IN THE SUPREME COURT OF OHIO

THE STATE OF OHIO ex rel. AMERICAN GREETINGS CORPORATION, et al.,	)	Case No. 2010-0582
Relators,	)	
vs.	)	ORIGINAL ACTION IN PROHIBITION AND MANDAMUS
JUDGE NANCY A. FUERST, et al.,	)	
Respondents.	)	

RELATORS' SUBMISSION OF EVIDENCE

Volume I of II

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Pursuant to S. Ct. Prac. R. X, Section 7, Relators submit the following evidence in support of their arguments, which is attached to the Affidavit of Frederick R. Nance:

Tab 1.	Verified Shareholder Derivative Complaint for Breach of Fiduciary Duties, Abuse of Control, Gross Mismanagement, Constructive Fraud, Corporate Waste and Unjust Enrichment And Violations of Ohio Revised Code §1701.93
Tab 2.	Defendants' Motion to Transfer Case to the Commercial Docket
Tab 3.	Plaintiff's Opposition to Defendants' Motion to Transfer Case to the Commercial Docket
Tab 4.	Defendants' Reply In Support of Defendants' Motion to Transfer Case to the Commercial Docket
Tab 5.	Individual Defendants' Appeal of Order Denying Motion to Transfer Case to the Commercial Docket
Tab 6.	Real Party in Interest American Greetings Corporation's Notice of Joinder in the Individual Defendants' Appeal of Order Denying Motion to Transfer to Commercial Docket.
Tab 7.	Plaintiff's Brief in Opposition to Defendants' Appeal of Order Denying Motion to Transfer Case to the Commercial Docket
Tab 8.	Individual Defendants' Motion for Leave to File Instanter a Reply In Support of Order Denying Motion to Transfer Case to the Commercial Docket
Tab 9.	Annual Return/Report of Employee Benefit Plan – Electrical Workers Pension Fund Local 103 I.B.E.W.
Tab 10.	Amended Complaint, *Sheehan v. Nigro Elec.*, 1:00-cv-10196 (D. Mass.)
Tab 11.	Complaint, *Sheehan v. McDonald*, 1:05-cv-11495 (D. Mass.)
Tab 12.	Complaint, *Sheehan v. Richard W. Reid Elec. Co., Inc.*, 1:05-cv-10424 (D. Mass.)
Tab 13.	Verified Complaint, *Gambino v. Howse*, 1:10-cv-10925 (D. Mass.)
Tab 14.	Verified Complaint, *Gambino v. Tri State Signal*, 1:09-cv-11973 (D. Mass.)
Tab 15.	Memorandum of Law in Support of Motion for Electrical Workers Pension Fund, Local 103, I.B.E.W. for Appointment as Lead Plaintiff and Approval of Selection of Lead Counsel, *Safron Capital Corp. v. Chesapeake Energy Corp.*, 1:09-cv-1826 (S.D.N.Y)

Respectfully submitted:

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COUNSEL FOR RELATOR AMERICAN GREETINGS CORPORATION

DATED: July 13, 2010

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing Relators' Submission of Evidence was served by regular U.S. mail this 13th day of July 2010 upon the following:

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Cleveland, OH 44113

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General Counsel & Director, Strategic Initiatives
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COUNSEL FOR INTERVENOR

FREDERICK R. NANCE

IN THE SUPREME COURT OF OHIO

THE STATE OF OHIO ex rel. AMERICAN GREETINGS CORPORATION, et al.,	)	Case No. 2010-0582
Relators,	)	
vs.	)	ORIGINAL ACTION IN PROHIBITION AND MANDAMUS
JUDGE NANCY A. FUERST, et al.,	)	
Respondents.	)	

AFFIDAVIT OF FREDERICK R. NANCE

Frederick R. Nance, being first duly sworn, deposes and states as follows:

1. I am an attorney at law, licensed to practice before the courts of the State of Ohio. I am a partner in the law firm of Squire, Sanders & Dempsey L.L.P., and counsel of record for the Individual Relators in this original action, including Morry Weiss, Jeffrey Weiss, Zev Weiss, Scott S. Cowen, Joseph S. Hardin, Jr., Charles A. Ratner, Jerry Sue Thornton, Joseph B. Cipollone, Stephen R. Hardis, and Harriet Mouchly-Weiss.

2. Attached hereto as Exhibit 1 is a true and correct copy of the Verified Shareholder Derivative Complaint for Breach of Fiduciary Duties, Abuse of Control, Gross Mismanagement, Constructive Fraud, Corporate Waste and Unjust Enrichment And Violations of Ohio Revised Code §1701.93.

3. Attached hereto as Exhibit 2 is a true and correct copy of Defendants' Motion to Transfer Case to the Commercial Docket.

4. Attached hereto as Exhibit 3 is a true and correct copy of Plaintiff's Opposition to Defendants' Motion to Transfer Case to the Commercial Docket.

5. Attached hereto as Exhibit 4 is a true and correct copy of Defendants' Reply In Support of Defendants' Motion to Transfer Case to the Commercial Docket.

6. Attached hereto as Exhibit 5 is a true and correct copy of Individual Defendants' Appeal of Order Denying Motion to Transfer Case to the Commercial Docket.

7. Attached hereto as Exhibit 6 is a true and correct copy of Real Party in Interest American Greetings Corporation's Notice of Joinder in the Individual Defendants' Appeal of Order Denying Motion to Transfer to Commercial Docket.

8. Attached hereto as Exhibit 7 is a true and correct copy of Plaintiff's Brief in Opposition to Defendants' Appeal of Order Denying Motion to Transfer Case to the Commercial Docket.

9. Attached hereto as Exhibit 8 is a true and correct copy of Individual Defendants' Motion for Leave to File *Instanter* a Reply In Support of Order Denying Motion to Transfer Case to the Commercial Docket.

10. Attached hereto as Exhibit 9 is a true and correct copy of the Annual Return/Report of Employee Benefit Plan filed by the Electrical Workers Pension Fund Local 103 I.B.E.W.

11. Attached hereto as Exhibit 10 is a true and correct copy of the Amended Complaint, without exhibits, filed in *Sheehan v. Nigro Elec.*, 1:00-cv-10196 (D. Mass.).

12. Attached hereto as Exhibit 11 is a true and correct copy of the Complaint, without exhibits, filed in *Sheehan v. McDonald*, 1:05-cv-11495 (D. Mass.)

13. Attached hereto as Exhibit 12 is a true and correct copy of the Complaint, without exhibits, filed in *Sheehan v. Richard W. Reid Elec. Co., Inc.*, 1:05-cv-10424 (D. Mass.)

14. Attached hereto as Exhibit 13 is a true and correct copy of the Verified Complaint, without exhibits, filed in *Gambino v. Howse*, 1:10-cv-10925 (D. Mass.)

15. Attached hereto as Exhibit 14 is a true and correct copy of the Verified Complaint, without exhibits, filed in *Gambino v. Tri State Signal*, 1:09-cv-11973 (D. Mass.)

16. Attached hereto as Exhibit 15 is a true and correct copy of the Memorandum of Law in Support of Motion for Electrical Workers Pension Fund, Local 103, I.B.E.W. for Appointment as Lead Plaintiff and Approval of Selection of Lead Counsel filed in *Safron Capital Corp. v. Chesapeake Energy Corp.*, 1:09-cv-1826 (S.D.N.Y)

FURTHER AFFIANT SAYETH NAUGHT.

FREDERICK R. NANCE

SWORN TO AND SUBSCRIBED before me this 12th day of July 2010.

Notary Public

JOSEPH P. RODGERS, ATTY.
NOTARY PUBLIC • STATE OF OHIO
My Commission Has No Expiration Date
Section 147.03 O.R.C.

IN THE COMMON PLEASE COURT
OF CUYAHOGA COUNTY, OHIO

ELECTRICAL WORKERS PENSION FUND, LOCAL 103, I.B.E.W., Derivatively on Behalf of AMERICAN GREETINGS CORPORATION
256 Freeport Street
Dorchester, MA 02122

Plaintiff,

vs.

MORRY WEISS
4500 University Parkway
University Heights, OH 44118

Also serving:

MORRY WEISS
3164 Miro Drive North
Palm Beach Gardens, FL 33410

– and –

JEFFREY WEISS
23501 Ranch Road
Beachwood, OH 44122

– and –

ZEV WEISS
2420 Buckhurst Drive
Beachwood, OH 44122

– and –

SCOTT S. COWEN
2 Audobon Place, #801
New Orleans, LA 70118

– and –

JOSEPH S. HARDIN, JR.
820 Picacho Lane
Montecito, CA 93108

– and –

CHARLES A. RATNER
26980 South Park Boulevard
Shaker Heights, OH 44120

– and –

NO.

JUDGE

Complaint
PETER J CORRIGAN
CV 09 687985

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT FOR BREACH OF FIDUCIARY DUTIES, ABUSE OF CONTROL, GROSS MISMANAGEMENT, CONSTRUCTIVE FRAUD, CORPORATE WASTE AND UNJUST ENRICHMENT AND VIOLATIONS OF OHIO REVISED CODE §1701.93

DEMAND FOR JURY TRIAL

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SECURE COSTS
GERALD E. FUERST Clerk of Courts
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JERRY SUE THORNTON
40 Fairway Trail
Chagrin Falls, OH 44022

Also serving:

Jerry Sue Thornton
201 North Westshore Drive, Apt. 2002
Chicago, IL 60601

– and –

JOSEPH B. CIPOLLONE
10740 Sherwood Trail
North Royalton, OH 44133

– and –

STEPHEN R. HARDIS
52 Wychwood Drive
Chagrin Falls, OH 44022

– and –

HARRIET MOUCHLY-WEISS
415 East 52nd Street, Apt. 9H
New York, NY 10022

Defendants,

– and –

AMERICAN GREETINGS CORPORATION, an Ohio corporation,
One American Road
Cleveland, OH 44144

Also serving:

c/o Registered Agent:
CSC – Lawyers Incorporating Service
50 West Broad Street, Ste. 1800
Columbus, OH 43215

Nominal Defendant.

NATURE OF THE ACTION

1. This is a shareholder derivative action brought by a shareholder of American Greetings Corporation ("American Greetings" or the "Company") on behalf of the Company. The derivative claims are asserted against American Greetings' Board of Directors (the "Board") and certain of its current and former senior executives and directors (collectively, "defendants"). American Greetings designs, manufactures and sells seasonal greetings cards and other social expression products. It also owns and operates over 400 card and gift retail shops throughout North America.

2. Plaintiff's investigation has revealed that American Greetings has secretly backdated millions of options to its top officers and directors for over a decade, reporting false financial statements and issuing false proxies to shareholders. Backdating stock options is now recognized as a deceptive practice companies throughout the securities markets have used to conceal grants of "in-the-money" options or options otherwise with more intrinsic value than disclosed, without reporting the corresponding requisite compensation expense.

3. Backdating stock options illicitly confers upon option recipients options of a far greater value than that represented by the option date and price. For example, if a company grants options on June 10, when its stock price is \$26.00, but records the option date as February 10, when the stock price was only \$20.00, and prices the option at fair market value on the purported date of grant, *i.e.*, \$20.00, then the recipients of the option garner a hidden riskless profit, compensation expense is understated by \$6.00 for each option, and the company receives \$6.00 less that it should have upon the option's exercise. Similarly, if a company grants options on June 10, when its stock price is \$26, but records the option date as February 10, when the stock price was only \$20.00, and prices the option at a fixed percentage of fair market value on the purported date of grant, *e.g.*, 50%, for a price of \$10.00, then the recipients of the option garner a hidden riskless profit, compensation

expense is understated by $3.00 for each option, and the company receives $3.00 per share less than it should have upon the option's exercise.

4. Statistical analysis and extensive review of the Company's SEC filings reveals that American Greetings' stock option grants to officers and directors were often priced at or near (or based on a percentage of) the lowest closing price for the month, quarter and/or year. This occurred with highly improbable frequency. Indeed, the odds that American Greetings priced certain of its options by chance (rather than manipulation) are well over 1 in 1000. *See infra* ¶¶66-75.

5. This action seeks to remedy defendants' violations of state law, including breaches of fiduciary duty, abuse of control, constructive fraud, corporate waste, unjust enrichment and gross mismanagement, arising out of a scheme and wrongful course of business whereby defendants allowed American Greetings insiders to divert millions of dollars of corporate assets to themselves via the manipulation of grant dates associated with hundreds of thousands of stock options granted to American Greetings insiders. Each of the defendants also participated in the concealment of the backdating option scheme complained of herein and/or refused to take advantage of the Company's legal rights to require these senior insiders to disgorge illicitly obtained compensation and proceeds diverted to them since the 1990s.

6. Between 1996 and the present, defendants also caused American Greetings to file false and misleading statements with the Securities and Exchange Commission ("SEC"), including proxy statements filed with the SEC which stated that the options granted by American Greetings carried with them an exercise price equal to, or based on a percentage of, the fair market value of American Greetings stock (closing price) ***on the date of grant.***

7. Lynn Turner, the SEC's former Chief Accountant, described undisclosed backdating as follows: "It's like allowing people to place bets on a horse race after the horses have crossed the

finish line." Arthur Levitt, former Chairman of the SEC, described backdating as stealing: "It is ripping off shareholders in an unconscionable way" and "represents the ultimate in greed."

8. In fact, defendants were aware that the practices employed by the Board allowed the stock option grants to be backdated to dates when the Company's shares were trading at or near the lowest price for that relevant period. By now, defendants' backdating scheme has yielded stock option grants to the Company's executive officers worth millions of dollars. These grants were included in more than $38 million in stock sale proceeds for defendants and other Company insiders.

9. Defendants' misrepresentations and wrongful course of conduct violated Ohio law. By authorizing and/or acquiescing in the stock option backdating scheme, defendants: (i) caused American Greetings to issue false statements; (ii) diverted millions of dollars of corporate assets to senior American Greetings executives; and (iii) subjected American Greetings to potential liability from regulators, including the SEC and the Internal Revenue Service ("IRS").

10. As stated by Harvey Pitt, former Chairman of the SEC, "backdating" plainly violates both the federal securities laws and state corporate fiduciary laws:

> What's so terrible about backdating options grants?
>
> For one thing, it likely renders a company's proxy materials false and misleading. Proxies typically indicate that options are granted at fair market value. But if the grant is backdated, the options value isn't fair – at least not from the vantage point of the company and its shareholders.
>
> * * *
>
> Securities law violations are not the only potential problems with backdating options grants. Backdating may violate the Internal Revenue Code, and companies may not be able to deduct the options payments. On the state level, backdating could involve a breach of fiduciary duty, a waste of corporate assets and even a usurpation of a corporate opportunity.
>
> * * *
>
> More fundamentally, the financial statements of a company that has engaged in backdating may require restatement. The options may not be deductible, and the

> expenses, as well as the various periods to which they may have been allocated, may also be incorrect. . . .
>
> More to the point, what does this kind of conduct say about those who do it and those who allow it to occur (either wittingly or unwittingly)?
>
> Those who backdate options grants violate federal and state law. And those on whose watch this conduct occurs are also potentially liable: If they knew about the backdating, they're participants in fraudulent and unlawful conduct. If they didn't know about the backdating, the question will be: Should they have done more to discover it?

Harvey Pitt, *The Next Big Scandal*, Forbes.com.

11. Defendants' gross mismanagement and malfeasance over the past decade has exposed American Greetings and its senior executives to criminal and civil liability for issuing false and misleading financial statements. Specifically, defendants caused or allowed American Greetings to issue statements that failed to disclose or misstated the following: (i) that the Company had problems with its internal controls that prevented it from issuing accurate financial reports and projections;(ii) that because of improperly recorded stock-based compensation expenses, the Company's financial results violated Generally Accepted Accounting Principles ("GAAP"); (iii) that the Company's notes to financial statements materially understated the value of stock option grants to insiders; and (iv) that the Company's public statements (including its financial statements) presented an inflated view of American Greetings' earnings and earnings per share.

