Sullivan & Cromwell also reported that Jones Day had inquired whether the Family Shareholders financial advisors could engage with PJSC on the proposal price, but that Sullivan & Cromwell, based on its instructions from the special committee, stated that PJSC was ready and willing to engage in price negotiations but would do so only once the Family Shareholders presented a firmer and more detailed financing structure. PJSC also reported to the special committee on recent due diligence conversations it had had with the Company s management, and Squire Sanders provided an update relating to the shareholder litigation.

On December 18, 2012, representatives of Jones Day called representatives of Sullivan & Cromwell to reiterate the request for commencement of price negotiations and were advised that the special committee had determined not to commence price negotiations at this time. Later that day, Mr. Zev Weiss called Dr. Cowen and indicated both that the Family Shareholders would never pay a per share price in the $20s and that the special committee s refusal to negotiate was making it difficult for the Family Shareholders to solidify financing for a transaction. Dr. Cowen indicated that while the special committee was not prepared to negotiate until financing plans were more advanced, the Family Shareholders were free to submit another proposal at any time. Mr. Weiss requested an in-person meeting and Dr. Cowen agreed.

On December 19, 2012, Dr. Cowen and Mr. Zev Weiss had a meeting in Cleveland during which Dr. Cowen argued that PJSC s analysis supported a price in excess of $20 per share and that the special committee would not be willing to recommend a transaction for less than $20 per share. Mr. Weiss reiterated that the Family Shareholders would be unable to pay a per share price in the $20s and noted that the Family Shareholders had significant concerns about obtaining financing on terms that were acceptable to them that would support their proposed price of $17.18 per share. Mr. Weiss again requested that the special committee negotiate a price to permit the Family Shareholders to advise their potential financing sources of all requirements. Dr. Cowen and Mr. Weiss discussed the Family Shareholders financing efforts in further detail, with Dr. Cowen noting that the Family Shareholders were free to present the special committee with an improved proposal, or withdraw their existing proposal, at any time. Mr. Weiss told Dr. Cowen that the Family Shareholders would continue to work with their financing sources, and Dr. Cowen and Mr. Weiss agreed to speak again at the beginning of January 2013.

Also on December 19, 2012, the special committee met telephonically with representatives of Sullivan & Cromwell, PJSC and Squire Sanders and discussed the status of the Family Shareholders financing structure and arrangements, as well as the recent conversations between the advisors and between Mr. Zev Weiss and Dr. Cowen.

On December 20, 2012, the Company reported its earnings for the third quarter of its 2013 fiscal year, which included a net loss of $0.8 million, or $0.03 per share (on a fully diluted basis). The Company also announced an amendment to its Credit Agreement to exclude from the definition of consolidated EBITDA up to

Table of Contents

$40 million of certain cash and non-cash fees, costs and expenses incurred by the Company in connection with its acquisition of the Clinton Cards business in the United Kingdom.

In early January, a number of additional potential sources of financing for the Family Shareholders were given access to the online data room to perform due diligence on the Company. On January 11, 2013, Mr. Zev Weiss called Dr. Cowen to report that the Family Shareholders were making progress on potential financing, albeit at high funding costs. Mr. Weiss inquired about Dr. Cowen s view of next steps, and Dr. Cowen said that it was incumbent upon the Family Shareholders to provide a revised proposal that was supported by solid financing commitments.

On January 15, 2013, a representative of Jones Day told representatives of Sullivan & Cromwell that Jones Day expected that the Family Shareholders would provide a revised proposal within a couple of days.

On January 17, 2013, Dr. Cowen and Mr. Zev Weiss had a telephone conversation during which Mr. Weiss informed Dr. Cowen that the Family Shareholders would be sending a revised proposal to the special committee that afternoon. Mr. Weiss told Dr. Cowen that the Company s share price had decreased over the previous several days and that although the Family Shareholders had considered reducing their offer in light of this and other factors, the revised proposal would reflect an increased price per share. Mr. Weiss also told Dr. Cowen that the Family Shareholders had no ability or intention to pay more than the amount that would be included in the revised proposal, and that they were not interested in further negotiations beyond that price. Later on January 17, the special committee received a letter from representatives of the Family Shareholders with a stated increased proposed price of $17.50 per share. The letter was filed by the Family Shareholders with the Securities and Exchange Commission on the afternoon of January 17 as a publicly available exhibit to an amendment to their Schedule 13D. On the night of January 17, the special committee met telephonically with representatives of Sullivan & Cromwell, PJSC and Squire Sanders to discuss the revised proposal. PJSC informed the special committee that it would be receiving updated financial due diligence (which would include information regarding the performance of the Company during the holiday season) within the next week and therefore would be able to update its financial analysis of the Company within 10 to 14 days. The special committee and its advisors discussed next steps, which the special committee determined would include: (i) awaiting the updated financial analysis of the Company that would be prepared by PJSC, (ii) reviewing the Family Shareholders proposed merger agreement, once received from Jones Day and (iii) awaiting more detailed information on the Family Shareholders financing structure.

On January 18, 2013, representatives of Jones Day spoke with representatives of Sullivan & Cromwell and stated that the financing structure for the Family Shareholders had become more costly and that, while the Family Shareholders believed that they ultimately would have fully committed financing for the proposed transaction, they needed to agree to a price with the special committee before the lenders would commit to provide financing or agree to the terms of the financing. Jones Day also stated that the Family Shareholders felt that the process was dragging and either wanted to agree to a transaction now or terminate the negotiations. Sullivan & Cromwell conveyed Jones Day s message via e-mail to the special committee.

On January 19, 2013, Jones Day sent a draft merger agreement to Sullivan & Cromwell.

On January 22, 2013, the special committee met telephonically with representatives of Sullivan & Cromwell, PJSC and Squire Sanders to discuss the draft merger agreement and the upcoming special committee meeting scheduled for January 27, 2013. Sullivan & Cromwell noted for the special committee, among other things, that the draft merger agreement provided that the Company would not be permitted to pay its regular quarterly dividend, which was currently $0.15 per share, between the signing and closing of any transaction. In the view of the members of the special committee, assuming two regular quarterly dividend dates would occur between signing and closing of a transaction, the Family Shareholders revised proposal of $17.50 per share was the economic equivalent of $17.20 per share.

On January 25, 2013, Dr. Cowen called Mr. Zev Weiss to inform him that the special committee would be meeting in person on January 27, 2013 to consider the Family Shareholders revised proposal and to express disappointment with what the special committee viewed as effectively a nominal $0.02 price increase in the latest proposal.

Table of Contents

On January 27, 2013, the special committee met in person with representatives of Sullivan & Cromwell and PJSC at Sullivan & Cromwell s offices in New York. Representatives of Squire Sanders participated in the meeting telephonically. The special committee discussed and concluded that the price proposed by the Family Shareholders in their letter dated January 17, 2013 would effectively be $17.20 per share, if two regular dividend dates occurred between the date of any definitive agreement and the closing of the merger if the Company were prohibited from paying regular quarterly dividends as provided in the draft merger agreement. No negotiation of the terms of the merger agreement had been conducted at this time.

Representatives of PJSC gave a presentation to the special committee, which updated the financial information and analyses in the PJSC presentation from December 7, 2012. PJSC began by providing the special committee with an overview of the Company s recent share trading profile and the inbound communications from shareholders. PJSC then reviewed certain elements of the Company s recent financial performance based on information and materials provided to PJSC by the Company s management. PJSC (i) reviewed updated financial analyses of the Company based on Company management s five-year treasury model, taking into account a number of adjustments for unusual or nonrecurring items that the Company s management had discussed with PJSC and (ii) noted that in updating and refining its financial analyses of the Company, PJSC had revised its range of terminal multiples slightly downward as compared to its last presentation. The financial analyses presented by PJSC included a discounted cash flow analysis, a sum-of-the-parts analysis, an analysis of the present value of the Company s future share price and an illustrative leveraged buyout analysis. In addition to these financial analyses, PJSC reviewed selected comparable public companies, but PJSC discussed with the special committee the limitations of such an analysis with respect to the Company and explained that the Company had no directly comparable publicly traded companies.