12. Defendants' malfeasance and mismanagement during the relevant period has wreaked millions of dollars of damages on American Greetings. The Company's senior executives were incentivized to over-pay themselves, to profit from their misconduct by cashing in on under-priced stock options and to issue false financial statements to cover up their misdeeds. Defendants' breaches of fiduciary duties in the administration of the Company's stock option plans so polluted the plans with grant date manipulations so as to void all grants made pursuant to the plans. Meanwhile, certain of the defendants and other insiders, who received undisclosed in-the-money

stock and/or knew material non-public information regarding American Greetings' internal control problems, abused their fiduciary relationship with the Company by accepting backdated options, exercising those options, and selling their personally held shares. This action seeks recovery for American Greetings against defendants, for American Greetings' Board of Directors, as currently composed, is simply unable or unwilling to do so.

JURISDICTION AND VENUE

13. This Court has jurisdiction over nominal party American Greetings because American Greetings is an Ohio corporation that conducts business in and maintains operations in this County, and over each individual defendant named herein because each individual has sufficient minimum contacts with Ohio so as to render the exercise of jurisdiction by the Ohio courts permissible under traditional notions of fair play and substantial justice. Each of the individual defendants has conducted or continues to conduct business in this County, and certain of the individual defendants are citizens of Ohio and reside in this County.

14. Venue is proper in this Court because nominal party American Greetings' principal business address is located in this County and because one or more of the individual defendants either resides in or maintains offices in this County, a substantial portion of the transactions and wrongs of which plaintiff complains, including defendants' violations of fiduciary duties owed American Greetings and the Company's shareholders occurred in this County, and because the individual defendants received substantial compensation in this County by doing business here and engaged in activities (of which plaintiff complains) that had an effect in this County.

PARTIES

15. Plaintiff Electrical Workers Pension Fund, Local 103, I.B.E.W. ("Local 103") holds 13,700 shares of Class A common stock of nominal party American Greetings, and has held the Company's common stock at all relevant times since at least November 30, 2000.

16. Nominal party American Greetings is an Ohio corporation with its principal business located at One American Road, Cleveland, Ohio.

17. Defendant **Morry Weiss** ("M. Weiss") has been Chairman of the Board of Directors since 1992. From 1978 to 1987 he acted as Chief Operating Officer and from 1987 to 2003 he acted as Chief Executive Officer of the Company. M. Weiss accepted hundreds of thousands of backdated options, in contravention of the express authorization of the Company's shareholders and the Company's stock option plans. M. Weiss knew the adverse non-public information about the business of American Greetings, as well as its finances, markets, and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or Board meetings and committees thereof, and via reports and other information provided to him in connection therewith. Through this and his acceptance of hundreds of thousands of backdated options, M. Weiss knew that the Company's directors and officers were backdating stock option grants.

18. M. Weiss participated in the preparation of management representation letters to American Greetings' auditors that falsely omitted (i) breaches of the Company's internal controls, namely the backdating of stock options; (ii) material inflation of the Company's reported financial results due to the false underreporting of compensation expense; and (iii) the resulting irregularities of the Company's deceptive stock option granting practices and false financial reporting that would require a restatement of the Company's financial statements and/or the withdrawal or modification of audit opinions certifying the Company's financial reports.

19. Although he disregarded that he and other of the Company's directors and officers were backdating and/or accepting backdated stock option grants, M. Weiss participated in the preparation of, and approved, false and misleading statements, including press releases and SEC

filings, and he signed the Company's Reports on Form 10-K, Reports on Forms 3, 4 and 5, Proxy Statements and Sarbanes-Oxley Certifications attached to American Greetings' Reports on Forms 10-K and 10-Q. M. Weiss also sold at least 1,006,958 class B shares of stock directly to the Company in 2006, knowing the price of those shares was artificially inflated by false financial statements the Company issued, as alleged herein.

20. Defendant **Jeffrey Weiss** ("J. Weiss"), son of M. Weiss, has been President and Chief Operating Officer of American Greetings since June 2003. J. Weiss has also been a director of the Company since 2003. Previously J. Weiss acted as Executive Vice President of the Company's North American Greeting Card Division from March 2000 until June 2003, and has been an employee of the Company since 1988. J. Weiss accepted tens of thousands of backdated options in contravention of the express authorization of the Company's shareholders and the Company's stock option plans. J. Weiss knew the adverse non-public information about the business of American Greetings, as well as its finances, markets, and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or Board meetings and committees thereof, and via reports and other information provided to him in connection therewith. Through this and his acceptance of tens of thousands of backdated options, J. Weiss knew that the Company's directors and officers were backdating stock option grants.

21. J. Weiss participated in the preparation of management representation letters to American Greetings' auditors that falsely omitted (i) breaches of the Company's internal controls, namely the backdating of stock options; (ii) material inflation of the Company's reported financial results due to the false underreporting of compensation expense; and (iii) the resulting irregularities of the Company's deceptive stock option granting practices and false financial reporting that would

require a restatement of the Company's financial statements and/or the withdrawal or modification of audit opinions certifying the Company's financial reports.

22. Although he disregarded that he and other of the Company's directors and officers were backdating and/or accepting backdated stock option grants, J. Weiss participated in the preparation of, and approved, false and misleading statements, including press releases and SEC filings, and he signed the Company's false and misleading Reports on Form 10-K, Reports on Forms 3, 4 and 5 and Proxy Statements. J. Weiss also sold at least 136,862 class B shares of stock directly to the Company in 2006, knowing the price of those shares was artificially inflated by false financial statements the Company issued, as alleged herein.

23. Defendant **Zev Weiss** ("Z. Weiss"), son of M. Weiss and brother of J. Weiss, has been Chief Executive Officer of American Greetings since June 2003. Z. Weiss has also been a director of the Company since 2003. Z. Weiss has been an employee of the Company since 1992. Z. Weiss accepted tens of thousands of backdated options in contravention of the express authorization of the Company's shareholders and the Company's stock option plans. Z. Weiss knew the adverse non-public information about the business of American Greetings, as well as its finances, markets, and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or Board meetings and committees thereof, and via reports and other information provided to him in connection therewith. Through this and his acceptance of tens of thousands of backdated options, Z. Weiss knew that the Company's directors and officers were backdating stock option grants.

24. Z. Weiss participated in the preparation of management representation letters to American Greetings' auditors that falsely omitted (i) breaches of the Company's internal controls,

namely the backdating of stock options; (ii) material inflation of the Company's reported financial results due to the false underreporting of compensation expense; and (iii) the resulting irregularities of the Company's deceptive stock option granting practices and false financial reporting that would require a restatement of the Company's financial statements and/or the withdrawal or modification of audit opinions certifying the Company's financial reports.

25. Although he disregarded that he and other of the Company's directors and officers were backdating and/or accepting backdated stock option grants, Z. Weiss participated in the preparation of, and approved, false and misleading statements, including press releases and SEC filings, and he signed the Company's false and misleading Reports on Form 10-K, Reports on Forms 3, 4 and 5, Proxy Statements and Sarbanes-Oxley Certifications attached to American Greetings' Reports on Forms 10-K and 10-Q. Z. Weiss also sold at least 177,034 class B shares of stock directly to the Company in 2006, knowing the price of those shares was artificially inflated by false financial statements the Company issued, as alleged herein.

26. Defendant **Scott S. Cowen** ("Cowen") has been a director of American Greetings since 1989. Cowen has been a member of the Audit and Compensation Committees since at least 1993. Cowen granted hundreds of thousands of backdated options and accepted tens of thousands of backdated options, in contravention of the express authorization of the Company's shareholders and the Company's stock option plans. Cowen knew the adverse non-public information about the business of American Greetings, as well as its finances, markets, and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or Board meetings and committees thereof, and via reports and other information provided to him in connection therewith. Through this

and his approval and acceptance of hundreds of thousands of backdated options, Cowen knew that the Company's directors and officers were backdating stock option grants.

27. Cowen participated in (and did work in connection with) one meeting of the Compensation Committee in each of 1996-1997, two meetings in 2000, four meetings in each of 2001-2003, and four meetings in each of 2006-2007, during which he engaged in backdating options. Cowen also executed at least one consent in each of these periods of time, in which he approved the granting of backdated options. Cowen also did work and/or communicated with the Company's external auditors in connection with three meetings of the Audit Committee in each of fiscal 1996-1997 and 1999-2002, four meetings of the Audit Committee in each of fiscal 1998 and 2003, five meetings of the Audit Committee in fiscal 2004, seven meetings of the Audit Committee in each of fiscal 2005 and 2006, and six meetings of the Audit Committee in fiscal 2007, during which he withheld from the Company's auditors (i) breaches of the Company's internal controls, namely the backdating of stock options; (ii) material inflation of the Company's reported financial results due to the false underreporting of compensation expense; and (iii) the resulting irregularities of the Company's deceptive stock option granting practices and false financial reporting that would require a restatement of the Company's financial statements and/or the withdrawal or modification of audit opinions certifying the Company's financial reports.

28. Although he disregarded that American Greetings' directors and officers were backdating stock option grants, Cowen participated in the preparation of, and approved, false and misleading statements, including press releases and SEC filings, and he signed the Company's false and misleading Reports on Form 10-K, Reports on Forms 3, 4 and 5, and Proxy Statements. Cowen also sold at least 4,800 class B shares of stock directly to the Company in 2006, knowing the price of

those shares was artificially inflated by false financial statements the Company issued, as alleged herein.

29. Defendant **Joseph S. Hardin, Jr.** ("Hardin") has been a director of American Greetings since 2004. Hardin has been a member of the Compensation Committee since 2006 and was a member of the Audit Committee from 2004 to 2005. Hardin granted and accepted backdated options, in contravention of the express authorization of the Company's shareholders and American Greetings' stock option plans. Hardin knew the adverse non-public information about the business of American Greetings, as well as its finances, markets, and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or Board meetings and committees thereof, and via reports and other information provided to him in connection therewith. Through this and his approval and acceptance of tens of thousands of backdated options, Hardin knew that the Company's directors and officers were backdating stock option grants.

30. Hardin participated in (and did work in connection with) four meetings of the Compensation Committee in each of 2006-2007, during which he engaged in backdating options. Hardin also executed at least one consent in each of these periods of time, in which he approved the granting of backdated options.

31. Although he disregarded that the Company's directors and officers were backdating stock option grants, Hardin participated in the preparation of, and approved, false and misleading statements, including press releases and SEC filings, and he signed American Greetings' false and misleading Reports on Form 10-K, Reports on Forms 3, 4 and 5, and Proxy Statements. Hardin also sold at least 2,358 class B shares of stock directly to the Company in 2006, knowing the price of

those shares was artificially inflated by false financial statements the Company issued, as alleged herein.

32. Defendant **Charles A. Ratner** ("Ratner") has been a director of American Greetings since 2000. Ratner was a member of the Compensation Committee from 2001 to 2006. Ratner granted and accepted backdated options, in contravention of the express authorization of the Company's shareholders and American Greetings' stock option plans. Ratner knew the adverse non-public information about the business of the Company, as well as its finances, markets, and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or Board meetings and committees thereof, and via reports and other information provided to him in connection therewith. Through this and his approval and acceptance of hundreds of thousands of backdated options, Ratner knew that American Greetings' directors and officers were backdating stock option grants.

33. Ratner participated in (and did work in connection with) four meetings of the Compensation Committee in each of 2001-2003, and at least one meeting in 2006, during which he engaged in backdating options. Ratner also executed at least one consent in each of these periods of time, in which he approved the granting of backdated options.

34. Although he disregarded that American Greetings' directors and officers were backdating stock option grants, Ratner participated in the preparation of, and approved, false and misleading statements, including press releases and SEC filings, and he signed the Company's false and misleading Reports on Form 10-K, Reports on Forms 3, 4 and 5, and Proxy Statements. Ratner also sold at least 12,447 class B shares of stock directly to the Company in 2006, knowing the price

of those shares was artificially inflated by false financial statements the Company issued, as alleged herein.

35. Defendant **Jerry Sue Thornton** ("Thornton") has been a director of American Greetings and member of the Board's Audit Committee since 2000. Thornton accepted thousands of backdated options, in contravention of the express authorization of the Company's shareholders and American Greetings' stock option plans. Thornton knew the adverse non-public information about the business of the Company, as well as its finances, markets, and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or Board meetings and committees thereof, and via reports and other information provided to him in connection therewith. Through this, her acceptance of thousands of backdated options, and responsibility for overseeing the Company's transition to Statement of Financial Accounting Standards No. 123R, *Share Based Payment* (*see* ¶¶144-145 and 207-209), Thornton knew that the Company's directors and officers were backdating stock option grants.

36. Thornton did work and/or communicated with the Company's external auditors in connection with three meetings of the Audit Committee in each of fiscal 2000-2002, four meetings of the Audit Committee in fiscal 1998, five meetings of the Audit Committee in fiscal 2004, seven meetings of the Audit Committee in each of fiscal 2005 and 2006, and at six meetings of the Audit Committee in fiscal 2007, during which she withheld from the Company's auditors (i) breaches of the Company's internal controls, namely the backdating of stock options; (ii) material inflation of the Company's reported financial results due to the false underreporting of compensation expense; and (iii) the resulting irregularities of the Company's deceptive stock option granting practices and false

financial reporting that would require a restatement of the Company's financial statements and/or the withdrawal or modification of audit opinions certifying the Company's financial reports.

37. Although she disregarded that American Greetings' directors and officers were backdating stock option grants, Thornton participated in the preparation of, and approved, false and misleading statements, including press releases and SEC filings, and she signed the Company's false and misleading Reports on Form 10-K, Forms 3, 4 and 5, and Proxy Statements.

38. Defendant **Joseph B. Cipollone** ("Cipollone") has been Vice President and Corporate Controller of American Greetings since 2001, and has been an employee of the Company since 1991. Cipollone accepted tens of thousands of backdated options in contravention of the express authorization of the Company's shareholders and American Greetings' stock option plans. Cipollone knew the adverse non-public information about the business of the Company, as well as its finances, markets, and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or Board meetings and committees thereof, and via reports and other information provided to him in connection therewith. Through this, his acceptance of tens of thousands of backdated options, and his oversight of the recordation of stock option grants, Cipollone knew that the Company's directors and officers were backdating stock option grants.

39. Cipollone signed and/or participated in the preparation of management representation letters to the Company's auditors that falsely omitted (i) intentional breaches of the Company's internal controls, namely the backdating of stock options; (ii) material inflation of the Company's reported financial results due to the false underreporting of compensation expense; and (iii) the resulting irregularities of the Company's deceptive stock option granting practices and false financial

reporting that would require a restatement of the Company's financial statements and/or the withdrawal or modification of audit opinions certifying the Company's financial reports.

40. Although he disregarded that directors and officers were backdating stock option grants, Cipollone participated in the preparation of, and approved, false and misleading statements, including the Company's Reports on Form 10-Q and 10-K, Reports on Forms 3, 4 and 5, and false and misleading Sarbanes-Oxley Certifications attached to American Greetings' Reports on Forms 10-K and 10-Q.

41. Defendant **Stephen R. Hardis** ("Hardis") was a director of American Greetings from 1999 to 2008. Hardis was simultaneously a member of the Board's Compensation Committee and Audit Committee from 2000 to 2007. Hardis granted and accepted backdated options, in contravention of the express authorization of the Company's shareholders and American Greetings' stock option plans. Hardis knew the adverse non-public information about the business of American Greetings, as well as its finances, markets, and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or Board meetings and committees thereof, and via reports and other information provided to him in connection therewith. Through this and his approval and acceptance of hundreds of thousands of backdated options, Hardis knew that the Company's directors and officers were backdating stock option grants.

42. Hardis participated in (and did work in connection with) two meetings of the Compensation Committee in 2000, four meetings in each of 2001-2003, and four meetings in each of 2006-2007, during which he engaged in backdating options. Hardis also executed at least one consent in each of these periods of time, in which he approved the granting of backdated options. Hardis also did work and/or communicated with the Company's external auditors in connection with

three meetings of the Audit Committee in each of fiscal 2000-2002, four meetings of the Audit Committee in fiscal 2003, five meetings of the Audit Committee in fiscal 2004, and seven meetings of the Audit Committee in each of fiscal 2005 and 2006, during which he withheld from the Company's auditors (i) breaches of the Company's internal controls, namely the backdating of stock options; (ii) material inflation of the Company's reported financial results due to the false underreporting of compensation expense; and (iii) the resulting irregularities of the Company's deceptive stock option granting practices and false financial reporting that would require a restatement of the Company's financial statements and/or the withdrawal or modification of audit opinions certifying the Company's financial reports.

43. Although he disregarded that the Company's directors and officers were backdating stock option grants, Hardis participated in the preparation of, and approved, false and misleading statements, including press releases and SEC filings, and he signed American Greetings' false and misleading Reports on Form 10-K, Reports on Forms 3, 4 and 5, and Proxy Statements. Hardis also sold at least 1,022 class B shares of stock directly to the Company in 2006, knowing the price of those shares was artificially inflated by false financial statements the Company issued, as alleged herein.

44. Defendant **Harriet Mouchly-Weiss** ("Mouchly-Weiss") was a director of American Greetings from 1998 to 2007. Mouchly-Weiss was simultaneously a member of the Board's Compensation Committee and Audit Committee from 1999 to 2007. Mouchly-Weiss granted and accepted backdated options, in contravention of the express authorization of the Company's shareholders and American Greetings' stock option plans. Mouchly-Weiss knew the adverse non-public information about the business of American Greetings, as well as its finances, markets, and present and future business prospects, via access to internal corporate documents, conversations and

connections with other corporate officers and employees, attendance at management and/or Board meetings and committees thereof, and via reports and other information provided to her in connection therewith. Through this and her approval and acceptance of hundreds of thousands of backdated options, Mouchly-Weiss knew that the Company's directors and officers were backdating stock option grants.

45. Mouchly-Weiss participated in (and did work in connection with) two meetings of the Compensation Committee in 2000, four meetings in each of 2001-2003, and four meetings in each of 2006-2007, during which she engaged in backdating options. Mouchly-Weiss also executed at least one consent in each of these periods of time, in which she approved the granting of backdated options. Mouchly-Weiss also did work and/or communicated with the Company's external auditors in connection with three meetings of the Audit Committee in each of fiscal 2000-2002, four meetings of the Audit Committee in fiscal 2003, five meetings of the Audit Committee in fiscal 2004, and seven meetings of the Audit Committee in each of fiscal 2005 and 2006, during which she withheld from the Company's auditors (i) breaches of the Company's internal controls, namely the backdating of stock options; (ii) material inflation of the Company's reported financial results due to the false underreporting of compensation expense; and (iii) the resulting irregularities of the Company's deceptive stock option granting practices and false financial reporting that would require a restatement of the Company's financial statements and/or the withdrawal or modification of audit opinions certifying the Company's financial reports.

46. Although she disregarded that the Company's directors and officers were backdating stock option grants, Mouchly-Weiss participated in the preparation of, and approved, false and misleading statements, including press releases and SEC filings, and she signed American Greetings' false and misleading Reports on Form 10-K, Reports on Forms 3, 4 and 5, and Proxy Statements.

DEFENDANTS' DUTIES

47. Each officer and director of American Greetings named herein owed the Company and American Greetings' shareholders the duty to exercise a high degree of care, loyalty and diligence in the management and administration of the affairs of the Company, as well as in the use and preservation of its property and assets. The conduct of the Company's directors and officers complained of herein involves knowing, intentional and culpable violations of their obligations as officers and directors of American Greetings. Further, the misconduct of the Company's officers has been ratified by American Greetings' Board, which has failed to take any legal action on behalf of the Company against them.

48. By reason of their positions as officers, directors and fiduciaries of American Greetings and because of their ability to control the business and corporate affairs of the Company, the defendants owed American Greetings and its shareholders fiduciary obligations of candor, trust, loyalty and care, and were required to use their ability to control and manage the Company in a fair, just, honest and equitable manner, and to act in furtherance of the best interests of American Greetings and its shareholders so as to benefit all shareholders equally and not in furtherance of their personal interest or benefit. In addition, as officers and/or directors of a publicly held company, the defendants had a duty to refrain from utilizing their control over American Greetings to divert assets to themselves via improper and/or unlawful practices. Defendants also had a duty to promptly disseminate accurate and truthful information with respect to the Company's operations, earnings and compensation practices.

49. Because of their positions of control and authority as directors or officers of American Greetings, each of the defendants was able to and did, directly and indirectly, control the wrongful acts complained of herein. As to the defendants who are or were directors, these acts include: (i) agreement to and/or acquiescence in defendants' option backdating scheme; and (ii)

willingness to cause American Greetings to disseminate false proxy statements and periodic filings with the SEC, which contained false and misleading financial statements, failed to disclose defendants' option backdating scheme and omitted the fact that executive officers were allowed to backdate their stock option grants in order to manipulate the strike price of the stock options they received. Because of their positions with American Greetings, each of the defendants was aware of these wrongful acts, had access to adverse non-public information and was required to disclose these facts promptly and accurately to the Company's shareholders and the financial markets but failed to do so.

50. Due to defendants' breach of their fiduciary duty of loyalty in the administration of the stock option plans, plaintiff seeks to have the directors' and officers' stock option grants voided and gains from previous grants returned to the Company. In the alternative, plaintiff seeks to have all of the unexercised outstanding options granted to defendants cancelled, the financial gains obtained via the exercise of such options returned to the Company and to have defendants revise the Company's financial statements to reflect the truth concerning these option grants.

51. To discharge their duties, the directors of American Greetings were required to exercise reasonable and prudent supervision over the management, policies, practices and controls of the business and financial affairs of American Greetings. By virtue of such duties, the officers and directors of American Greetings were required, among other things, to:

(a) manage, conduct, supervise and direct the business affairs of American Greetings in accordance with all applicable laws (including federal and state laws, government rules and regulations and the charter and bylaws of American Greetings);

(b) neither engage in self-dealing nor knowingly permit any officer, director or employee of American Greetings to engage in self-dealing;

(c) neither violate nor knowingly permit any officer, director or employee of American Greetings to violate applicable laws, rules and regulations;

(d) remain informed as to the status of American Greetings' operations, including its practices in relation to the cost of allowing the pervasive backdating and improperly accounting for such, and upon receipt of notice or information of imprudent or unsound practices, to make a reasonable inquiry in connection therewith, and to take steps to correct such conditions or practices and make such disclosures as are necessary to comply with the U.S. federal securities laws and their duty of candor to the Company's shareholders;

(e) prudently protect the Company's assets, including taking all necessary steps to recover corporate assets (cash, stock options) improperly paid to Company executives and directors together with the related costs (professional fees) proximately caused by the illegal conduct described herein;

(f) establish and maintain systematic and accurate records and reports of the business and affairs of American Greetings and procedures for the reporting of the business and affairs to the Board and to periodically investigate, or cause independent investigation to be made of, said reports and records;

(g) maintain and implement an adequate, functioning system of internal legal, financial and accounting controls, such that American Greetings' financial statements – including its expenses, accounting for stock option grants and other financial information – would be accurate and the actions of its directors would be in accordance with all applicable laws;

(h) exercise control and supervision over the public statements to the securities markets and trading in American Greetings stock by the officers and employees of American Greetings; and

(i) supervise the preparation and filing of any financial reports or other information required by law from American Greetings and to examine and evaluate any reports of examinations, audits or other financial information concerning the financial affairs of American Greetings and to make full and accurate disclosure of all material facts concerning, *inter alia,* each of the subjects and duties set forth above.

52. Each defendant, by virtue of his or her position as a director and/or officer, owed to the Company and to its shareholders the fiduciary duties of loyalty, good faith and the exercise of due care and diligence in the management and administration of the affairs of the Company, as well as in the use and preservation of its property and assets. The conduct of the defendants complained of herein involves *ultra vires* and illegal acts, bad faith violations of their obligations as directors and/or officers of American Greetings, and a reckless disregard for their duties to the Company and its shareholders which defendants were aware or should have been aware posed a risk of serious injury to the Company. The conduct of the defendants who were also officers and/or directors of the Company during the relevant period has been ratified by director defendants who comprised a super majority of American Greetings' Board during the relevant period.

53. Defendants breached their duties of loyalty and good faith by allowing or by themselves causing the Company to misrepresent its financial results and prospects, as detailed herein *infra*, and by failing to prevent the defendants from taking such illegal actions. As a result, American Greetings has expended and will continue to expend significant sums of money. Such expenditures include, but are not limited to, improvidently paid compensation (including secretly overvalued options) and the issuance of under-priced stock by the exercise of backdated options.

AIDING AND ABETTING AND CONCERTED ACTION

54. In committing the wrongful acts alleged herein, defendants have pursued or joined in the pursuit of a common course of conduct and acted in concert with one another in furtherance of their common plan.

55. During all times relevant hereto, defendants collectively and individually initiated a course of conduct which was designed to and did: (i) conceal the fact that the Company was allowing its directors and senior officers to divert millions of dollars to American Greetings insiders and directors and causing American Greetings to misrepresent its financial results; (ii) maintain defendants' executive and directorial positions at American Greetings and the profits, power and prestige which defendants enjoyed as a result of these positions; (iii) deceive the investing public, including shareholders of American Greetings, regarding defendants' compensation practices and American Greetings' financial performance.

56. The purpose and effect of defendants' common course of conduct was, among other things, to disguise defendants' violations of law, breaches of fiduciary duty, abuse of control, gross mismanagement, corporate waste and unjust enrichment, to conceal adverse information concerning the Company's operations and financial condition, to receive in-the-money stock options and enhance their executive and directorial positions and the proceeds they would receive from the exercise of options and sale of stock.

57. Defendants accomplished their common enterprise and/or common course of conduct by causing the Company to purposefully and/or recklessly engage in the option backdating scheme alleged herein and misrepresent the Company's financial results. Each of the defendants was a direct, necessary, and substantial participant in the common enterprise and/or common course of conduct complained of herein.

58. • Each of the defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commission of the wrongdoing complained of herein, each of the defendants acted with knowledge of the primary wrongdoing, substantially assisted in the accomplishment of that wrongdoing, and was aware of his or her overall contribution to and furtherance of the wrongdoing.

AMERICAN GREETINGS' STOCK OPTION PLANS AUTHORIZED BY THE SHAREHOLDERS

59. At all relevant times American Greetings granted stock options pursuant to the 1992 Stock Option Plan, 1996 Employee Stock Option Plan, and the 1997 Equity and Performance Incentive Plan (collectively, the "Plans"). A fundamental requirement of American Greetings' stock option plans was in all relevant instances that the exercise price of stock options be the fair market value (the closing price) of the Company's common stock ***on the date of the grant or day prior to the date of the grant of the option.***

60. In all relevant instances with respect to stock options granted under the Plans, the Plans required that the purchase price shall not be less than 100% of the fair market value (closing price) of such share of stock on the date the option is granted or the date prior to the date the option is granted. *See* 1992 Stock Option Plan, §4 ("not less than the price of the Class A Common Shares . . . at the close of business on the date preceding that on which the option is granted"); 1996 Employee Stock Option Plan, §4 ("not . . . less than the [closing] price of the Class A Common Shares . . . on the last business day preceding that day on which the Option is granted"); 1997 Equity and Performance Incentive Plan, §4(b) ("not . . . less than the Market Value per share on the Date of Grant").

61. The expiration date of options granted under the Plans was ten years after the date of grant of the option. See 1992 Stock Option Plan, §3 ("ten (10) years from the date granted"); 1996

Employee Stock Option Plan, §3 ("ten (10) years from the date granted"); 1997 Equity and Performance Incentive Plan, §§4(n), 9(a) ("ten years from the Date of Grant"). Options granted under the Plans were subject to vesting periods, including one year after date of grant for 25% of shares, followed by additional vesting of 25% for each successive three-year period under the 1997 Equity and Performance Incentive Plan. *See* 1997 Equity and Performance Incentive Plan, §9(a)(ii). *See also* 1992 Stock Option Plan, §6; 1996 Employee Stock Option Plan, §6.

62. The aforementioned fundamental requirements of the Plans directly contradict backdating a stock option to a date prior to its actual grant and pricing that option as if it were granted prior to the actual date of the grant, or accepting a backdated option. They also contradict backdating a stock option to a date prior to its actual grant date and thereby underreporting compensation expense and tax liability, which violates Ohio laws as well as the Internal Revenue Code. Nonetheless, the Stock Option and Compensation Committees over the years repeatedly approved stock options which on their face were backdated. The Stock Option and Compensation Committees backdated stock options and priced those options (purportedly at fair market value) as if they were granted prior to the date of the actual grant.

AMERICAN GREETINGS CORP.
Alleged Backdated Stock Option Grants

Purported Option Grant Date (Expiration Date)	Price	Some Directors & Officers Who Received Grants	Number of Options Received[1]	Option Exercised, Stock Sold[2]	Defendants and Others Who Engaged in Backdating the Purported Stock Option Grant
3/30/1992 (3/30/2002)	$19.81	J. Groetzinger	4,500	√	H. Stone
3/22/1996 (3/25/2006)	$27.00	G. Weiss	3,600	√	A. Ratner, Cowen, Jacobs, Wagner and Zaleznik
10/28/1996 (10/28/2006)	$28.75	J. Weiss	3,000		A. Ratner, Cowen, Jacobs, Wagner and Zaleznik
5/22/2000 (5/22/2010)	$16.81	J. Weiss	12,000	√	Cowen, Hardis, Mouchly-Weiss
12/22/2000 (12/22/2010)	$8.50	J. Kahl	8,000	√	C. Ratner, Cowen, Hardis, Mouchly-Weiss
		C. Ratner	8,000		
		J. Thornton	8,000		
4/4/2001 (4/4/2011)	$9.95	M. Weiss	322,000	√	C. Ratner, Cowen, Hardis, Mouchly-Weiss
		Erwin Weiss	58,000	√	
		G. Weiss	50,200	√	
		J. Weiss	62,200	√	
		Z. Weiss	41,317	√	
		D. Beittel	25,200	√	
		M. Birkholm	40,200		
		D. Cable	29,400	√	
		J. Charlton	12,600	√	
		J. Cipollone	23,740	√	
		M. Corrigan	52,600	√	
		S. Cowen	24,200	√	
		J. Groetzinger	42,000		
		S. Hardis	17,800	√	
		J. Kahl	5,000	√	
		W. Mason	38,000	√	
		W. Meyer	55,600		
		Mouchly-Weiss	19,400	√	
		P. Papesh	50,000	√	
		C. Ratner	5,000	√	

1 Number of options received is split adjusted. If options were exercised, the split adjusted quantity is indicated as of the exercise. Otherwise, the quantity is fully split adjusted.

2 "√" indicates the recipient exercised/converted all or a substantial portion of the options received and thereafter sold, transferred or exchanged the stock issued from the option exercise. *See infra* ¶200 (insider trading table).

Purported Option Grant Date (Expiration Date)	Price	Some Directors & Officers Who Received Grants	Number of Options Received[1]	Option Exercised, Stock Sold[2]	Defendants and Others Who Engaged in Backdating the Purported Stock Option Grant
		P. Ripple	35,320		
		J. Spira	14,400	√	
		H. Stone	24,200	√	
		J. Thornton	5,000	√	
6/25/2001 (6/25/2011)	$10.47	P. Linton	20,000	√	C. Ratner, Cowen, Hardis, Mouchly-Weiss
3/1/2002 (3/1/2012)	$14.00	M. Weiss	18,000		C. Ratner, Cowen, Hardis, Mouchly-Weiss
		Erwin Weiss	10,000		
		G. Weiss	7,000	√	
		J. Weiss	14,000	√	
		Z. Weiss	14,000	√	
		D. Beittel	12,500	√	
		J. Cipollone	7,700	√	
		M. Corrigan	11,000	√	
		S. Cowen	4,000		
		J. Groetzinger	10,000		
		S. Hardis	4,000		
		J. Kahl	4,000		
		P. Linton	11,000	√	
		W. Mason	10,000	√	
		W. Meyer	10,000		
		Mouchly-Weiss	10,000		
		C. Ratner	4,000		
		H. Stone	4,000		
		J. Thornton	4,000		
7/12/2006 (7/12/2016)	$21.08	J. Thornton	1,000		C. Ratner, Cowen, Hardis, Hardin, Mouchly-Weiss
		Ratner	1,000		
		Mouchly-Weiss	1,000		
		S. Hardis	1,000		
		J. Hardin	1,000		
		S. Cowen	1,000		
10/2/2006 (10/2/2016)	$22.95	B. McGrath	32,000		C. Ratner, Cowen, Hardis, Hardin, Mouchly-Weiss

63. The Stock Option Committee exclusively administered the Company's stock option plan at all relevant times until February 28, 1994, at which time the Stock Option Committee merged with the Compensation Committee. Thereafter, the Compensation Committee exclusively granted stock options during the relevant period. Specifically, Cowen has been a member of the Compensation Committee since at least 1992, Hardis was a member on the Compensation

Committee from 2000 to 2008, Ratner has been a member of the Compensation Committee since 2001, and Hardin has been a member of the Compensation Committee since 2005.