Mr. Smith, the chief financial officer of the Company, then joined the meeting telephonically at the invitation of the special committee. Mr. Smith discussed holiday results, expectations for the balance of fiscal year 2013, confidence levels in fiscal year 2014 projections and risks that, if realized, could hinder the Company s performance so that it might not meet management s projections of future performance. The special committee also discussed with Mr. Smith ways in which the Company might increase operating earnings and profitability over the next several years.

After Mr. Smith left the meeting, Sullivan & Cromwell reviewed with the special committee the draft merger agreement received from Jones Day. The discussions focused particularly on the terms related to conditions to closing, the extent of the Family Shareholders obligations to obtain financing, the absence in the draft merger agreement of a majority of the minority shareholder approval condition and the overall value of the offer (including the proposed suspension of quarterly dividends between signing and closing of the proposed transaction).

During the meeting the special committee also discussed with its advisors the communications it had received from various shareholders, some of which urged the special committee to respond to the Family Shareholders proposal in a way that would permit shareholders to choose whether or not to accept the proposal, and others of which expressed the view that the price proposed by the Family Shareholders was too low and that the Company should continue as a standalone business or pursue other alternatives.

The special committee determined that it would respond by letter to the Family Shareholders to express disappointment with respect to the Family Shareholders revised proposal, both as to value and proposed contract terms. The special committee also determined that the letter should state that, based upon the information currently available to the special committee, the special committee did not intend to accept an offer below $18.75 per share, with no suspension of quarterly dividends, and that any transaction would require closing certainty (including with respect to efforts to obtain financing and a reverse break fee to be paid by the Family Shareholders if financing could not be obtained or commitments fell through) and a majority of the minority shareholder approval condition in the merger agreement.

On January 29, 2013, Dr. Cowen telephoned Mr. Zev Weiss to inform him of the status of the special committee s response to the Family Shareholders revised proposal.

At various times in January 2013, Dr. Cowen had conversations with Mr. Ratner and Dr. Thornton to update them on the general status of the special committee s review of the Family Shareholders revised proposal.

Table of Contents

On January 30, 2013, the special committee met telephonically with representatives of Sullivan & Cromwell, PJSC and Squire Sanders to discuss and agree on the text of the letter to be sent from the special committee to the Family Shareholders, a draft of which had been provided by Sullivan & Cromwell, setting forth the special committee s counterproposal of not less than $18.75 per share. Later in the day on January 30, 2013, Sullivan & Cromwell sent Mr. Zev Weiss and Jones Day the letter from the special committee setting forth its counterproposal. The full text of the letter was as follows:

January 30, 2013

Via E-mail

Mr. Zev Weiss

Mr. Jeffrey Weiss

American Greetings Corporation

One American Road

Cleveland, Ohio 44144

Dear Zev and Jeff:

I am writing on behalf of the Special Committee of the Board of Directors of American Greetings Corporation. We are responding to your letter of January 17, 2013 and the draft merger agreement provided by your counsel. We thought that it would be helpful to do so in writing to bring the matter to closure as soon as possible.

I must express the Special Committee s disappointment with your amended proposal both as to value and proposed contract terms. On value, despite your stated intention to enhance your offer meaningfully , the actual increase was only $0.02 per share because the draft merger agreement provides for a suspension of dividends (which we estimate to include two quarterly dividends that otherwise would be paid between signing and closing of a transaction, or $0.30 per share).

In order to address your stated need to settle on a price to obtain your financing, and based upon the information currently available to the Special Committee, I can advise you that the Special Committee does not intend to accept an offer below $18.75 per share. There would be no dividend suspension in any transaction. The financial materials we have considered, with the assistance of our financial advisors, support this price.

Although, as is typical at this stage of the process, we have a number of concerns with the terms of the draft merger agreement that your counsel has prepared, there are two issues that we want to highlight as an essential and integral part of the Special Committee s response to your proposal.

First, a transaction must be conditioned on a majority of the minority approval vote by the shareholders to preserve the shareholders basic franchise rights.

Second, a transaction should provide at least a customary level of transaction certainty, including no financing condition to closing, customary covenants to obtain financing pursuant to the commitments (or replacement financing), and a reverse break fee should you not be able to obtain the financing necessary to complete the transaction. As you will appreciate, if financing fails to materialize, with the result that a transaction does not close, American Greetings could experience economic loss and reputational damage and will have incurred significant out-of-pocket expenses in the process. We also, of course, need to understand the terms associated with the holdco mezzanine debt financing you have said you intend to use in lieu of additional equity contributions to fund the transaction.

Please call me after you have had an opportunity to discuss this letter with your advisors. We look forward to hearing from you at your earliest convenience.

Very truly yours,

/s/ Scott S. Cowen

Scott S. Cowen,

on behalf of the Special Committee

of the Board of Directors of

American Greetings Corporation

Table of Contents

On February 1, 2013, the special committee received an e-mail from Mr. Zev Weiss on behalf of the Family Shareholders, requesting the assistance of the Company s Treasurer, Assistant Treasurer and Manager of Treasury Operations in the Family Shareholders evaluation of the Company s 7.375% senior notes due 2021 and the Company s working capital and cash flow trends.

On February 4, 2013, the special committee received a letter from Mr. Zev Weiss on behalf of the Family Shareholders formally requesting the assistance of the Company s Treasurer, Assistant Treasurer and Manager of Treasury Operations in the Family Shareholders evaluation of the Company s 7.375% Senior Notes due 2021 and the Company s working capital and cash flow trends to help facilitate the Family Shareholders financing package, and stating that any such assistance would not impede such individuals abilities to perform their regular duties for the Company. The letter from Mr. Weiss also stated that PJSC would be provided with copies of any materials given to those individuals by the Family Shareholders. Based on its view that it would be in the Company s best interest for the Family Shareholders to be positioned to make a concrete proposal on the best possible terms, the special committee gave its permission on the evening of February 4 for the designated Company employees to provide the requested assistance, so that the Family Shareholders could finalize their potential financing structure as promptly as practicable.

On February 6, 2013, at the request of the special committee, representatives of PJSC had telephone conversations with representatives of KeyBanc and Macquarie Capital regarding the status of the Family Shareholders financing. In particular, the Family Shareholders financial advisors discussed the percentage of traditional equity that was contemplated to be part of the financing structure, and indicated that a financing involving preferred shares to be issued by a new holding company that would become the parent of the Company would be treated as equity financing by the lenders for a senior facility to be entered into between the Company and sources of senior debt financing, along the lines described in the senior debt commitment papers that were provided to the special committee and its advisors on December 5, 2012.

During the week of February 10, 2013, Dr. Cowen had several telephone calls with Mr. Zev Weiss. During these calls, Dr. Cowen reiterated the special committee s disappointment with the $17.50 headline price in the Family Shareholders revised proposal and with certain of the transaction terms contained in the draft merger agreement, particularly the provision providing for the suspension of dividends between signing and closing and the absence of a majority of the minority shareholder approval condition. Mr. Weiss told Dr. Cowen that the Family Shareholders viewed their proposal as fair to the unaffiliated shareholders, but understood that the special committee may have different views of the proposed terms and that, in order for a transaction to occur, there would need to be mutual agreement on all open items. Mr. Weiss expressed the belief that financing commitments would be far advanced by late February, and Dr. Cowen and Mr. Weiss agreed to meet in person on February 27, 2013 for further discussions.

On February 14, 2013, the shareholder lawsuits filed in the United States District Court for the Northern District of Ohio, Eastern Division against the Family Shareholders and the Company were dismissed for lack of subject matter jurisdiction.

On February 17, 2013, the special committee met telephonically with representatives of Sullivan & Cromwell, PJSC and Squire Sanders to discuss Dr. Cowen s recent conversations with Mr. Zev Weiss and to receive an update from PJSC regarding its earlier telephone calls with KeyBanc and Macquarie Capital regarding the Family Shareholders financing.