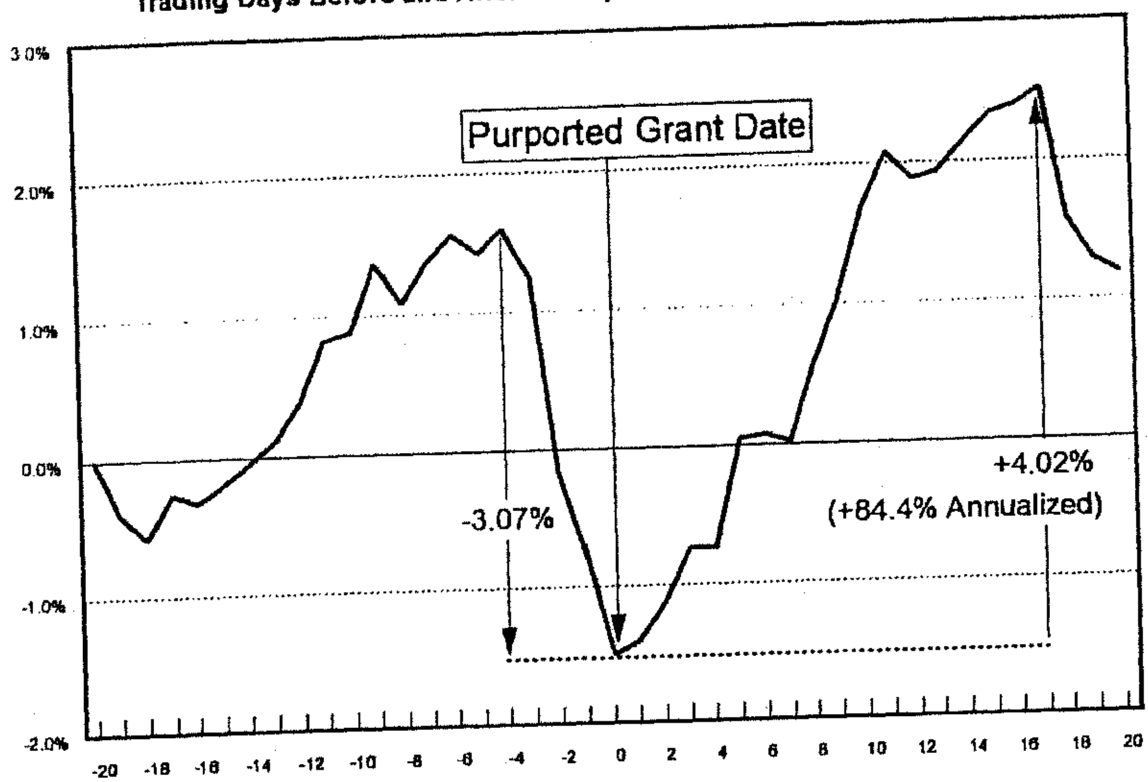
64. The Stock Option and Compensation Committees had the responsibilities to "administer" the Company's Plans. Responsibilities to administer the Company's stock option plans have never been anything less than full authority and sole discretion to, as a committee, grant stock options, determine the persons to whom and the time or times at which options will be granted, and determine the type and number of options to be granted and the terms of such options (including price), among other things. *See* 1992 Stock Option Plan, §8 (Stock Option Committee "shall be empowered by the Board of Directors to exercise all authority otherwise possessed by the Board with respect to the Company's stock option plans"); 1992 Stock Option Plan, §2 (Stock Option Committee "upon such terms and conditions as it may determine, authorize the granting to officers . . . options . . . and may fix the number of shares to be covered by each such option"); 1996 Employee Stock Option Plan, §10 ("The Plan shall be administered by the Compensation Committee, which shall . . . be empowered by the Board to exercise all authority otherwise possessed by the Board with respect to the Company's stock option plans."); 1996 Employee Stock Option Plan, §2 ("The Compensation Committee . . . upon such terms and conditions as it may determine, grant options . . . to officers . . . and may fix the number of shares to be covered by each option."); 1997 Equity and Performance Incentive Plan, §4 (Compensation Committee "upon such terms and conditions as it may determine, authorize the granting to Participants of options to purchase Common Shares"); *see also* 1997 Equity and Performance Incentive Plan, §16(a).

65. Abusing their authority and committing *ultra vires* acts, Cowen, Hardis, Ratner and Hardin violated American Greetings' stock option plans, in that they: (i) backdated and retroactively priced stock options; and (ii) in collusion with one another, other defendants, or former executives

of the Company, determined and granted option awards dated with dates other than the dates the awards were authorized properly, employees were entitled to receive the options, or the option or price was known. Each of these defendants abused their authority in causing the backdating and retroactive pricing to occur without disclosure.

66. An objective analytical review using court-accepted methodologies, of all publicly reported stock option dates in option grants to directors and officers of American Greetings from 1992 until 2007 reveals that discretionary stock option grants tended to be dated: (i) near or on the very day that American Greetings' stock price hit its low price for the month, quarter and/or year; and/or (ii) in advance of significant stock price increases. To illustrate, the following graph depicts the ***cumulative*** increase/decrease in American Greetings' stock price preceding and following all publicly reported stock option dates in option grants to directors and officers of American Greetings from 1992 until 2007.

Cumulative Decrease/Increase In American Greetings Stock Price In 20 Trading Days Before and After All Reported Option Dates: 1992-2007



67. The data points reflected in the graph above are cumulative, meaning they represent the cumulative effect or average of increases and decreases in American Greetings' closing stock price in each of the 20 trading days before and after all the purported option grant dates. American Greetings' closing stock price might have been less or more at any point in time for a particular grant. But the cumulative data points clearly and objectively demonstrate the predominance of data preceding and following the option dates, namely that options were dated shortly after significant decreases in American Greetings' stock price and preceding very large increases in the stock's price. As demonstrated in the graph, American Greetings' stock price tended to decrease as much as 3% in the 20 trading days preceding the purported option grant date and tended to increase as much as 4% (84% annualized) in the 20 trading days following the purported option grant date. Equally

significant, the data shows that purported option grant dates tended to be at the lowest closing price in the 20-trading-day period before and after the purported option grant date.

68. Indeed, approximately 1 out of every 5 discretionary option grants to American Greetings' directors and officers was dated and priced based on American Greetings' lowest closing stock price of the month. The odds of that happening absent intentional manipulation are so extremely remote (well over 1,000 to 1) that backdating is the most rational explanation.

69. The Merrill Lynch methodology examines the "20 day period subsequent to options pricing in comparison to stock price returns for the calendar year in which the options were granted."[3] According to Merrill Lynch, "companies should not be generating any systematic excess return in comparison to other investors as a result of how options pricing events are timed." This 20-day analysis makes sense because, "[t]heoretically, if the timing of options grants is an arm's length process, and companies haven't systematically taken advantage of their ability to backdate options within the 20-day windows that the law provided prior to the implementation of Sarbanes Oxley in 2002, there shouldn't be any difference between the two measures." This analysis has also been referred to as "the easiest and simplest way" to measure the pricing of options. New York University finance professor David Yermick and University of Iowa finance professor Erik Lie said that 20-day post-grant price surges are "a reasonable yardstick to detect possible backdating" and that "[u]sing a longer period, such as a year, wouldn't be a good way to spot backdating of a few days or weeks because the longer-term trading would overwhelm any backdating effect."

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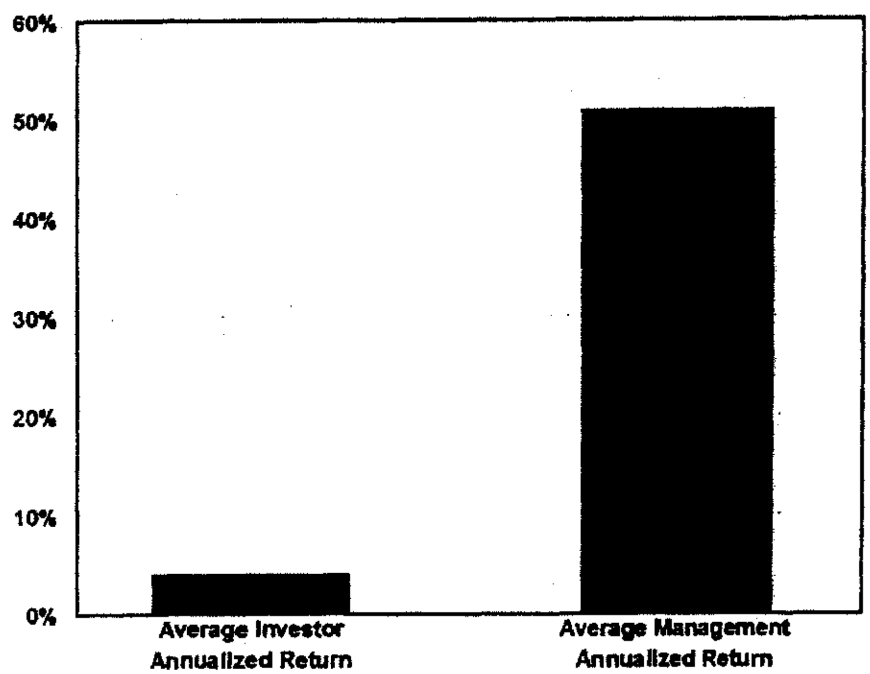
[3] Several decisions acknowledge the usefulness of the Merrill Lynch and CFRA analyses in determining whether a pattern of backdating exists. *See, e.g., Belova v. Sharp*, No. CV-07-299-MO, 2008 U.S. Dist. LEXIS 19880, at *11-*12 (D. Or. Mar. 13, 2008); *In re CNET Networks, Inc.*, 483 F. Supp. 2d 947, 957 (N.D. Cal. 2007); *In re Computer Scis. Corp. Derivative Litig.*, No. CV 06-05288 MRP (Ex), 2007 U.S. Dist. LEXIS 25414, at *44-*45 (C.D. Cal. Mar. 27, 2007); *Ryan v. Gifford*, 918 A.2d 341, 354-55 (Del. Ch. 2007); *Conrad v. Blank*, 940 A.2d 28, 39 n.30 (Del. Ch. 2007).

70. Using Merrill Lynch's methodology in comparing annualized 20-day increases/decreases in American Greetings' stock price following management grant dates ("management annualized return") to public investor annualized returns ("investor annualized return"), plaintiff analyzed all of the publicly reported stock option dates to directors and officers of American Greetings from 1992 until 2007. There were over 50 separate grant dates. The analysis revealed that, between 1992 and 2007, the average management annualized return on publicly reported grants was approximately 51%, while the average investor annualized return was approximately 4%. In other words, there was a significant disparity between management returns and the public investor return – the average management annualized return being nearly 1300% ***higher*** than (or 13 times) the investor annualized return.

Average Investor Annualized Return vs. Average Management Annualized Return For All Reported Options To Directors & Officers Of American Greetings Corp. 1992 - 2007*



*See paragraph 71 for definition of "Investor Annualized Return and "Management Annualized Return".

71. Furthermore, the disparity of returns demonstrated by the Merrill Lynch analytical methodology is consistent with the disparity of returns shown when the management annualized return of the individually alleged backdated grants in particular is determined and compared with the investor annualized return in the same fiscal year. These option grants also fell on suspiciously fortuitous dates, *e.g.*, dates where American Greetings' closing stock price was the lowest or near the lowest of the month quarter or year.

Option Price Rankings, Management Annualized Return Following Option Date, and Investor Annualized Return in Same Fiscal Year[4]

Option Date	Option Price Ranking by Month, Quarter or Year	Management Annualized Return	Investor Annualized Return
03/30/1992	Lowest of the month	28.57%	-6.81%
03/22/1996	Lowest of the month	-33.33%	11.71%
10/28/1996	Lowest of the month	0%	11.71%
05/22/2000	Lowest of the month	702.6%	-22.03%
12/22/2000	Lowest of the month, quarter and year	741.18%	-22.03%
04/04/2001	Lowest of the month, quarter and year	144.72%	4.79%
06/25/2001	Third lowest of the month and quarter	73.93%	4.79%
03/01/2002	Lowest of the month and quarter	475.71%	-6.29%
07/12/2006	Third lowest of the month, fourth lowest of the quarter	113.57%	11.07%
10/02/2006	Lowest of the month, second lowest of the quarter	91.76%	11.07%
	Average:	**233.87%**	**1.26%**

72. In determining alleged backdated option grants, plaintiff also screened each grant according to the methodology used by the Center for Financial Research and Analysis ("CFRA").

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4 *See* ¶70 for definition of "management annualized return" and "investor annualized return."

"CFRA considers a company's options backdating risk to be significant when a company has, on three or more occasions, granted options to executives at exercise prices and dates that matched exactly or were close to a 40-day low in the company's stock price." In assessing the likelihood of backdating, the CFRA Report uses the following criteria: (i) where the price on the grant date is within 105% of the 10 or 40 day period stock price low following date of grant; and (ii) the stock price range for the 40 day period (highest stock price minus lowest stock price) is greater than 10% of the lowest stock price. All but one of the alleged backdated stock option grant dates tested positive under these criteria. In addition, on three occasions, the Company granted options to executives at dates where closing prices matched exactly or were close to a 40-day low in American Greetings' stock price, making backdating risk "significant" under CFRA's methodology. In fact, three option grants to executives were dated and priced based on a closing price that matched exactly or was close to a ***quarterly*** low in American Greetings' stock price.

73. Another indication of backdating may be seen in the period of time between the purported grant date and the date the grant was disclosed to the SEC. Thus, plaintiff also reviewed the amount of time between the purported stock option grant date and disclosure of the grants to the SEC via Forms 3, 4 or 5. Grants that are not disclosed to the SEC in a timely fashion are more likely backdated. "If executives are backdating, a longer reporting lag implies that, on average, they were backdating aggressively, seeking a lower exercise price. This in turn implies that the extent of stock price rise following the manager-designated grant date will be positively correlated with the reporting lag." M. P. Narayanan, Cindy A. Schipani & H. Nejat Seyhun, *The Economic Impact of Backdating of Executive Stock Options*, 105 Mich. L. Rev. 1597, 1603 (2007).

74. With respect to a number of the alleged backdated option grants there are no known SEC Forms 4 showing the changes in beneficial ownership from these purported grants. In other

cases Forms 4 or holdings records evidencing these backdated grants (and others) were filed by defendants and others months or over a year after the purported grant date.

75. Similarly, stock option grants are more likely backdated when they are discretionary and granted by a sporadic method.[5] Accordingly, plaintiff also reviewed each grant to determine whether or not it was granted in a sporadic fashion or on a fixed date pursuant to a non-discretionary stock option plan. The alleged backdated grants were discretionary and sporadic.

76. The following describes some of the backdated option grants and their recipients. As demonstrated by the graphs, accompanying data and the results of the Merrill Lynch and CFRA methodologies expressed herein, significant decreases in the price of American Greetings' stock tended to precede the dates of alleged backdated grants and following those dates the price of the Company's stock tended to significantly increase. Overall, post-option-date stock price movement was positive, pre-option-date stock price movement tended to be negative, and post-option-date returns tended to exceed pre-option-date returns.