Between February 18, 2013 and February 25, 2013, Dr. Cowen and Mr. Zev Weiss had several telephone conversations regarding the objectives and limitations of their in-person meeting scheduled for February 27, 2013. During the conversations, Mr. Weiss conveyed to Dr. Cowen that the Family Shareholders anticipated reaching an agreement with the special committee at the meeting, and Dr. Cowen informed Mr. Weiss that he would be the only member of the special committee present and therefore would not have the authority to agree on a transaction. In light of the inability to agree on transaction terms on February 27, 2013, the Family Shareholders initially cancelled the meeting. However, after further discussions, Mr. Weiss and Dr. Cowen determined that it could nonetheless be productive for the parties to meet, obtain more information on financing, better understand the basis for the parties respective perspectives on price, discuss the transaction terms and determine what differences remained on significant issues. Dr. Cowen and Mr. Weiss agreed that the meeting

Table of Contents

would take place, with Mr. Weiss representing the Family Shareholders and Dr. Cowen representing the special committee, together with their respective legal and financial advisors.

On February 24, 2013, the special committee met telephonically with representatives of Sullivan & Cromwell, PJSC and Squire Sanders. During the meeting, representatives of PJSC gave a presentation to the special committee that updated financial information and analyses from PJSC s presentation of January 27, 2013. PJSC reviewed a summary of the valuation analyses it performed and noted that some of the analyses had been revised slightly based on updated management estimates of the amounts of certain adjustments being considered with respect to fiscal 2013 for purposes of the analyses. The special committee asked PJSC questions about the updated analyses and discussed with PJSC the valuation complexities associated with the lack of companies directly comparable to the Company.

The special committee and PJSC reviewed and discussed various offer price scenarios and implied trading multiples for the proposed transaction. The special committee and PJSC discussed the level at which the Company shares might trade if no transaction were agreed upon and alternative transactions available to the Company, such as a dividend recapitalization transaction, with the special committee concluding, on balance, that the potential economic benefits of such a transaction were not likely to provide a superior value to the per share merger consideration currently offered by the Family Shareholders and that the risks of realizing any such value were considerable. The members of the special committee expressed the view that, while they were interested in continuing to explore a potential recapitalization of the Company, it was currently in the best interests of the Company s shareholders to focus on exploring whether a transaction with the Family Shareholders could be agreed upon on terms acceptable to the special committee. The special committee and its advisors also discussed the goals of Dr. Cowen s upcoming meeting with Mr. Zev Weiss on February 27, 2013.

On February 25, 2013, representatives of Sullivan & Cromwell sent representatives of Jones Day an agenda of discussion items for the upcoming meeting on February 27, 2013. The agenda included an overview of financing components and commitment papers, the parties perspectives on valuation and dividend continuation and certain conditions and covenants contained in the draft merger agreement.

On February 27, 2013, Mr. Zev Weiss and representatives of Jones Day and KeyBanc met with Dr. Cowen and representatives of Sullivan & Cromwell and PJSC in New Orleans. Mr. Weiss informed the group that the Family Shareholders had made considerable progress with their potential financing sources and felt comfortable that they would obtain sufficient financing for a transaction, but that it was likely to take several more weeks for the terms to be finalized. Representatives of PJSC then provided an overview of financial analyses that supported the special committee s position that a price of $18.75 per share would be fully justified based on a number of financial metrics. Mr. Weiss noted that the Company s stock had been trading below the $17.50 headline price in the Family Shareholders revised proposal and that the market does not value the stock above $17.50 per share, and that $17.50 is likely substantially greater than the trading price of the stock in the absence of a proposal. The parties then discussed certain key transaction terms, particularly the special committee s requirement that the transaction be conditioned upon a majority of the minority shareholder approval.

Dr. Cowen and Mr. Weiss then met separately to discuss the offer price. Mr. Weiss stated that he believed the $17.50 price was more than fair but that the Family Shareholders might be willing to consider an offer of $18 per share as well as the payment of regular quarterly dividends between the signing and closing of a transaction, consistent with the Company s past practice, but only if the special committee would be willing to support these terms. Dr. Cowen told Mr. Weiss that he would relay that message to the other special committee members, but that he thought $18 per share and those terms would not be acceptable to the special committee. Mr. Weiss also reiterated that the Family Shareholders were committed to pursuing a transaction that the special committee would recommend to the Company s shareholders. Dr. Cowen and Mr. Weiss agreed they would attempt to finalize price negotiations around the next regularly scheduled board meeting on March 7, 2013.

While Dr. Cowen and Mr. Weiss were meeting, representatives of Jones Day indicated to representatives of Sullivan & Cromwell that the Family Shareholders would like to receive assistance from Messrs. Haffke and Smith with respect to the evaluation of the Family Shareholders potential financing arrangements. The Sullivan & Cromwell representatives indicated that they would relay the requests to the special committee.

Table of Contents

On February 28, 2013, Mr. Zev Weiss, on behalf of the Family Shareholders, sent the special committee a letter requesting the cooperation of Mr. Smith to assist with the evaluation of the Family Shareholders potential financing arrangements.

Later on February 28, 2013, the special committee met telephonically with representatives of Sullivan & Cromwell, PJSC and Squire Sanders to discuss the February 27, 2013 meeting between Dr. Cowen and Mr. Zev Weiss and their respective advisors, and to discuss the Family Shareholders request for access to Mr. Smith. The special committee noted that while Mr. Smith could be allowed to advise the Family Shareholders regarding the structure and terms of their proposed financing package, it would require him to continue to be available to provide information to the special committee in his role as chief financial officer of the Company. On this basis, the special committee granted the request in order to facilitate the Family Shareholders ability to obtain financing to support a higher offer price and, ultimately, put the Family Shareholders in a position to make their best proposal to the special committee.

On March 2, 2013, representatives from Sullivan & Cromwell, Baker & Hostetler and Mr. Haffke discussed the draft merger agreement. Later that day, Sullivan & Cromwell sent a revised draft merger agreement to Jones Day.

On March 5, 2013, Sullivan & Cromwell and Jones Day had a telephone call to negotiate the draft merger agreement.

On March 6, 2013, representatives of Sullivan & Cromwell and Jones Day met in New York to continue to negotiate the draft merger agreement, and discussed in particular: (i) the Family Shareholders financing obligations; (ii) the majority of the minority shareholder approval condition; (iii) a reverse break fee that would become payable by the Family Shareholders in certain circumstances and, as an alternative to a reverse break fee, the possibility of a personal guaranty from the Family Shareholder directors of the obligations of Parent and Merger Sub under the draft merger agreement and (iv) the reimbursement by the Company of the expenses of Parent and Merger Sub (up to an agreed cap, to be determined) if the agreement were terminated under certain circumstances. Sullivan & Cromwell said that it would be critical for the Family Shareholders to fully negotiate definitive agreements for any preferred financing at a holding company level before a transaction was entered into, as opposed to proceeding on the basis of term sheets with commitment letters, in order to give the special committee sufficient comfort that such financing (together with senior debt commitments) would be likely to be funded to close a transaction.

On March 7, 2013, Dr. Cowen and Mr. Zev Weiss had a telephone conversation during which Mr. Weiss stated that the Family Shareholders anticipated they would receive their financing commitment letters during the week of March 18, 2013. Mr. Zev Weiss also related that as part of continuing discussions with several potential investors regarding a non-voting preferred equity financing, the Family Shareholders were currently considering Koch AG Investment, LLC (which we refer to in this proxy statement as Koch AG Investment), a subsidiary of Koch Industries, Inc., as the most likely investor in the non-voting preferred equity facility. Dr. Cowen and Mr. Zev Weiss agreed to defer price discussions until financing was closer to completion.

Later on March 7, 2013, the special committee met in Cleveland with representatives of Squire Sanders, with representatives of Sullivan & Cromwell and PJSC participating telephonically, to discuss the status of negotiations regarding the draft merger agreement and the status of the Family Shareholders financing. After the meeting, Dr. Cowen spoke to Mr. Zev Weiss regarding the status of the Family Shareholders financing. Around the same time, Dr. Cowen stated to Mr. Smith that the special committee was concerned that the process for the Family Shareholders to obtain financing and for the parties to negotiate a transaction was taking longer than expected and that it wanted a resolution no later than the end of the month. Dr. Cowen also relayed this concern to Mr. Zev Weiss at various times leading up to the meetings between the parties at the end of March.

On March 10, 2013, Jones Day sent Sullivan & Cromwell a revised draft merger agreement and draft rollover and contribution agreement providing for the contribution of the Family Shareholders common shares to Parent.

On March 12, 2013, the special committee received a letter from Mr. Zev Weiss on behalf of the Family Shareholders requesting the assistance of the Company s Treasurer in the evaluation of the Family Shareholders

Table of Contents

financing arrangements. On the same day, the special committee gave its permission to the request for assistance, similar to the arrangement with Mr. Smith, in order to facilitate the Family Shareholders ability to obtain financing to support a higher offer price and, ultimately, put the Family Shareholders in a position to make their best proposal to the special committee.

On March 13, 2013, Sullivan & Cromwell sent a revised draft rollover and contribution agreement and a draft guaranty and voting agreement to Jones Day, pursuant to which (i) the Family Shareholder directors would guarantee the obligations of Parent and Merger Sub under the merger agreement and (ii) the Family Shareholders would agree to vote their common shares to adopt the merger agreement.

Between March 14, 2013 and March 23, 2013, Sullivan & Cromwell and Jones Day continued to negotiate the draft merger agreement and related agreements.

On March 22, 2013 and March 23, 2013 Jones Day sent Sullivan & Cromwell a draft of the senior debt commitment letter (which had been updated from the draft provided on December 5, 2012) and a redacted draft of the fee letter relating to the senior debt commitment.

On March 23, 2013, the special committee met telephonically with representatives of Sullivan & Cromwell, PJSC and Squire Sanders. During the meeting, Sullivan & Cromwell updated the special committee on the negotiations of the draft merger agreement and related agreements, and the special committee and Sullivan & Cromwell discussed in particular the special committee s requirement that the draft merger agreement contain the majority of the minority shareholder approval condition, the Family Shareholders financing commitments, the no shop and change in recommendation provisions and the conditions to closing in the draft merger agreement, and the limited guaranty in favor of the Company to be provided by certain Family Shareholders. PJSC also reviewed with the special committee updated financial information and analyses from its February 24, 2013 presentation. In addition, PJSC reviewed with the special committee preliminary sources and uses of funds information that had been provided by the Family Shareholders. The special committee also discussed with PJSC the significance of historical adjusted last twelve months to January 2013 EBITDA amounts being provided by the Family Shareholders to potential financing sources. The special committee and PJSC discussed the differences between the $211 million last 12 months EBITDA identified to financing sources and the $201 million fiscal year 2013 EBITDA used in PJSC s most recent analyses. Differences included the time period referenced (the last 12 months ended January 2013, as compared to the Company s 2013 fiscal year ended February 28, 2013) and the treatment of selected pro forma adjustments to EBITDA. Representatives of PJSC also noted that PJSC had adjusted its range of terminal multiples slightly in the financial presentation based on refinements to its financial model.

During the meeting, Dr. Cowen told the meeting participants that he had raised with Mr. Zev Weiss reimbursement of the Company by the Family Shareholders for the time spent by Mr. Smith and certain other Company employees in advising the Family Shareholders on their financing, and that Mr. Weiss had agreed that the Family Shareholders would provide such reimbursement.

Later on March 23, 2013 and continuing through March 28, 2013, representatives from Sullivan & Cromwell and Jones Day continued to negotiate the draft merger agreement and related agreements and the senior debt commitment letter. On March 24, 2013, representatives from Sullivan & Cromwell and Baker & Hostetler and Mr. Haffke had a telephone conversation to discuss the draft merger agreement. On March 25, 2013 Jones Day sent to Sullivan & Cromwell drafts of the agreements with Koch AG Investment relating to the non-voting preferred equity financing, which Sullivan & Cromwell and Jones Day continued to negotiate during the week of March 25. Jones Day also negotiated the financing documents with counsel to the senior lenders and Koch AG Investment during this period.

On the evening of March 27, 2013, the special committee and the other independent directors met in Cleveland (with Messrs. MacDonald and Ratner participating telephonically) with representatives of Sullivan & Cromwell, PJSC and Squire Sanders and Mr. Haffke, general counsel to the Company. Representatives of Sullivan & Cromwell gave a presentation to the independent directors regarding the fiduciary duties of the directors generally, as well as specifically with respect to the revised proposal from the Family Shareholders. PJSC then gave a presentation to the independent directors, updating the financial information and analyses in

Table of Contents

the PJSC presentation from February 24, 2013, and providing Mr. Ratner and Dr. Thornton with an explanation of the various financial analyses that the special committee had been reviewing throughout its evaluation of the Family Shareholders proposal.

Mr. Smith then joined the meeting telephonically at the invitation of the special committee. He first confirmed that since the announcement of the Family Shareholders proposal he had not had any discussions with any Family Shareholder or any representative of the Family Shareholders regarding his compensation or continued employment with the Company following the closing of any transaction. Mr. Smith answered questions from the special committee regarding fiscal year 2013 results, fiscal year 2014 expectations, EBITDA adjustments included in information provided to financing sources and regarding the Family Shareholders financing arrangements. Mr. Smith and Mr. Ratner then left the meeting.

After Mr. Smith left the meeting, representatives of Sullivan & Cromwell reviewed with the independent directors the terms of the drafts of the merger agreement, the guaranty and voting agreement, the rollover and contribution agreement and the financing commitments. The special committee members and Dr. Thornton asked the representatives of Sullivan & Cromwell questions and discussed the provisions of the agreements. Dr. Thornton and Mr. Haffke then left the meeting. The special committee then discussed issues related to value and price negotiations, including (i) the fact that although the Company s estimated EBITDA for fiscal year 2013 was greater than previously expected by management, adjusted EBITDA had decreased significantly from year to year during the previous several years, (ii) how the changes in the Company s estimated EBITDA should affect negotiations with the Family Shareholders and the special committee s determination of a fair price for the Company s shares and (iii) the price that the Family Shareholders might be capable of paying in light of the cost of the financing they had obtained.

On March 28, 2013, the special committee and representatives of Sullivan & Cromwell, PJSC and Squire Sanders met in Cleveland with representatives of the Family Shareholders and Jones Day and KeyBanc to negotiate price and certain open terms in the various transaction agreements. In a morning meeting of the parties, Dr. Cowen, Mr. Zev Weiss and their respective advisors discussed the current negotiations relating to price, the draft merger agreement and the related agreements. The meeting recessed and the special committee and the Family Shareholders met with their respective legal and financial advisors to discuss the status of the negotiations. Following these discussions, the special committee concluded that it was appropriate and prudent to continue to negotiate for a higher price and decided to reiterate its prior counterproposal of not less than $18.75 per share. Dr. Cowen conveyed this message in a meeting with Mr. Zev Weiss. Mr. Weiss responded that the Family Shareholders had no ability and no intention to pay more than $18.00 per share, plus the one regular quarterly dividend that likely would be paid in the period between signing and closing of a transaction. Following a break during which Dr. Cowen conferred with the special committee, Dr. Cowen reiterated the special committee s request for $18.75 per share plus ordinary course dividends.

Following the meeting between Dr. Cowen and Mr. Weiss, the special committee determined that Dr. Cowen should tell Mr. Weiss that, absent an indication from the Family Shareholders that they were willing increase the offer price above $18.00 per share, the discussions should be terminated or, alternatively, a meeting of all special committee members and the Family Shareholder directors could be convened to evaluate whether to continue discussions. The special committee members and Messrs. Morry, Zev and Jeffrey Weiss then met and discussed the status of the negotiations. During that meeting the Family Shareholders indicated that they would pay $18.25 per share with no dividend, but that they would pay no more.