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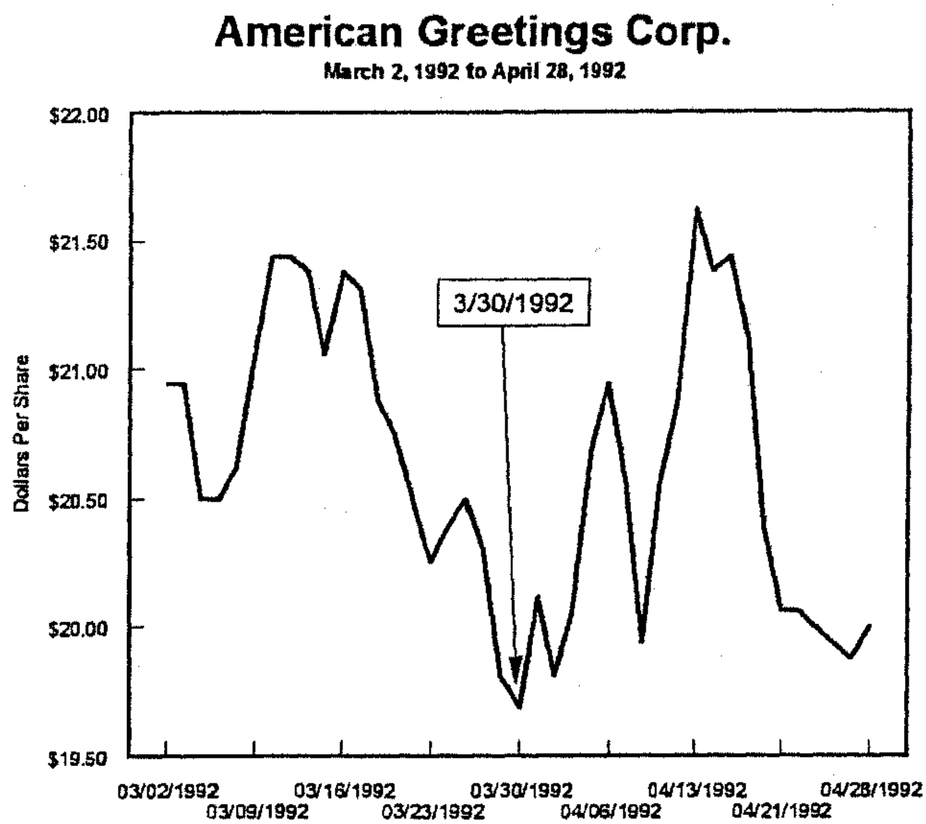
5 That a stock option grant might be issued pursuant to a non-discretionary fixed date plan only reduces, but does not eliminate, the likelihood that stock options were being backdated. For example, in a recent stock option backdating action against CNET Networks, Inc., the company was forced to re-price so-called non-discretionary fixed date grants and admit that those grants were not actually granted on the fixed-date required by the applicable stock option plan.

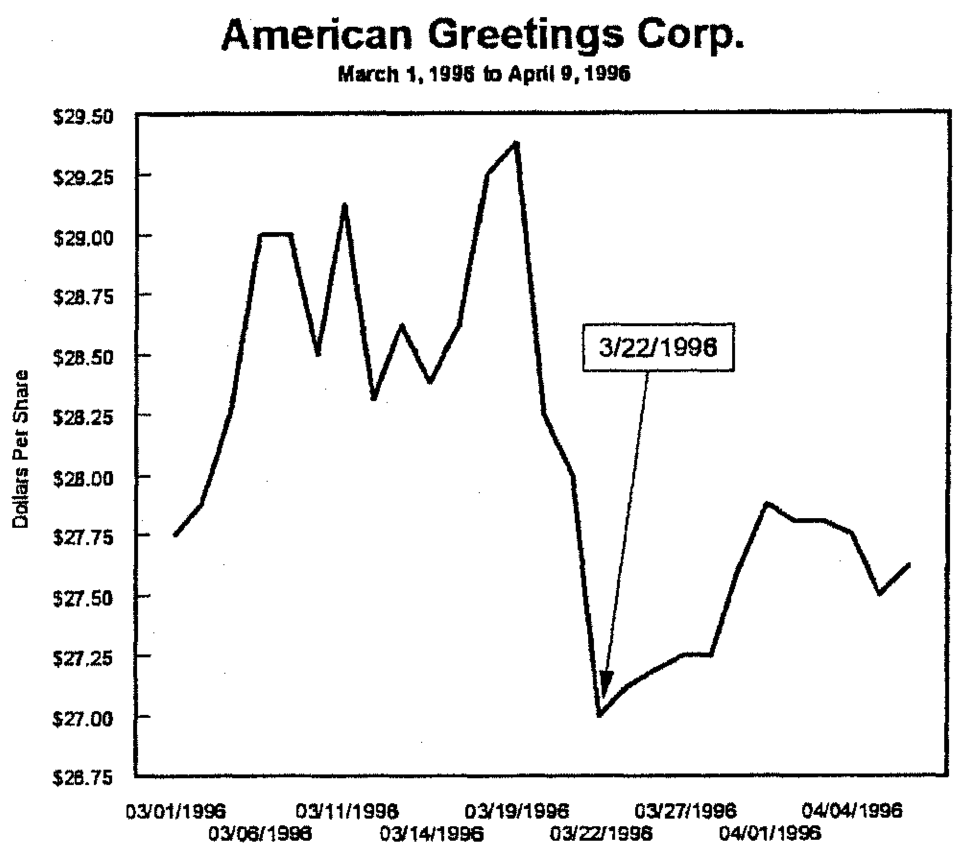
Option Grant Backdated to March 30, 1992

77. These options were granted to Jon Groetzinger ("Groetzinger"). They were dated and priced based on the date on which American Greetings' stock reached the lowest closing price for the month. The 10- and 20-day increases in American Greetings' stock price following the option date were 9.8% and 1.6%, respectively, with the annualized increases being 354.3% and 28.6%, respectively.



Option Grant Backdated and Retroactively Priced to March 22, 1996

78. These options were granted to Gary Weiss ("G. Weiss"). They were dated March 25, 1996 and priced based on the date on which American Greetings' stock reached the lowest closing price for the month, March 22, 1996. The 10- and 20-day increases/decreases in American Greetings' stock price following the option date were 1.8% and -1.8%, respectively, with the annualized increases being 66.7% and -33.3%, respectively.

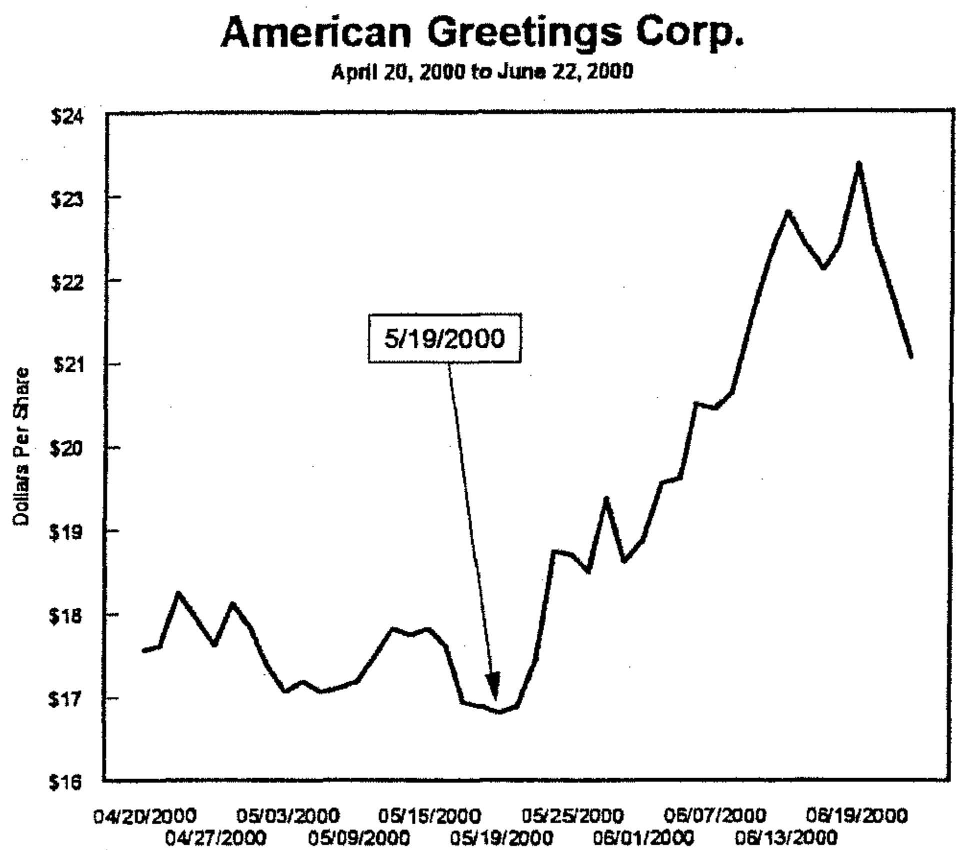


Option Grant Backdated and Retroactively Priced to October 25, 1996

79. These options were granted to J. Weiss. They were dated October 28, 1996 and priced based on the date on which American Greetings' stock closed at the lowest closing price for the month, October 25, 1996. The 10- and 20-day increases in American Greetings' stock price following the option date were 4.6% and 0%, respectively, with the annualized increases being 164.4% and 0%, respectively.

Option Grant Backdated and Retroactively Priced to May 19, 2000

80. These options were granted to J. Weiss. They were dated May 22, 2000, and priced based on the date on which American Greetings' stock reached the lowest closing price for the month, May 19, 2000. The 10- and 20-day increases in American Greetings' stock price following the option date were 16.7% and 39.0%, respectively, with the annualized increases being 602.2% and 702.6%, respectively.

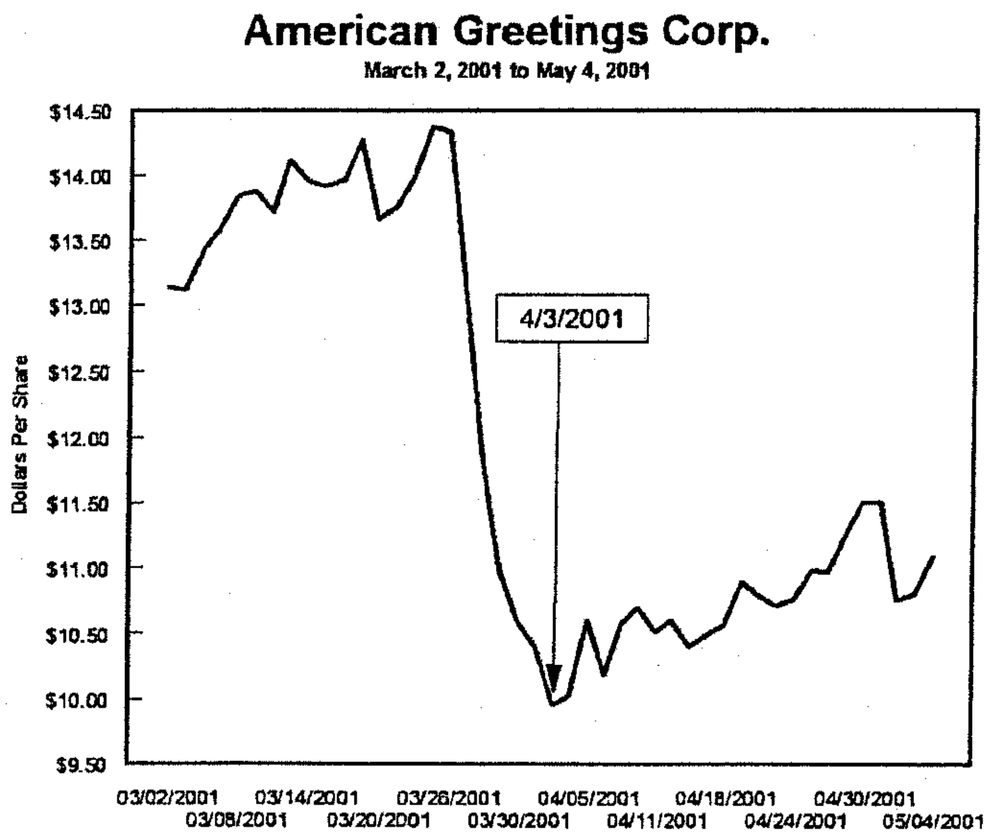


Option Grant Backdated to December 22, 2000

81. These options were granted to Jack Kahl ("Kahl"), Ratner and Thornton. They were dated and priced based on the date on which American Greetings' stock reached the lowest closing price for the month, quarter and year. The 10- and 20-day increases in the Company's stock price following the option date were 40.0% and 41.2%, respectively, with the annualized increases being 1403.0% and 741.2%, respectively.

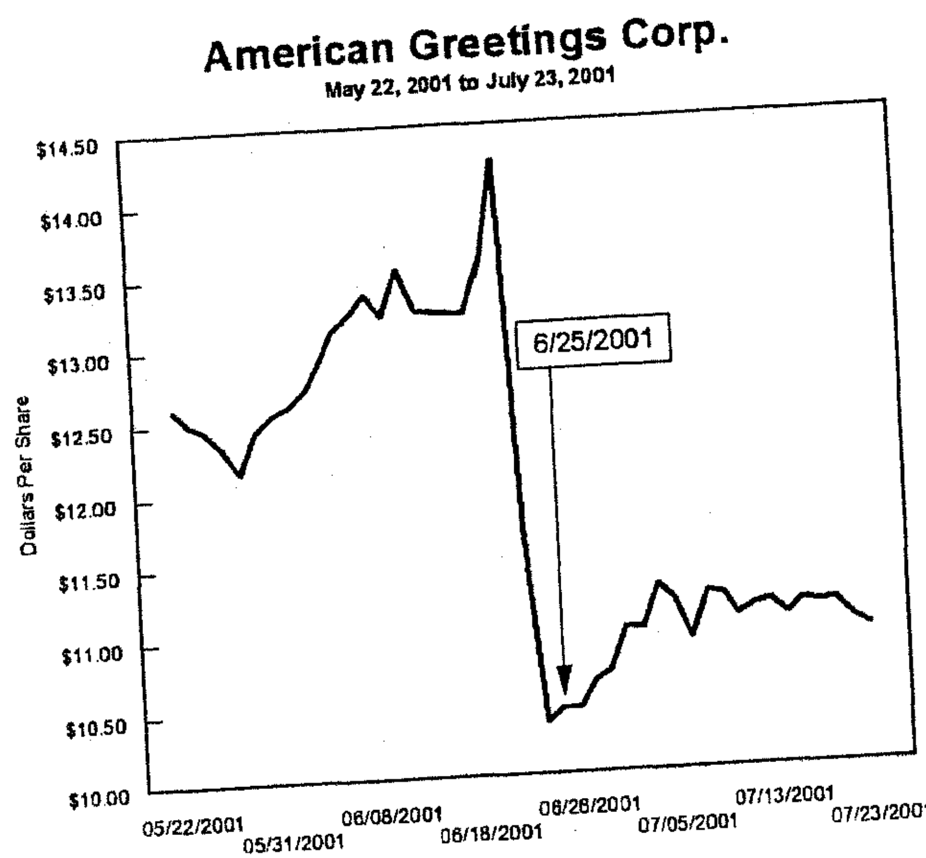
Option Grant Backdated and Retroactively Priced to April 3, 2001

82. These options were granted to M. Weiss, G. Weiss, J. Weiss, Z. Weiss, Cowen, Hardis, Mouchly-Weiss, Ratner, Harry Stone ("Stone"), Thornton and others. They were dated April 4, 2001, and priced based on the date on which American Greetings' stock reached the lowest closing price for the month, quarter and year, April 3, 2001. The 10- and 20-day increases in the Company's stock price following the option date were 6.2% and 8.0%, respectively, with the annualized increases being 224.3% and 144.7%, respectively.