Following that meeting, the special committee met with its advisors and considered the position of the Family Shareholders. They discussed the current terms of the transaction, the risks and consequences of not accepting the proposal, particularly in light of the impending expiration of the standstill provision governing the Family Shareholders, the risk that the Family Shareholders would commence a tender offer at prices lower than those currently being offered and the benefits of affording the Company s shareholders the opportunity and ability to review, evaluate and consider the transaction on their own as a result of adopting the majority of the minority shareholder approval condition, which had been agreed to by the Family Shareholders earlier in the March 28 meetings. The special committee then agreed that Dr. Cowen should communicate an offer of $18.20 plus one quarterly dividend (in addition to payment of the regular quarterly dividend that had been declared on March 8, 2013 for payment on April 8, 2013), which offer was accepted by the Family Shareholders.

Table of Contents

At the request of the special committee, PJSC then reviewed with the special committee its financial analyses and delivered to the special committee an oral opinion, confirmed by delivery of a written opinion dated March 28, 2013, that as of that date and based on, and subject to, various assumptions and limitations described in its opinion, the $18.20 per share merger consideration to be received by holders of common shares (other than the Family Shareholders, Parent, Merger Sub and holders of dissenting shares) pursuant to the original merger agreement was fair, from a financial point of view, to those holders.

The special committee then unanimously resolved that the merger pursuant to the original merger agreement (which we refer to herein as the original merger) was fair to and in the best interests of the Company and its shareholders (other than the Family Shareholders, Parent and Merger Sub) and recommended that the board (i) determine that the original merger agreement was advisable and in the best interests of the Company and its shareholders (other than the Family Shareholders, Parent and Merger Sub), (ii) approve the original merger agreement and (iii) resolve to recommend that the Company s shareholders adopt the original merger agreement.

Promptly thereafter a meeting of the board was convened. A representative of Baker & Hostetler reviewed for the directors their fiduciary duties in connection with their consideration of the proposed transaction. Next, the board reviewed the final proposed terms of the original merger agreement, representatives of PJSC described PJSC s financial analysis of the proposal and delivered to the board PJSC s oral opinion as to the fairness of the merger consideration set forth in the original merger agreement, in identical form to the oral opinion that was delivered to the special committee as described above (which was confirmed by delivery of a written opinion dated March 28, 2013), and representatives of Sullivan & Cromwell described the terms of the original merger agreement and other transaction documents. The board, with the unanimous vote of the independent directors, and based in part on the unanimous recommendation of the special committee, adopted resolutions (i) determining and declaring that the original merger agreement and the transactions contemplated thereby, including the original merger, were advisable and were fair to, and in the best interests of, the Company and its shareholders (other than the Family Shareholders, Parent and Merger Sub), (ii) approving the execution, delivery and performance of the original merger agreement and the transactions contemplated thereby, including the original merger, (iii) recommending that the Company s shareholders vote to approve and adopt the original merger agreement and the transactions contemplated thereby, including the original merger and (iv) addressing various other Company matters. The Family Shareholder directors recused themselves from the vote of the board on these matters.

The parties executed the original merger agreement and related agreements on March 29, 2013. On April 1, 2013, before the opening of trading on the next NYSE trading day after March 28, 2013, the Company issued a press release and filed a Current Report on Form 8-K with the SEC announcing the transaction.

Also on April 1, 2013, the Family Shareholders filed an amendment to their Schedule 13D with the Securities and Exchange Commission reflecting their entering into definitive agreements for the transaction and attaching a copy of the original merger agreement and related agreements.

During the period from the public announcement of the Family Shareholders proposal on September 26, 2012 through the execution of the original merger agreement on March 29, 2013 and thereafter through the date of this proxy statement, no third party provided any indication of interest to the Company or its advisors or the special committee or its advisors that it might be willing to pursue a transaction involving the Company.

During a telephonic meeting of the special committee held on June 12, 2013, PJSC informed the special committee based on very preliminary information received from the Company s finance staff that Company financial results for the first fiscal quarter ended May 31, 2013 may come in above expectations, but that the Company continued to see operating challenges in its core business and meaningful weakness at Clinton Cards. After discussion, the special committee asked PJSC to determine when firmer financial information would be available and to ask Mr. Smith to present that information as well as his views on fiscal year 2014 to the special committee at a future meeting.

During a telephonic meeting of the special committee held on June 23, 2013, Mr. Smith discussed the Company s fiscal year 2013 EBITDA and the factors that caused it to be $11.3 million greater than had been projected in the November 2012 treasury model that is described below under *Special Factors Projected Financial Information* . He also discussed preliminary EBIT and adjusted EBITDA amounts for the first quarter

Table of Contents

of the Company s 2014 fiscal year and a preliminary estimate of fiscal year 2014 EBITDA and deviations from prior expectations. Also during the June 23, 2013 meeting, PJSC presented information regarding the trading of companies used in its comparable company analysis since March 28, 2013, trading in the S&P 400 Consumer Discretionary Index and trading in the Dow Jones Industrial Average constituent companies. PJSC also presented information showing a low correlation between the trading prices of each of these comparable companies and the Company and a low correlation between the S&P 400 Consumer Discretionary Index and the Company. After discussion of the foregoing information, the special committee concluded that the cumulative effect of the fiscal year 2013 adjusted EBITDA amount, the Company s preliminary first quarter results, the development of a significant new customer relationship (the New Customer) that is discussed in *Special Factors Recent Developments* below and the outlook for fiscal year 2014 meant that the special committee would need to further deliberate as to whether to withdraw or modify its recommendation of the merger. For additional information regarding these developments and the fiscal 2014 outlook, see *Special Factors Recent Developments* beginning on page 70 and *Projected Financial Information* beginning on page 71. The special committee determined to request that Mr. Smith consider the impact of the expected fiscal year 2014 performance on the Company s outlook in later years and the special committee also determined to communicate to the Family Shareholders that the special committee was having significant discomfort with its recommendation.

Following the special committee meeting on June 23, 2013, Dr. Cowen called Mr. Zev Weiss to advise him that the special committee had received new financial information that had caused the special committee to have significant discomfort with its recommendation, but that no decision to modify or withdraw the recommendation had been made at that time. Mr. Weiss expressed disappointment in the special committee s position and said that his own view was that the financial improvements cited by the special committee were neither material nor reflective of any fundamental improvement in the trajectory of the Company s business. After Dr. Cowen spoke with Mr. Weiss, a representative of Sullivan & Cromwell communicated the same message to representatives of Jones Day and received a response similar to that expressed by Mr. Weiss.

On June 24, 2013, the special committee s advisors had a telephone call to listen to views of the valuation expert retained by plaintiffs in the In re American Greetings Corp. shareholder litigation filed in connection with the merger. The special committee s advisors conveyed those views to the special committee during a telephonic special committee meeting held on June 26, 2013.

On June 25, 2013, Mr. Zev Weiss called Dr. Cowen to reiterate the Family Shareholders disappointment over the June 23rd communication by Dr. Cowen on behalf of the special committee. Mr. Weiss indicated that the Family Shareholders were not prepared to propose a higher transaction price at that time, but would be willing to consider making a proposal at $19.00 per share if the special committee would unanimously support such a proposal and act on that proposal by June 26, 2013 and if the expense reimbursement provisions of the merger agreement were modified to increase the expenses payable if the merger was not approved by shareholders (and in the other circumstances where the expense reimbursement would become payable) from $7.3 million to $20 million, with any excess over out-of-pocket expenses of the Family Shareholders payable to the American Greetings Foundation. Dr. Cowen indicated he did not believe that timing was feasible in light of the special committee s desire to obtain additional financial information from Mr. Smith and the need for PJSC to consider the fairness of any revised consideration in light of the updated financial forecasts. Dr. Cowen and Mr. Weiss agreed that it was in all constituents interests to reach a conclusion as quickly as possible. Mr. Weiss later called Dr. Cowen and advised him that Mr. Smith had informed Mr. Weiss that the updated information was expected to be available during the morning of June 26, 2013.

On June 26, 2013, Jones Day sent to Sullivan & Cromwell a number of observations prepared by the Family Shareholders and their advisors concerning the discussion materials prepared by PJSC for the special committee on June 23, 2013. Among other things, the Family Shareholders observed that:

- For the six months prior to the Family Shareholders initial proposal, the Company s stock had traded, on average, at 3.0x LTM EBITDA, and that, immediately prior to the Family Shareholders initial proposal, the Company s share price had a 15-year compound annual growth rate of negative 5.7% and there was short interest of 40% of the Company s outstanding shares.

Table of Contents

In the Family Shareholders opinion, of the 18 companies discussed in the PJSC presentation, only two of the companies are engaged in the Company s core cards business, and both of those companies in fact experienced a decline in share prices in the period between the signing of the merger agreement and the June 23, 2013 presentation.

In the Family Shareholders opinion, contrary to the description contained in the PJSC presentation, Company management had not revised its fiscal year 2014 forecast, but rather identified a number of factors that could positively or negatively affect performance against the forecast during the remainder of the fiscal year.

In the Family Shareholders opinion, the potential positive variance against plan in the first quarter, excluding timing impact of expenses, was 60% attributable to a single customer order in the Company s fixtures business, which was exceptionally large and non-recurring.

In the Family Shareholders opinion, the valuation matrix contained in the PJSC presentation, showing the implied premia or discounts to the $18.20 per share price given illustrative EBITDA , showed illustrative EBITDA levels that were not supported by any forecast or plan, and only portrayed unsupported illustrative outperformance of the fiscal year 2014 forecast without also describing a situation where the Company s performance fails to meet the fiscal year 2014 forecast.

The PJSC presentation showed an increase of $11.3 million between the original estimate of fiscal year 2013 adjusted EBITDA of $201.0 million and the actual fiscal year 2013 adjusted EBITDA of $212.3 million. However, during negotiations on March 28, 2013, the special committee and its advisors indicated that, based on their due diligence review, fiscal year 2013 adjusted EBITDA was likely to be approximately $211 million.

Later on June 26, 2013, the special committee met telephonically with its advisors and received an update from Dr. Cowen on his communications with Mr. Zev Weiss and updates from PJSC and Sullivan & Cromwell on work streams necessary to put the special committee in a position to make a decision as to recent developments. Later that day, representatives of Jones Day advised representatives of Sullivan & Cromwell that they had determined that bank consents would be required for any increase in the per share merger consideration and the Family Shareholders would not be in a position to make a decision on any modification to the existing terms until they had bank consents, which would not be earlier than the following afternoon.

Also on June 26, 2013, Jones Day sent a draft amendment to the merger agreement (which we refer to herein as the merger agreement amendment) to Sullivan & Cromwell.

On June 27, 2013, Jones Day advised Sullivan & Cromwell that necessary bank consents would not be obtained until the following day, at the earliest, and that the Family Shareholders had decided to reduce their requested reimbursement of expenses to a maximum of $15 million, with a reciprocal amount to be the cap on the Family Shareholders liability under the guaranty and voting agreement. Also on June 27, 2013, the special committee met telephonically to hear a presentation from Mr. Smith on updated financial forecasts for the first quarter of fiscal year 2014 as well as the full fiscal year 2014, and fiscal years 2015 through 2018. PJSC presented information showing the impact of the updated financial information and projections on its preliminary financial analyses, the members of the special committee discussed with its advisors a range of possible increases to the per share merger consideration, and also discussed next steps. After discussion, the special committee authorized Dr. Cowen to inform Mr. Zev Weiss that the special committee would be willing to recommend an increase in the merger consideration to $19.50 per share and a reciprocal increase in the amount of the expense reimbursement proportionate to the increase in the per share merger consideration. Mr. Weiss indicated that the Family Shareholders would not be supportive of an increase to $19.50.

Also on June 27, 2013, Sullivan & Cromwell sent drafts of an amended and restated merger agreement, amended and restated guaranty and voting agreement and amended and restated rollover and contribution agreement to Jones Day. Later on June 27, 2013, representatives of Sullivan & Cromwell and Jones Day had a telephone call to discuss the appropriate approach for amending the agreements, and Jones Day then sent a revised draft of the merger agreement amendment to Sullivan & Cromwell.

Table of Contents

On June 28, 2013, the special committee (with Mr. Dunn absent) met telephonically with its legal and financial advisors. Mr. Ratner and Dr. Thornton attended this meeting at the special committee s invitation. During the meeting Dr. Cowen updated Mr. Ratner and Dr. Thornton on recent developments, PJSC summarized the current information on the Company s financial performance and provided an overview of their financial analyses, the results of those analyses and described how they compared to the March 27, 2013 PJSC presentation. The special committee members described their intended plan to bring the decision on their recommendation to a conclusion as promptly as practicable and received the observations of Mr. Ratner and Dr. Thornton on the issue. Later in the day on June 28, 2013, Jones Day advised Sullivan & Cromwell that the bank consents would not be in place until Monday, July 1, 2013, at the earliest.

Also on June 28, 2013, Sullivan & Cromwell sent a revised draft of the merger agreement amendment to Jones Day, and representatives from Sullivan & Cromwell and Jones Day had telephone calls to discuss the draft merger agreement amendment and an amendment to the guaranty and voting agreement (which we refer to herein as the guaranty and voting agreement amendment).

On July 1, 2013, Sullivan & Cromwell and Jones Day exchanged drafts of the merger agreement amendment and the guaranty and voting agreement amendment.

Also on July 1, 2013, the special committee received a letter from Mr. Zev Weiss on behalf of the Family Shareholders stating that the Family Shareholders were prepared to offer an increase in the merger consideration to $19.00 per share, but that this increase would need to be accompanied by an increase in the Company s obligation to reimburse expenses of the Family Shareholders if the merger was not approved by shareholders (and in the other circumstances where the expense reimbursement would become payable under the merger agreement) to a maximum of $14.6 million (with a reciprocal amount to be the cap on the Family Shareholders liability under the guaranty and voting agreement), subject to confirmation that the special committee would unanimously recommend such revised offer to the Company s shareholders. The letter stated that all consents from the Family Shareholders financing sources required by such an increase in the merger consideration had been obtained.

During the morning of July 2, 2013, the special committee met telephonically with its legal and financial advisors. At this meeting, PJSC provided an update of its preliminary financial analyses presented during the telephonic special committee meeting on June 27, 2013 and representatives from Sullivan & Cromwell summarized the latest drafts of the merger agreement amendment and guaranty and voting agreement amendment. After discussion, the special committee authorized Dr. Cowen to inform the Family Shareholders that the special committee continued to be willing to recommend an increase in the merger consideration to $19.50 per share together with a reciprocal increase in the amount of the expense reimbursement that would be proportionate to the increase in the per share merger consideration and that a scheduled noon board meeting to approve a revision could be held if they agreed to this price. In a telephone conversation following this special committee meeting, Mr. Zev Weiss indicated that no further price increase would be considered by the Family Shareholders. The scheduled noon board meeting was cancelled. Later that day, Dr. Cowen spoke with Messrs. Morry and Zev Weiss and they again indicated to Dr. Cowen that they would not be supportive of any increase in the merger consideration above the proposed $19.00, but did say that they would be willing to keep the Company s reimbursement of expenses in certain circumstances unchanged from the maximum amount of $7.3 million reflected in the original merger agreement if the special committee agreed to consider in its sole discretion expense reimbursements in excess of that amount for documented expenses at a time when its expense reimbursement obligation would be triggered. Messrs. Morry and Zev Weiss also told Dr. Cowen during this discussion that the transaction finance markets had become less favorable than they had been when the debt commitments had been entered into in March 2013 and, having just obtained approvals to increase the purchase price to $19.00 per share, they were concerned that their financing sources would not support a further increase.

During the afternoon of July 2, 2013, the special committee met again telephonically with its legal and financial advisors. After discussion, the special committee authorized Dr. Cowen to inform the Family Shareholders that the special committee continued to request additional consideration to shareholders above the offered $19.00 per share. In telephone conversations following this special committee meeting, Mr. Zev Weiss

Table of Contents

indicated to Dr. Cowen the firm position that the Family Shareholders would not pay any additional consideration above the proposed $19.00 per share.