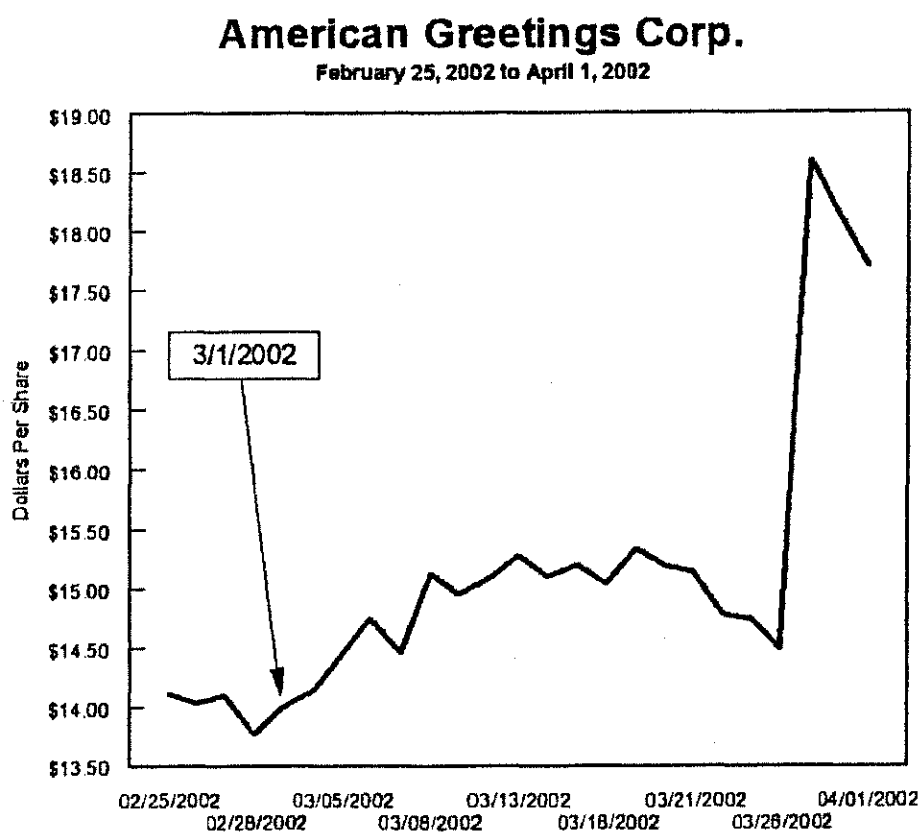
Option Grant Backdated to June 25, 2001

83. These options were granted to Pamela Linton ("Linton"). They were dated and priced based on the date on which American Greetings' stock reached the third lowest closing price for the month and quarter. The 10- and 20-day increases in the Company's stock price following the option date were 7.0% and 4.1%, respectively, with the annualized increases being 251.0% and 73.9%, respectively.



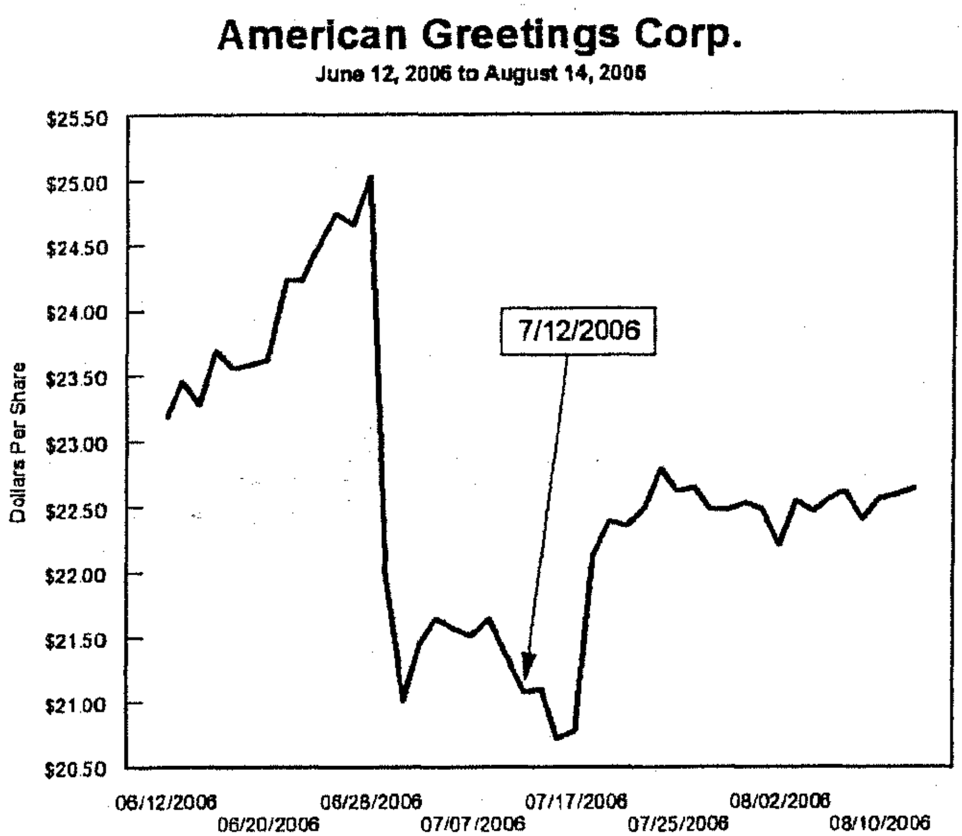
Option Grant Backdated to March 1, 2002

84. These options were granted to M. Weiss, Erwin Weiss, G. Weiss, J. Weiss, Z. Weiss, Cowen, Hardis, Mouchly-Weiss, Ratner, Stone, Thornton and others. They were dated and priced based on the date on which American Greetings' stock reached the lowest closing price for the month and quarter. The 10- and 20-day increases in the Company's stock price following the option date were 8.6% and 26.4%, respectively, with the annualized increases being 308.6% and 475.7%, respectively.



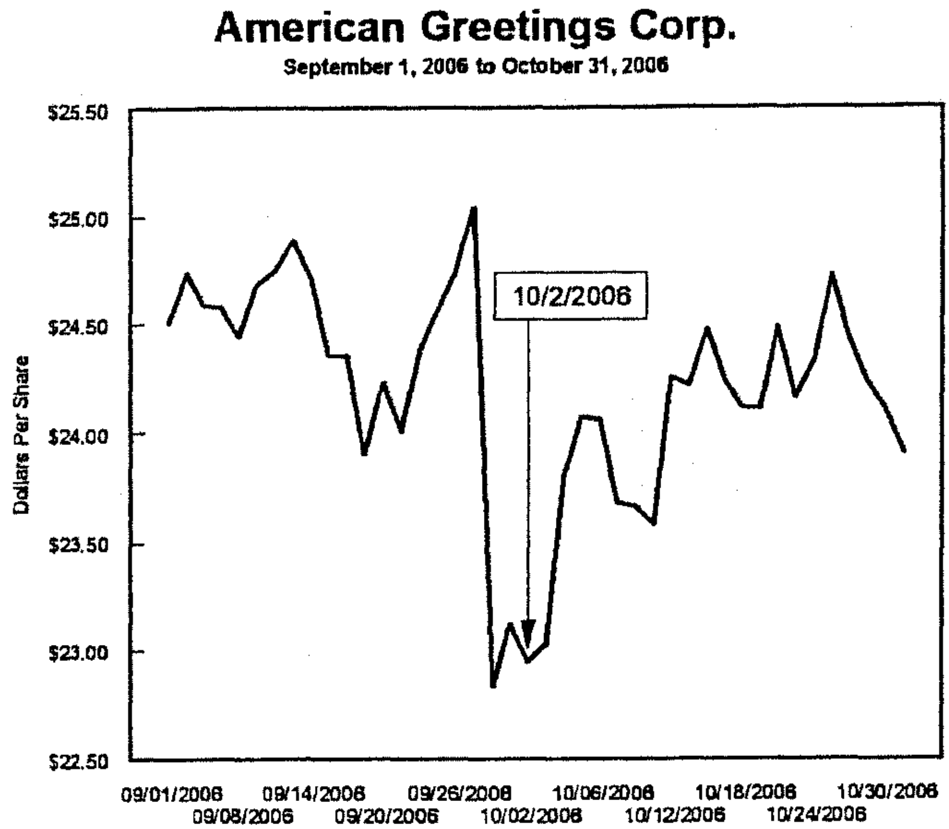
Option Grant Backdated to July 12, 2006

85. These options were granted to Thornton, Ratner, Mouchly-Weiss, Hardis, Hardin and Cowen. They were dated and priced based on the date on which American Greetings' stock reached the third lowest closing price for the month and fourth lowest closing price for the quarter. The 10- and 20-day increases in the Company's stock price following that date were 7.4% and 6.3%, respectively, with the annualized increases being 268.1% and 113.6%, respectively.



Bullet-Dodge Option Grant Backdated to October 2, 2006

86. These options were granted to Brain McGrath ("McGrath"). They were dated and priced based on the date on which American Greetings' stock reached the lowest closing price for the month and second lowest closing price for the quarter. The 10- and 20-day increases in the Company's stock price following that date were 6.7% and 5.1%, respectively, with the annualized increases being 240.0% and 91.8%, respectively.



87. This option grant was manipulated in two independent and actionable ways. First, the grant was a bullet-dodging event. Second, it was backdated once certain defendants ascertained

American Greetings' stock price was fully depressed from the issuance of a terrible earnings disappointment, by virtue of waiting for the stock price to ascend for two trading days.

88. Between shortly before the end of American Greetings' second fiscal quarter, August 31, 2006 and the morning of September 28, 2006, M. Weiss, J. Weiss, Z. Weiss, Cipollone, Cowen, Hardis, Ratner and Hardin (among others) became aware that the Company would report earnings per share for that quarter well below the bottom of the range of the Company's EPS guidance to analysts and published expected earnings by analysts. The earnings miss expected was substantial: a $0.23 per share *loss* verses positive earnings of $0.06 per share in the previous year's same quarter, and approximately 50% *less* than management's guidance (and published analyst expectations) for the quarter. These defendants knew American Greetings' forthcoming earnings report would at a minimum have a short-term damning effect on the Company's stock price. Consequently, Cowen, Hardis, Ratner and Hardin were requested to not (and did not) issue stock options until after announcement of the earnings disappointment. Expecting the dramatic earnings miss would depress American Greetings' stock price below fair market value, these defendants waited to grant McGrath stock options until after the Company decided to issue its second quarter financial results. This grant not only violated the fair market value exercise price restrictions of American Greetings' stock option plans, the timing of grants in this manner (bullet dodging) was contrary to the shareholder-approved purposes of the Company's stock option plans.

89. On the morning of September 28, 2006, the Company announced its financial results for the second quarter ended August 31, 2006. Adjusted earnings per share were negative $0.23, well below the $0.06 EPS of the previous second quarter, and approximately 50% below management guidance and analyst expectations. As analysts issued their negative reports, American Greetings' stock price plummeted, posting close to the single largest one-day loss of the year.

90. To ensure they could price options at the lowest price possible, the Compensation Committee then waited until American Greetings' stock price had turned back upward for two days and then backdated McGrath's option grant to October 2, 2006. The insiders' plan worked well. In retrospect, that closing price turned out to be the second lowest closing price of the quarter.

91. The issuance of options identified above violated American Greetings' stock option plans as set forth at ¶¶59-75. Indeed, the options identified above were ***not*** dated with the date when they were granted. As alleged herein these *ultra vires* acts also contradicted the Company's statements in SEC filings and other reports to American Greetings' shareholders and violated federal and state securities laws. The secret practice of backdating stock option grants to themselves and their colleagues was in breach of defendants' fiduciary duties, including their duties of good faith, honesty and loyalty, owed to American Greetings and its shareholders.

92. The backdating, among other things, enabled defendants to (i) hide the fact that the Company was paying higher compensation to executives and employees by awarding them more valuable options on the grant date than represented, (ii) avoid recording the hidden compensation as compensation expense, and (iii) thus conceal reductions in the Company's net income, shareholder's equity and tax obligations. Keeping the scheme secret also hid the injury to the Company which occurred when executives and employees exercised the options and made capital contributions to American Greetings that were less than they should have paid, had the options not been granted in-the-money or otherwise with greater intrinsic value than represented.

93. The backdating also conferred great personal financial benefits on defendants. American Greetings' stock traded at prices propelled in part by the false financial statements defendants had caused the Company to issue. Indeed, American Greetings' stock price significantly increased in response to the Company's reported financial statements that overstated income, net

income, and earnings per share as a result of the backdating. While the price of American Greetings' stock was artificially inflated, defendants and other insiders engaged in insider trading, selling more than $38 million worth of the Company's stock in violation of securities laws. And American Greetings' directors in particular profited handsomely from the backdating. Those on the Board who engaged in backdating, alone, cashed in their options and garnered proceeds from stock sales of over $14 million.

AMERICAN GREETINGS' FALSE AND MISLEADING PROXY STATEMENTS

94. In its proxy statements the Company (and numerous defendants) repeatedly communicated to American Greetings' shareholders (i) that stock option grants would be determined pursuant to authorization of the shareholders and in accordance with American Greetings' stock option plans, (ii) the Company had been granting and would continue to grant stock options dated and priced based on fair market value relative to the date of the grant of the option, in accordance with American Greetings' stock option plans, (iii) that stock options were being granted prudently and consistent with the Company's compensation policies to compensate management through future growth in the Company's market value (*i.e.*, not by granting backdated "in-the-money" stock options), so that option holders would benefit only when, and to the extent, the Company's stock price increased after the grant, and (iv) that the Audit Committee had fulfilled its duties to help ensure the adequacy of the Company's internal controls in recommending the inclusion of the Company's financial statements in its periodic SEC filings. The proxies also referenced options prices, market prices on purported grant dates and grant dates (identifiable by expiration date or otherwise) in stating the equity holdings of, and options grants to, officers and directors, but omitted that the grants were backdated and therefore stock option compensation was artificially inflated and underreported.

95. The statements in American Greetings' proxies (many of which are identified below) were materially false and misleading and omitted material information about the Company's improper stock option practices, as detailed herein. In truth, and as those who signed and approved the Company's proxy statements knew or were negligent or severely reckless in not knowing, stock options at American Greetings were (i) backdated in violation of the Company's stock option plans, (ii) otherwise determined and granted in contravention of the vested authority provided by shareholders and the stock option plans, and (iii) dated with dates prior to the dates the awards were properly authorized, employees were entitled to receive the options, or the option or price was known. Furthermore, those defendants who sat on the Audit Committee were in fact circumventing the Company's internal controls and withholding from American Greetings' external auditors their knowledge of backdating.

96. As former SEC Chairman Harvey L. Pitt stated: "What's so terrible about backdating options grants? For one thing, it likely renders a company's proxy materials false and misleading. Proxies typically indicate that options are granted at fair market value. But if the grant is backdated, the options value isn't fair – at least not from the vantage point of the company and its shareholders."

97. By issuing false and misleading statements in American Greetings' proxy statements, the defendants identified below were able to: (i) increase the numbers of authorized shares of common stock of American Greetings from which defendants could gain shares by exercise of their backdated stock options; (ii) gain the ability to grant to themselves and others backdated stock options; and (iii) obtain elected directorships enabling them to perpetuate the scheme. Were the truth disclosed, the Company's shareholders would not have reasonably followed defendants' recommendations concerning the proposals submitted for their approval in the Company's proxy statements identified below.

98. American Greetings relied upon the facts stated in the Company's false and misleading proxy statements to seek the shareholders' vote for approval of the proposals identified herein. Thus, both the Company and its shareholders relied on the following materially false proxy statements.

Proxy Statement Filed in Connection with the 1996 Annual Meeting

99. On or about June 28, 1996, American Greetings filed with the SEC its definitive proxy statement for the 1996 annual meeting of shareholders ("1996 Proxy Statement" or "1996 Proxy"). The 1996 Proxy Statement was reviewed and approved by M. Weiss and Cowen. The 1996 Proxy included a "Report of the Compensation Committee" signed by Cowen.

100. The 1996 Proxy Statement made numerous significant representations concerning American Greetings' stock option plans, for instance, relating to the purpose of stock option grants, how stock options were being granted, and how stock options would be granted in the future.

(a) The 1996 Proxy Statement communicated that stock option grants were not being backdated and would not be backdated in the future. In the Report of the Compensation Committee, the 1996 Proxy stated the Company's "compensation philosophy reflects its belief that the compensation of its executive and non-executive officers should . . . motivate[] officers . . . by tying officers' compensation to the performance of the Company" and "align the interests of its officers with the long-term interests of the Company's shareholders through the award of stock options." 1996 Proxy at 10. It further stated that under the Company's "long-term equity-based incentive compensation programs," which include stock options, the Company was "tying officer compensation directly to shareholder return," because "[a]n officer benefits if the price of the company's shares increases." *Id.* at 12. The 1996 Proxy also affirmed options were being "granted at 100 percent of fair market value at the close of business on the last business day preceding the date of grant" (*id.*), and the Compensation Committee would "assure [compensation] programs are consistent with the objective of increasing shareholder value." *Id.* at 14. The 1996 Proxy made similar statements related to the granting of options and suggesting options were accurately dated to be the grant date.