During the morning of July 3, 2013 the special committee met telephonically with its legal and financial advisors. Dr. Cowen reported on his conversations with Mr. Zev Weiss from the previous day, including the firm position that the Family Shareholders would not pay any additional consideration above the proposed $19.00 per share. At the request of the special committee, PJSC delivered to the special committee an oral opinion, confirmed by delivery of a written opinion dated July 3, 2013, that as of that date and based on, and subject to, various assumptions and limitations described in its opinion, the $19.00 per share merger consideration to be received by holders of common shares (other than the Family Shareholders, Parent, Merger Sub and holders of dissenting shares) pursuant to the merger agreement was fair, from a financial point of view, to those holders. After discussion, the special committee then unanimously resolved that the merger was fair to and in the best interests of the Company and its shareholders (other than the Family Shareholders, Parent and Merger Sub) and recommended that the board (i) determine that the merger agreement was advisable and in the best interests of the Company and its shareholders (other than the Family Shareholders, Parent and Merger Sub), (ii) approve the merger agreement amendment, and (iii) resolve to recommend that the Company s shareholders adopt the merger agreement.

Promptly thereafter a meeting of the board was convened, which Messrs. Morry, Zev and Jeff Weiss, and Mr. William E. McDonald, III, did not attend. The board reviewed the final proposed terms of the merger agreement amendment and guaranty and voting agreement amendment, representatives of PJSC described PJSC s financial analysis of the Family Shareholders revised proposal and delivered to the board PJSC s oral opinion as to the fairness of the merger consideration set forth in the merger agreement, in identical form to the oral opinion that was delivered to the special committee as described above (which was confirmed by delivery of a written opinion dated July 3, 2013). The board, with the unanimous vote of the independent directors participating, and based in part on the unanimous recommendation of the special committee, adopted resolutions (i) determining and declaring that the merger agreement and the transactions contemplated thereby, including the merger, were advisable and were fair to, and in the best interests of, the Company and its shareholders (other than the Family Shareholders, Parent and Merger Sub), (ii) approving the execution and delivery of the merger agreement amendment and performance of the merger agreement and the transactions contemplated thereby, including the merger, (iii) recommending that the Company s shareholders vote to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger, and (iv) approving the execution and delivery of the guaranty and voting agreement amendment.

The parties executed the merger agreement amendment and guaranty and voting agreement amendment on July 3, 2013. Also on July 3, 2013, the Company issued a press release announcing the entry into the merger agreement amendment.

Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board of Directors; Fairness of the Merger

The special committee, acting with the advice and assistance of its legal and financial advisors, evaluated and negotiated the merger, including the terms and conditions of the merger agreement, and determined that the merger is fair to and in the best interests of the Company and its shareholders (other than the Family Shareholders, Parent and Merger Sub), including the unaffiliated shareholders. Since the members of the special committee were independent non-employee directors, neither the special committee nor the other non-employee directors retained a separate unaffiliated representative to act solely on behalf of unaffiliated shareholders for purposes of negotiating the terms of the merger or preparing a report concerning the fairness of the merger. The special committee unanimously recommended to the board of directors that the board:

- determine that the merger agreement is advisable and in the best interests of the Company and its shareholders (other than the Family Shareholders, Parent and Merger Sub);
- approve the merger agreement; and
- resolve to recommend that the Company s shareholders adopt the merger agreement.

Table of Contents

Overview

The special committee held more than 30 meetings to discuss the Family Shareholders proposed acquisition of all of the outstanding Class A common shares and Class B common shares not currently owned by them (the Family Shareholders proposal), as it was revised from time to time. On more than 15 occasions the special committee discussed the price that was proposed and other substantive issues raised by the Family Shareholders proposal. The special committee found that the special circumstances of the Company gave rise to unusual considerations and significant complexity that made it particularly challenging to analyze the Family Shareholders proposal. These factors included:

That the Company s dual class voting structure gives the Family Shareholders effective control over the election of directors of the Company and, while historically the Family Shareholders have supported having a majority of independent directors on the board (and the Family Shareholders gave the special committee no indication this position would change), there was no assurance this support would continue;

The special committee viewed this as a potential limitation on effecting and maintaining significant changes in business strategy that were not supported by the Family Shareholders.

That the Family Shareholders have effective control of the Company, and that other shareholders acquired their equity interests with knowledge of that control (or ready access to that knowledge), which supported the Family Shareholders position that public shareholders should not anticipate a control premium in a sale of the Company;

That the Company s dual class voting structure gives the Family Shareholders an effective veto over any alternative sale transaction and the Family Shareholders stated in their initial September 25, 2012 proposal, and reiterated to members of the Special Committee in subsequent discussions, that their ownership in the Company was a strategic investment and that they had no current intention to sell all or any significant portion of it or support a transaction that would have that effect;

That the Company s financial results in recent years have been significantly affected by non-recurring, one-time and other special items, which makes it difficult to identify clear trends in the Company s business and the Company s likely future financial performance;

The advice of PJSC that there were no publicly traded companies or precedent transactions that are directly comparable to the Company for purposes of valuation;

That some, but not all, of PJSC financial analyses suggested possible values for the Company in excess of the $19.00 per share merger consideration;

These financial analyses gave the special committee pause in analyzing the Family Shareholders proposal, but the special committee considered, in addition to financial analyses that suggested lower values, (i) that the risks of realizing the forecasts underlying these more positive financial analyses were substantial in light of the challenges facing the Company s business, (ii) that the Company s recent results have underperformed compared to the Company s forecasts in recent years and (iii) the special committee s belief that the potential for an adverse secular change in the business trends affecting the greeting card and social expression industry, which has existed for several years, is likely greater than the potential for a favorable secular change, suggesting, in the special committee s view, a greater risk on the downside than foregone opportunity on the upside with respect to the Company s value.

That PJSC s present value of projected future stock prices produced as many valuations below the $19.00 per share merger consideration as above it even though this analysis assumes that the Company s financial forecasts will be realized and, while this valuation

methodology requires a view that as publicly traded the Class A common shares will continue to trade in an EBITDA multiple range of 3.4x to 4.8x (which the special committee recognized may or may not prove to be the case), it is the analysis that seeks to predict the value that the Company s shareholders could realize for their common shares if the Company continued as a public company; and

That under some circumstances a significant dividend/recapitalization transaction (which the special committee recognized could be effected in some forms, such as through borrowings to pay a special dividend, without the support of the Family Shareholders) could potentially create value comparable to

Table of Contents

the $19.00 per share merger consideration, while leaving public shareholders with the opportunity to share in increases in equity value created through the operation of a more highly leveraged Company.

The special committee was concerned, however, based on the advice of PJSC, that the common equity of a recapitalized, more indebted Company might trade at lower multiples of EBITDA than it has traded in the recent past and that the Company s small equity capitalization could impair the liquidity and trading value of the Company s Class A common shares.

The special committee also was concerned that substantially greater debt levels at the Company would reduce the Company s flexibility and ability to respond to adverse business developments and potentially jeopardize the equity value of the Company.

The special committee concluded, on balance, that the potential economic benefits of such a dividend/recapitalization transaction were not likely to provide a value superior to the $19.00 per share merger consideration and that the risks to realizing any superior value were considerable. See *Special Factors Reasons for the Merger Additional Considerations*.

After taking into account the foregoing, as well as the factors described below, and in particular the majority of the minority shareholder approval condition, the special committee determined unanimously to recommend the merger to the board.

The special committee determined to recommend the $19.00 per share merger price after requesting additional consideration on several occasions after the $19.00 price was suggested. Its recommendation is primarily premised on three beliefs. The first is that the $19.00 price represents a meaningful premium to the likely unaffected trading price of Company Class A common shares in the event a merger is not consummated. The second is that Company shareholders unaffiliated with the Family Shareholders should have an opportunity to decide whether to approve the merger. Finally, it was the special committee s view that the $19.00 per share consideration was advisable based on its assessment of all the information available to it regarding the Company s business, financial results, prospects, management, risks and opportunities.