(b) In recommending approval of the 1996 Employee Stock Option Plan, the 1996 Proxy communicated (among other things) that the purpose of the plan was to align director, officer and employee interests with shareholder interests by awarding options such "officers and selected key employees of the Company" would have "opportunity to share in future appreciation in the share value of the Company's stock." 1996 Proxy at 19. It further stated that the exercise price of options under the plan "may not be less than the price of the Class A Common Shares quoted by the National Association of Securities Dealers at the close of business on the date preceding that on which the option is granted." *Id.* Supporting these representations, the proposed 1996 Employee Stock Option Plan was attached to the 1996 Proxy Statement and expressly referenced. The attached plan further served to represent that incentive option exercise prices under the plan would be based on the last closing price of the Company's common stock preceding the date of grant. This was stated in sum and substance throughout the plan's provisions concerning stock option grant exercise prices.

101. The 1996 Proxy Statement representations were made in connection with and essential to a number of proposals American Greetings' Board made to the Company's shareholders for a vote.

(a) The first proposal concerned "ELECTION OF DIRECTORS" – including certain of the same directors who were backdating and/or receiving backdated stock options and making misrepresentations to the Company's shareholders. Each defendant then a director explicitly recommended that American Greetings' shareholders "VOTE FOR" the election of each of the nominee directors. 1996 Proxy at 4-5.

(b) The second proposal was "APPROVAL OF [THE] 1996 EMPLOYEE STOCK OPTION PLAN." Each defendant then a director explicitly recommended American Greetings' shareholders "VOTE FOR THE ADOPTION" of the 1996 Employee Stock Option Plan. 1996 Proxy at 19-20.

Proxy Statement Filed in Connection with the 1997 Annual Meeting

102. On or about June 27, 1997, American Greetings filed with the SEC its definitive proxy statement for the 1997 annual meeting of shareholders ("1997 Proxy Statement" or "1997 Proxy"). The 1997 Proxy Statement was reviewed and approved by M. Weiss and Cowen. The 1997 Proxy included a "Report of the Compensation Committee" signed by Cowen.

103. The 1997 Proxy Statement made numerous significant representations concerning American Greetings' stock option plans, for instance, relating to the purpose of stock option grants, how stock options were being granted, and how stock options would be granted in the future.

(a) The 1997 Proxy Statement communicated that stock option grants were not being backdated and would not be backdated in the future. In the Report of the Compensation Committee, the 1997 Proxy stated the Company's "compensation philosophy reflects its belief that the compensation of its executive and non-executive officers should . . . motivate[] officers . . . by tying officers' compensation to the performance of the Company" and "align the interests of its officers with the long-term interests of the Company's shareholders through the award of stock options." 1997 Proxy at 8. It further stated that under the Company's "long-term equity-based incentive compensation programs," which include stock options, the Company was "tying officer compensation directly to shareholder return," because "[a]n officer benefits if the price of the Company's shares increases." *Id.* at 9. The 1997 Proxy Statement also affirmed options were being "granted at 100 percent of fair market value at the close of business on the last business day preceding the date of grant" (*id.*) and the Compensation Committee would "assure [compensation] programs are consistent with the objective of increasing shareholder value." *Id.* at 10. The 1997 Proxy made similar statements related to the granting of options and suggesting options were accurately dated to be the grant date.

(b) In recommending approval of the 1997 Equity and Performance Incentive Plan, the 1997 Proxy stated options may be granted "at a price not less than fair market value." 1997 Proxy at 17. Supporting these representations, the proposed 1997 Equity and Performance Incentive Plan was attached to the 1997 Proxy Statement and expressly referenced. The attached plan further served to represent that option exercise prices under the plan would be not less than fair market value of the Company's common stock on the date of grant. For example, §4 of the attached Plan stated the option price per share "may not be less than the Market Value per Share on the Date of Grant" (*id.* at 25), and in defining "Date of Grant" the attached Plan further stated such date "shall not be earlier than the date on which the Board takes action with respect" to the option. *Id.* at 23. This was stated in sum and substance throughout the plan's provisions concerning stock option grant exercise prices.

104. The 1997 Proxy Statement representations were made in connection with and essential to a number of proposals American Greetings' Board made to the Company's shareholders for a vote.

(a) The first proposal concerned "ELECTION OF DIRECTORS" – including certain of the same directors who were backdating and/or receiving backdated stock options and making misrepresentations to the Company's shareholders. Each defendant then a director explicitly recommended that American Greetings' shareholders "VOTE FOR" the election of each of the nominee directors. 1997 Proxy at 3.

(b) The second proposal was for approval of the "1997 EQUITY AND PERFORMANCE INCENTIVE PLAN." Each defendant then a director explicitly recommended American Greetings' shareholders "VOTE FOR THE ADOPTION" of the 1997 Equity and Performance Incentive Plan. 1997 Proxy at 16, 21.

Proxy Statement Filed in Connection with the 1998 Annual Meeting

105. On or about June 26, 1998, American Greetings filed with the SEC its definitive proxy statement for the 1998 annual meeting of shareholders ("1998 Proxy Statement" or "1998 Proxy"). The 1998 Proxy Statement was reviewed and approved by M. Weiss and Cowen. The 1998 Proxy included a "Report of the Compensation Committee" signed by Cowen.

106. The 1998 Proxy Statement made numerous significant representations concerning American Greetings' stock option plans, for instance, relating to the purpose of stock option grants, how stock options were being granted, and how stock options would be granted in the future. In the Report of the Compensation Committee, the 1998 Proxy stated the Company's "compensation philosophy reflects its belief that the compensation of its executive and non-executive officers should . . . motivate[] officers . . . by tying officers' compensation to the performance of the Company" and "align the interests of its officers with the long-term interests of the Company's shareholders through the award of stock options." 1998 Proxy at 9. It further stated that under the Company's "long-term equity-based incentive compensation programs," which include stock options, the Company was "tying officer compensation directly to shareholder return," because "[a]n officer benefits if the price of the Company's shares increases." *Id.* at 10. The 1998 Proxy Statement also affirmed options were being "granted at 100% of fair market value at the close of business on the last business day preceding the date of grant or at not less than market value on the date of grant" (*id.*), and the Compensation Committee would "assure [compensation] programs are consistent with the objective of increasing shareholder value." *Id.* at 11. The 1998 Proxy made

similar statements related to the granting of options and suggesting options were accurately dated to be the grant date.

107. The 1998 Proxy Statement representations were made in connection with and essential to a number of proposals American Greetings' Board made to the Company's shareholders for a vote.

(a) The first proposal concerned "ELECTION OF DIRECTORS" – including certain of the same directors who were backdating and/or receiving backdated stock options and making misrepresentations to the Company's shareholders. Each defendant then a director explicitly recommended that American Greetings' shareholders "VOTE FOR" the election of each of the Director nominees. 1998 Proxy at 4.

(b) The third proposal concerned "ADOPTION OF AMENDED ARTICLE FOURTH TO AMENDED ARTICLES OF INCORPORATION TO INCREASE AUTHORIZED CLASS A COMMON SHARES AND CLASS B COMMON SHARES" by 93.8 million and 7.9 million shares, respectively, to make stock "available for . . . grants under the Company's employee stock option plans," among other things. Each defendant then a director explicitly recommended that American Greetings' shareholders "VOTE FOR THE ADOPTION OF THIS PROPOSAL." 1998 Proxy at 17.

Proxy Statement Filed in Connection with the 1999 Annual Meeting

108. On or about June 25, 1999, American Greetings filed with the SEC its definitive proxy statement for the 1999 annual meeting of shareholders ("1999 Proxy Statement" or "1999 Proxy"). The 1999 Proxy Statement was reviewed and approved by M. Weiss, Cowen and Mouchly-Weiss. The 1999 Proxy included a "Report of the Compensation Committee" signed by Cowen and Mouchly-Weiss.

109. The 1999 Proxy Statement made numerous significant representations concerning American Greetings' stock option plans, for instance, relating to the purpose of stock option grants, how stock options were being granted, and how stock options would be granted in the future. In the Report of the Compensation Committee, the 1999 Proxy stated the Company's "compensation philosophy reflects its belief that the compensation of its executive and non-executive officers should . . . motivate[] officers . . . by tying officers' compensation to the performance of the Company" and "align the interests of its officers with the long-term interests of the Company's shareholders through the award of stock options." 1999 Proxy at 7. It further stated that under the Company's "long-term incentive compensation programs," which include stock options, the Company was "tying officer compensation directly to shareholder return," because "[a]n officer benefits if the price of the Company's shares increases." *Id.* at 9. The 1999 Proxy Statement also affirmed options were being "granted at 100% of fair market value at the close of business on the last business day preceding the date of grant or at not less than market value on the date of grant" (*id.*) and the Compensation Committee would "assure [compensation] programs are consistent with the objective of increasing shareholder value." *Id.* at 10. The 1999 Proxy made similar statements related to the granting of options and suggesting options were accurately dated to be the grant date.

110. The 1999 Proxy Statement representations were made in connection with and essential to the first proposal American Greetings' Board made to the Company's shareholders for a vote. The first proposal concerned "ELECTION OF DIRECTORS" – including certain of the same directors who were backdating and/or receiving backdated stock options and making misrepresentations to the Company's shareholders. Each defendant then a director explicitly recommended that American Greetings' shareholders "VOTE FOR" the election of each of the Director nominees. 1999 Proxy at 3.

Proxy Statement Filed in Connection with the 2000 Annual Meeting

111. On or about June 23, 2000, American Greetings filed with the SEC its definitive proxy statement for the 2000 annual meeting of shareholders ("2000 Proxy Statement" or "2000 Proxy"). The 2000 Proxy Statement was reviewed and approved by M. Weiss, J. Weiss, Hardis, Cowen and Mouchly-Weiss. The 2000 Proxy included a "Report of the Compensation Committee" signed by Cowen, Hardis and Mouchly-Weiss.

112. The 2000 Proxy Statement made numerous significant representations concerning American Greetings' stock option plans, for instance, relating to the purpose of stock option grants, how stock options were being granted, and how stock options would be granted in the future.

(a) The 2000 Proxy Statement communicated that stock option grants were not being backdated and would not be backdated in the future. In the Report of the Compensation Committee, the 2000 Proxy stated the Company's "compensation philosophy reflects its belief that the compensation of its executive and non-executive officers should . . . motivate[] officers . . . by tying officers' compensation to the performance of the Company" and "align the interests of its officers with the long-term interests of the Company's shareholders through the award of stock options." 2000 Proxy at 9. It further stated that under the Company's "long-term equity-based incentive compensation programs," which include stock options, the Company was "tying officer compensation directly to shareholder return," because "[a]n officer benefits if the price of the Company's shares increases." *Id.* at 10. The 2000 Proxy Statement also affirmed options were being "granted at 100% of fair market value at the close of business on the last business day preceding the date of grant or at not less than market value on the date of grant" (*id.*) and the Compensation Committee would "assure [compensation] programs are consistent with the objective of increasing shareholder value." *Id.* at 11. The 2000 Proxy made similar statements related to the granting of options and suggesting options were accurately dated to be the grant date.

(b) In recommending approval of an amendment to the 1997 Equity and Performance Incentive Plan, to increase the number of shares authorized for option grants by 500,000 shares, the 2000 Proxy summarized, attached and expressly referenced the proposed amended 1997 Equity and Performance Incentive Plan. The summary explicitly stated, and the attached plan further served to represent, option exercise prices under the plan would be not less than fair market value of the Company's common stock on the date of grant. For example, §4 of the attached Plan stated the option price per share "may not be less than the Market Value per Share on the Date of Grant," and in defining "Date of Grant" the attached Plan further stated such date "shall not be earlier than the date on which the Board takes action with respect" to the option. This was stated in sum and substance throughout the plan's provisions concerning stock option grant exercise prices.

113. The 2000 Proxy Statement representations were made in connection with and essential to a number of proposals American Greetings' Board made to the Company's shareholders for a vote.

(a) The first proposal concerned "ELECTION OF DIRECTORS" – including certain of the same directors who were backdating and/or receiving backdated stock options and making misrepresentations to the Company's shareholders. Each defendant then a director explicitly recommended that American Greetings' shareholders "VOTE FOR" the election of each of the nominee directors. 2000 Proxy at 4, 5.

(b) The second proposal was for approval of the amendment to the "1997 EQUITY AND PERFORMANCE INCENTIVE PLAN" to "INCREASE . . . SHARES AUTHORIZED FOR GRANTS" by 500,000 shares, for (among other things) option grants. Each defendant then a director explicitly recommended American Greetings' shareholders "VOTE FOR

THE ADOPTION" of the amendment to the 1997 Equity and Performance Incentive Plan. 2000 Proxy at 16.

(c) The third proposal was for "REAPPROVAL AND AMENDMENT OF CERTAIN CEO/COO COMPENSATION PLANS," which plans provided for bonuses to the CEO and COO. Each defendant then a director explicitly recommended American Greetings' shareholders "VOTE FOR THE ADOPTION" of the proposal to reapprove and amend the compensation plans. 2000 Proxy at 17.

Proxy Statement Filed in Connection with the 2001 Annual Meeting

114. On or about June 22, 2001, American Greetings filed with the SEC its definitive proxy statement for the 2001 annual meeting of shareholders ("2001 Proxy Statement" or "2001 Proxy"). The 2001 Proxy Statement was reviewed and approved by M. Weiss, Hardis, Cowen, Thornton, Mouchly-Weiss and Ratner. The 2001 Proxy included a "Report of the Compensation Committee" signed by Cowen, Hardis, Ratner and Mouchly-Weiss. The 2001 Proxy also included a "Report of the Audit Committee" signed by Hardis, Cowen, Mouchly-Weiss and Thornton.

115. The 2001 Proxy Statement made numerous significant representations concerning American Greetings' stock option plans, for instance, relating to the purpose of stock option grants, how stock options were being granted, and how stock options would be granted in the future.

(a) The 2001 Proxy Statement communicated that stock option grants were not being backdated and would not be backdated in the future. In the Report of the Compensation Committee, the 2001 Proxy stated the Company's "compensation philosophy reflects its belief that the compensation of its executive and non-executive officers should . . . motivate[] officers . . . by tying officers' compensation to the performance of the Company" and "align the interests of its officers with the long-term interests of the Company's shareholders through the award of stock options." 2001 Proxy at 10. It further stated that under the Company's "long-term incentive compensation programs," which include stock options, the Company was "tying officer compensation directly to shareholder return," because "[a]n officer . . . benefits if the price of the Company's shares increases." *Id.* at 11. The 2001 Proxy Statement also affirmed options were being "granted at 100% of fair market value at the close of business on the last business day preceding the date of grant or at not less than market value on the date of grant" (*id.*) and the Compensation Committee would "assure [compensation] programs are consistent with the objective of increasing shareholder value." *Id.* at 12. The 2001 Proxy made similar statements related to the granting of options and suggesting options were accurately dated to be the grant date. For example, the 2001 Proxy falsely stated the April 4, 2001 options were granted by the Board "on April 4, 2001." 2001 Proxy at 26.

(b) In recommending approval of an amendment to the 1997 Equity and Performance Incentive Plan, to increase the number of shares authorized for option grants by 7,000,000 shares, the 2001 Proxy summarized, attached and expressly referenced the proposed amended 1997 Equity and Performance Incentive Plan. The summary explicitly stated, and the attached plan further served to represent, option exercise prices under the plan would be not less than fair market value of the Company's common stock on the date of grant. For example, §4 of the attached plan stated the option price per share "may not be less than the Market Value per Share on the Date of Grant," and in defining "Date of Grant" the attached plan further stated such date "shall not be earlier than the date on which the Board takes action with respect" to the option. This was stated in sum and substance throughout the plan's provisions concerning stock option grant exercise prices.

116. The 2001 Proxy Statement contained a "Report of the Audit Committee" made with respect to the Company's financial statements for the fiscal year ended February 28, 2001, which

included American Greetings' 1999-2001 financial statements and selected financial data from the Company's 1997-2001 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), all of which were falsified by the backdating alleged herein. The Audit Committee's charter, referenced in and attached to the 2001 Proxy, demonstrated the Audit Committee's substantial oversight authority and responsibilities aimed at ensuring the Company's integrity of reported financial results, soundness of internal controls, adequacy of disclosures and compliance with laws and regulations. In the report Hardis, Cowen, Mouchly-Weiss and Thornton represented they had fulfilled their duties to help ensure the adequacy of the Company's internal controls and endorsed the integrity of American Greetings' financial statements and internal controls and adequacy of disclosures. In so doing, they stated (among other things) that the committee "recommend[ed] to the Board of Directors that the audited financial statements for the year ended February 28, 2001, be included in the Company's 2001 Annual Report on Form 10-K for filing with the Securities and Exchange Commission." 2001 Proxy at 13.