In reaching this last view, the special committee took into consideration that the $19.00 per share merger consideration represents a multiple of 4.0x fiscal year 2013 adjusted EBITDA (the latest completed financial information available) and also represents a 4.4% increase over the $18.20 price, compared to a 5.6% increase in fiscal year 2013 adjusted EBITDA and a 6.3% increase in forecast fiscal year 2014 adjusted EBITDA, as previously disclosed on March 27, 2013. The special committee also recognized that the transaction adjusted LTM EBITDA multiple at 3.9x (based on preliminary first quarter information) is lower than the 4.1x LTM EBITDA multiple expected as of March 27, 2013 and that the improvement in the Company s reported financial performance likely would cause the Company Class A common shares to trade in the absence of the merger at a higher level than the special committee would have expected on March 27, 2013.

The special committee viewed favorably the Family Shareholders withdrawal of a request made in conjunction with the price increase for a substantial increase in the termination fee payable in the event the merger is not approved by shareholders. The special committee also is of the view that there has been no change to the fundamental risks to the business that led the special committee to believe that there is more downside risk than upside opportunity in respect of the Company s business. The special committee also observed that the development of the full fiscal year 2013 results and first fiscal quarter 2014 results illustrates many of the challenges of identifying clear trends in the Company s financial results due to the significance of non-recurring, one time and other special items.

Reasons for the Merger Additional Considerations

In the course of reaching its determination and recommendation, the members of the special committee considered the following factors and potential benefits of the merger, each of which the special committee believed supported its decision:

management s and their own views and opinions on the current industry environment of greeting cards and other social expression products;

Table of Contents

their understanding of the business, operations, financial condition, earnings, strategy and prospects of the Company (including the risks involved in achieving those prospects), as well as the Company s historical and projected financial performance;

the current and historical market prices of the Class A common shares and that the $19.00 per share merger consideration in cash, without interest, to be received by Company shareholders for each common share represented a 32.5% premium over the unaffected closing price of Class A common shares as of September 25, 2012, the date on which the Family Shareholders announced their initial proposal to acquire the common shares, and an 18.0% premium to the closing price of Class A common shares on March 28, 2013, the date on which the special committee made its recommendation of the original merger and a 5.0% premium to the closing price of Class A common shares on July 1, 2013, the last trading day before the Family Shareholders made their proposal to increase the per share merger consideration from $18.20 to $19.00 and such proposal became publicly available;

that the $19.00 per share merger consideration indicates an implied valuation multiple of 4.0x the Company s adjusted EBITDA for fiscal year 2013, as compared to (i) the valuation multiple of 3.2x the Company s adjusted EBITDA for fiscal year 2013 implied by the unaffected closing price of Class A common shares on September 25, 2012 and (ii) the one-year mean last 12 months valuation EBITDA multiple of 3.1x for the 12-month period prior to September 25, 2012, the date on which the Family Shareholders made their initial proposal;

the opinion of PJSC, dated July 3, 2013, that as of that date and based on, and subject to, various assumptions and limitations described in its opinion, the $19.00 per share merger consideration to be received by holders of common shares (other than the Family Shareholders, Parent, Merger Sub and holders of dissenting shares) was fair, from a financial point of view, to such holders;

the various analyses undertaken by PJSC, each of which is described below under *Special Factors Opinion of Peter J. Solomon Company* beginning on page 46;

the negotiations that took place between the parties that resulted in an approximately 5.9% increase in the per share merger consideration from the stated value of the initial Family Shareholders proposal of $17.18 per share to the $18.20 per share price in the original merger agreement and approximately 10.6% to the $19.00 per share price in the merger agreement;

the special committee s belief that the $19.00 per share merger consideration represented, after prolonged negotiations, including negotiations resulting in the merger agreement amendment, the highest per share consideration that they could obtain from the Family Shareholders;

that under the merger agreement, the Company is permitted to declare and pay one regular quarterly dividend on its common shares of up to $0.15 per share, consistent with prior timing (which the board has declared, in the amount of $0.15 per share, to be paid on July 15, 2013 to shareholders of record at the close of business on July 3, 2013), which had been prohibited under an earlier proposal by the Family Shareholders, and which is in addition to the dividend declared by the Company on March 8, 2013 and paid on April 8, 2013;

the special committee s belief that the all-cash merger consideration will allow the Company s shareholders (other than the Family Shareholders) to realize in the near term a fair value, in cash, for their shares, while avoiding medium- and long-term business risk and the risk associated with realizing current expectations for the Company s future financial performance, while also providing shareholders certainty of value for their shares;

the special committee s belief that it was unlikely that any alternative sales transaction could be consummated at this time, or in the immediate future, in light of (i) the position of the Family Shareholders (contained in the letters, dated September 25, 2012 and

January 17, 2013, from certain Family Shareholders to the special committee and subsequently confirmed to the special committee) that they have no intention to sell all or any significant portion of their shares in the Company and (ii) certain provisions of Ohio law and the Company s charter documents that, together or separately, make it unlikely that a third party could acquire control of the Company without the support of the Family Shareholders;

Table of Contents

the potential adverse earnings and cash flow impact on the Company as a result of expenses and investments it may make over the next several years, including by expanding Internet and other channels of electronic distribution, restructuring the Clinton Cards business, the modernization of the Company s information technology systems and the construction of and relocation to a new world headquarters or a significant rehabilitation of the existing headquarters;

all of the terms and conditions of the merger agreement, including, among other things, the representations, warranties, covenants and agreements of the parties, the conditions to closing of the merger, the form and structure of the merger consideration and the termination rights, and that the merger agreement was negotiated by the special committee over the course of several months;

the majority of the minority shareholder approval condition in the merger agreement, in which each Class B common share will have only one vote, rather than the ten votes to which the relevant holder otherwise would be entitled;

that while the merger agreement contains a covenant prohibiting the Company from soliciting third-party acquisition proposals, the merger agreement permits the Company, prior to the time that Company shareholders and the majority of the minority shareholders adopt the merger agreement, to discuss and negotiate, under specified circumstances, an unsolicited acquisition proposal should one be made and, if the special committee determines in good faith, after consultation with its legal and financial advisors, that the unsolicited acquisition proposal constitutes a superior offer within the meaning of the merger agreement, the special committee is permitted, after taking certain steps, to terminate the merger agreement in order to enter into a definitive agreement for that superior offer, subject to reimbursement by the Company of Parent s and Merger Sub s expenses up to $7.3 million;

that, although the Family Shareholders proposal has been public since September 26, 2012, and the special committee and its advisors were named in a press release on October 19, 2012, no third party provided any indication of interest to the special committee or its advisors;

that the merger agreement allows the special committee to change or withdraw its recommendation of the merger agreement if any event, change, development, effect, occurrence or state of facts (other than, in certain circumstances, a potential leveraged recapitalization of the Company) becomes known to the board or the special committee before the Company shareholders or the majority of the minority shareholders adopt the merger agreement, and the special committee determines in good faith, after consultation with its legal advisors, that the failure to do so would be inconsistent with the directors fiduciary duties under Ohio law;

the special committee s belief, after extensive deliberations, that the merger was likely to be more favorable to shareholders unaffiliated with the Family Shareholders than the value likely to be realized from other alternatives available to the Company, including remaining a public company and pursing the current strategic plan or engaging in a significant dividend/recapitalization transaction, in light of the potential rewards, risks and uncertainties associated with those alternatives;

that the Family Shareholders had in place committed senior debt financing and non-voting preferred equity financing and the level of effort that Parent and Merger Sub must use under the merger agreement to obtain the proceeds of the financing on the terms and conditions described in the Family Shareholders senior debt financing commitment letter and non-voting preferred equity financing agreements; and

that the Family Shareholders have entered into a guaranty pursuant to which they will guarantee to the Company the due and punctual payment of any obligation or liability of Parent and Merger Sub as a result of a breach of their obligations under the merger agreement, up to a maximum liability under the guaranty of $7.3 million.

The special committee also considered a variety of risks and potentially negative factors concerning the merger and the merger agreement, including the following:

the possibility that the Family Shareholders will be unable to obtain the financing proceeds, including obtaining the senior debt financing proceeds from the senior lenders and the preferred financing from the preferred investor, and that the merger is expressly conditioned upon the receipt of the financing proceeds;