117. The 2001 Proxy Statement representations were made in connection with and essential to a number of proposals American Greetings' Board made to the Company's shareholders for a vote.

(a) The first proposal concerned "ELECTION OF DIRECTORS" – including certain of the same directors who were backdating and/or receiving backdated stock options and making misrepresentations to the Company's shareholders. Each defendant then a director explicitly recommended that American Greetings' shareholders "VOTE FOR" the election of each of the nominee directors. 2001 Proxy at 4, 5.

(b) The second proposal was for approval of the amendment to the "1997 EQUITY AND PERFORMANCE INCENTIVE PLAN" to "INCREASE ... SHARES AUTHORIZED FOR GRANTS" by 7,000,000 shares, for "solely . . . stock option grants." Each defendant then a director explicitly recommended American Greetings' shareholders "VOTE FOR THE ADOPTION" of the amendment to the 1997 Equity and Performance Incentive Plan. 2001 Proxy at 18.

(c) The third proposal was for "APPROVAL OF PERFORMANCE-BASED COMPENSATION ARRANGEMENTS FOR THE CHIEF EXECUTIVE OFFICER AND OTHER NAMED EXECUTIVE OFFICERS," which arrangements provided for bonuses to the CEO and other named officers. Each defendant then a director explicitly recommended American Greetings' shareholders "VOTE FOR THE ADOPTION" of the proposal to approve and amend the compensation plans. 2001 Proxy at 19.

Proxy Statement Filed in Connection with the 2002 Annual Meeting

118. On or about June 28, 2002, American Greetings filed with the SEC its definitive proxy statement for the 2002 annual meeting of shareholders ("2002 Proxy Statement" or "2002 Proxy"). The 2002 Proxy Statement was reviewed and approved by M. Weiss, Hardis, Cowen, Thornton, Mouchly-Weiss and Ratner. The 2002 Proxy included a "Report of the Compensation Committee" signed by Cowen, Hardis, Ratner and Mouchly-Weiss. The 2002 Proxy also included a "Report of the Audit Committee" signed by Hardis, Cowen, Mouchly-Weiss and Thornton.

119. The 2002 Proxy Statement made numerous significant representations concerning American Greetings' stock option plans, for instance, relating to the purpose of stock option grants, how stock options were being granted, and how stock options would be granted in the future. The 2002 Proxy Statement communicated that stock option grants were not being backdated and would not be backdated in the future. In the Report of the Compensation Committee, the 2002 Proxy stated

the Company's "compensation philosophy reflects its belief that the compensation of its executive and non-executive officers should . . . motivate[] officers . . . by tying officers' compensation to the performance of the Company" and "align the interests of its officers with the long-term interests of the Company's shareholders through the award of stock options." 2002 Proxy at 9. It further stated that under the Company's "long-term incentive compensation programs," which include stock options, the Company was "tying compensation . . . directly to shareholder return," because "[a]n officer . . . benefits if the price of the Company's shares increases." *Id.* at 10. The 2002 Proxy Statement also affirmed options were being "granted at 100% of fair market value at the close of business on the last business day preceding the date of grant or at not less than market value on the date of grant" (*id.* at 11) and the Compensation Committee would "assure [compensation] programs are consistent with the objective of increasing shareholder value." *Id.* at 12. The 2002 Proxy made similar statements related to the granting of options and suggesting options were accurately dated to be the grant date.

120. The 2002 Proxy Statement contained a "Report of the Audit Committee" made with respect to the Company's financial statements for the fiscal year ended February 28, 2002, which included American Greetings' 2000-2002 financial statements and selected financial data from the Company's 1998-2002 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), all of which were falsified by the backdating alleged herein. The Audit Committee's charter, referenced in and attached to the 2001 Proxy, demonstrated the Audit Committee's substantial oversight authority and responsibilities aimed at ensuring the Company's integrity of reported financial results, soundness of internal controls, adequacy of disclosures and compliance with laws and regulations. In the report Hardis, Cowen, Mouchly-Weiss and Thornton represented they had fulfilled their duties to help ensure the

adequacy of the Company's internal controls and endorsed the integrity of American Greetings' financial statements and internal controls and adequacy of disclosures. In so doing, they stated (among other things) that the committee "recommended to the Board of Directors that the audited financial statements for the year ended February 28, 2002, be included in the Company's 2002 Annual Report on Form 10-K for filing with the SEC." 2002 Proxy at 13.

121. The 2002 Proxy Statement representations were made in connection with and essential to the first proposal American Greetings' Board made to the Company's shareholders for a vote. The first proposal concerned "ELECTION OF DIRECTORS" – including certain of the same directors who were backdating and/or receiving backdated stock options and making misrepresentations to the Company's shareholders. Each defendant then a director explicitly recommended that American Greetings' shareholders "VOTE FOR" the election of each of the director nominees. 2002 Proxy at 3, 4.

Proxy Statement Filed in Connection with the 2003 Annual Meeting

122. On or about June 27, 2003, American Greetings filed with the SEC its definitive proxy statement for the 2003 annual meeting of shareholders ("2003 Proxy Statement" or "2003 Proxy"). The 2003 Proxy Statement was reviewed and approved by M. Weiss, J. Weiss, Z. Weiss, Hardis, Cowen, Thornton, Mouchly-Weiss and Ratner. The 2003 Proxy included a "Report of the Compensation Committee" signed by Cowen, Hardis, Ratner and Mouchly-Weiss. The 2003 Proxy also included a "Report of the Audit Committee" signed by Hardis, Cowen, Mouchly-Weiss and Thornton.

123. The 2003 Proxy Statement made numerous significant representations concerning American Greetings' stock option plans, for instance, relating to the purpose of stock option grants, how stock options were being granted, and how stock options would be granted in the future. The 2003 Proxy Statement communicated that stock option grants were not being backdated and would

not be backdated in the future. In the Report of the Compensation Committee, the 2003 Proxy stated the Company's "compensation philosophy reflects its belief that the compensation of its executive and non-executive officers should . . . motivate[] officers . . . by tying officers' compensation to the performance of the Company" and "align the interests of its officers with the long-term interests of the Company's shareholders through the award of stock options." 2003 Proxy at 10. It further stated that under the Company's "long-term incentive compensation programs," which include stock options, the Company was "tying officer compensation . . . directly to shareholder return," because "[a]n officer . . . benefits if the price of the Company's shares increases." *Id.* at 11. The 2003 Proxy Statement also affirmed options were being "granted at 100% of fair market value at the close of business on the last business day preceding the date of grant or at not less than market value on the date of grant" (*id.* at 12) and the Compensation Committee would "assure [compensation] programs are consistent with the objective of increasing shareholder value." *Id.* at 13. The 2003 Proxy made similar statements related to the granting of options and suggesting options were accurately dated to be the grant date.

124. The 2003 Proxy Statement contained a "Report of the Audit Committee" made with respect to the Company's financial statements for the fiscal year ended February 28, 2003, which included American Greetings' 2001-2003 financial statements and selected financial data from the Company's 1999-2003 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), all of which were falsified by the backdating alleged herein. The Audit Committee's charter, referenced in and attached to the 2001 Proxy, demonstrated the Audit Committee's substantial oversight authority and responsibilities aimed at ensuring the Company's integrity of reported financial results, soundness of internal controls, adequacy of disclosures and compliance with laws and regulations. In the report Hardis,

Cowen, Mouchly-Weiss and Thornton represented they had fulfilled their duties to help ensure the adequacy of the Company's internal controls and endorsed the integrity of American Greetings' financial statements and internal controls and adequacy of disclosures. In so doing, they stated (among other things) that the committee "recommended to the Board of Directors that the audited financial statements for the year ended February 28, 2003, be included in the Company's 2003 Annual Report on Form 10-K for filing with the [SEC]." 2003 Proxy at 14.

125. The 2003 Proxy Statement representations were made in connection with and essential to the first proposal American Greetings' Board made to the Company's shareholders for a vote. The first proposal concerned "ELECTION OF DIRECTORS" – including certain of the same directors who were backdating and/or receiving backdated stock options and making misrepresentations to the Company's shareholders. Each defendant then a director explicitly recommended that American Greetings' shareholders "VOTE FOR" the election of each of the director nominees. 2003 Proxy at 4, 5.

Proxy Statement Filed in Connection with the 2006 Annual Meeting

126. On or about May 11, 2006, American Greetings filed with the SEC its definitive proxy statement for the 2006 annual meeting of shareholders ("2006 Proxy Statement" or "2006 Proxy"). The 2006 Proxy Statement was reviewed and approved by M. Weiss, J. Weiss, Z. Weiss, Hardis, Cowen, Thornton, Mouchly-Weiss and Ratner. The 2006 Proxy included a "Report of the Compensation Committee" signed by Cowen, Hardis, Ratner and Mouchly-Weiss. The 2006 Proxy also included a "Report of the Audit Committee" signed by Hardis, Cowen, Mouchly-Weiss and Thornton.

127. The 2006 Proxy Statement made numerous significant representations concerning American Greetings' stock option plans, for instance, relating to the purpose of stock option grants, how stock options were being granted, and how stock options would be granted in the future. The

2006 Proxy Statement communicated that stock option grants were not being backdated and would not be backdated in the future. In the Report of the Compensation Committee, the 2006 Proxy stated the Company's "compensation philosophy reflects its belief that the compensation of its executive and non-executive officers should . . . align the interests of its officers with the long-term interests of the Company's shareholders through the award of stock options." 2006 Proxy at 12. It further stated that under the Company's "long-term incentive compensation programs," which include stock options, the Company was "link[ing] compensation for officers and certain key employees directly to shareholder return," because "[a]n officer holding stock options benefits if the price of the Company's shares increases." *Id.* at 14. The 2006 Proxy Statement also affirmed options were being "granted at 100% of fair market value at the close of business on either the last business day preceding the date of grant, or on the date of grant (depending on the actual plan under which the grant is made)." *Id.* at 15. The 2006 Proxy made similar statements related to the granting of options and suggesting options were accurately dated to be the grant date.

128. The 2006 Proxy Statement contained a "Report of the Audit Committee" made with respect to the Company's financial statements for the fiscal year ended February 28, 2006, which included American Greetings' 2004-2006 financial statements and selected financial data from the Company's 2002-2006 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), all of which were falsified by the backdating alleged herein. The Audit Committee's charter, referenced in the 2006 Proxy, demonstrated the Audit Committee's substantial oversight authority and responsibilities aimed at ensuring the Company's integrity of reported financial results, soundness of internal controls, adequacy of disclosures and compliance with laws and regulations. In the report, Hardis, Cowen, Mouchly-Weiss and Thornton represented they had fulfilled their duties to help ensure the adequacy

of the Company's internal controls and endorsed the integrity of American Greetings' financial statements and internal controls and adequacy of disclosures. In so doing, they stated (among other things) that the committee "recommended to the Board of Directors that the Company's audited financial statements be included in its Annual Report on Form 10-K for the year ended February 28, 2006, for filing with the Securities and Exchange Commission." 2006 Proxy at 24.

129. The 2006 Proxy Statement representations were made in connection with and essential to the first proposal American Greetings' Board made to the Company's shareholders for a vote. The first proposal concerned "ELECTION OF DIRECTORS" – including certain of the same directors who were backdating and/or receiving backdated stock options and making misrepresentations to the Company's shareholders. 2006 Proxy at 8. Each defendant then a director explicitly recommended that American Greetings' shareholders "vote FOR all of the . . . nominees." *Id.*

Proxy Statement Filed in Connection with the 2007 Annual Meeting

130. On or about May 17, 2007, American Greetings filed with the SEC its definitive proxy statement for the 2007 annual meeting of shareholders ("2007 Proxy Statement" or "2007 Proxy"). The 2007 Proxy Statement was signed by Z. Weiss and reviewed and approved by M. Weiss, J. Weiss, Z. Weiss, Hardis, Hardin, Cowen, Thornton, Mouchly-Weiss and Ratner. The 2007 Proxy included a "Report of the Compensation Committee" signed by Cowen, Hardis, Hardin, Ratner and Mouchly-Weiss. The 2007 Proxy also included a "Report of the Audit Committee" signed by Hardis, Cowen, Mouchly-Weiss and Thornton.

131. The 2007 Proxy Statement made numerous significant representations concerning American Greetings' stock option plans, for instance, relating to the purpose of stock option grants, how stock options were being granted, and how stock options would be granted in the future. The 2007 Proxy Statement communicated that stock option grants had not been backdated.

(a) In its discussion under "Long-Term Incentive Compensation," the 2007 Proxy (specifically the Board and Compensation Committee) stated that stock option awards "are consistent with our pay for performance principles because stock options align the interests of executives with those of the shareholders," and that "stock options are inherently performance based in that all the value received by the recipient from a stock option is based on the growth of the stock price above the option price." 2007 Proxy at 29. The 2007 Proxy Statement also affirmed option vesting was based on the "date of grant" and in fiscal 2007, *i.e.*, from March 2006 to March 2007, "the exercise price of each stock option granted was based on the fair market value of [American Greetings'] common shares on the grant date." *Id.* at 30. And in discussing the Company's historical practices with respect to annual grants of stock options that "have been made," the 2007 Proxy stated the "exercise price of any such grant is the closing price of our common shares on the grant date." *Id.*

(b) The 2007 Proxy also stated that "to further align non-employee directors' interests with [American Greetings'] shareholders, each year non-employee directors receive an annual grant of options to purchase [the Company's] Class A common shares." 2007 Proxy at 53. When identifying stock option grants, including the backdated July 12, 2006 options, the 2007 Proxy stated the grant date of the backdated July 12, 2006 options was "July 12, 2006" and the options had "an exercise price equal to the closing price of [American Greetings'] Class A common shares on the date of grant." *Id.* at 53-54. The 2007 Proxy made similar statements related to the granting of options and suggesting options were accurately dated to be the grant date.

132. The 2007 Proxy Statement contained a "Report of the Audit Committee" made with respect to the Company's financial statements for the fiscal year ended February 28, 2007, which included American Greetings' 2005-2007 financial statements and selected financial data from the

Company's 2003-2007 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), all of which were falsified by the backdating alleged herein. The Audit Committee's charter, referenced in the 2007 Proxy, demonstrated the Audit Committee's substantial oversight authority and responsibilities aimed at ensuring the Company's integrity of reported financial results, soundness of internal controls, adequacy of disclosures and compliance with laws and regulations. In the report, Hardis, Cowen, Mouchly-Weiss and Thornton represented they had fulfilled their duties to help ensure the adequacy of the Company's internal controls and endorsed the integrity of American Greetings' financial statements and internal controls and adequacy of disclosures. In so doing, they stated (among other things) that the committee "recommended to the Board of Directors that the audited financial statements be included in [the Company's] Annual Report on Form 10-K for the year ended February 28, 2007, for filing with the Securities and Exchange Commission." 2007 Proxy at 58.

133. The 2007 Proxy Statement representations were made in connection with and essential to a number of proposals American Greetings' Board made to the Company's shareholders for a vote.

(a) The first proposal concerned "ELECTION OF DIRECTORS" – including certain of the same directors who were backdating and/or receiving backdated stock options and making misrepresentations to the Company's shareholders. Each defendant then a director explicitly recommended that American Greetings' shareholders "***vote 'FOR' all of the . . . nominees.***" 2007 Proxy at 9.

(b) The second proposal was for "APPROVING THE AMERICAN GREETINGS CORPORATION 2007 OMNIBUS INCENTIVE COMPENSATION PLAN" to "replace [the] 1997 Equity and Performance Incentive Plan." 2007 Proxy at 13. Each defendant then a director explicitly recommended American Greetings' shareholders "***approv[e] the 2007 Omnibus Incentive Compensation Plan.***" *Id.* at 19.

Proxy Statement Filed in Connection with the 2008 Annual Meeting

134. On or about May 19, 2008, American Greetings filed with the SEC its definitive proxy statement for the 2008 annual meeting of shareholders ("2008 Proxy Statement" or "2008 Proxy"). The 2008 Proxy Statement was signed by Z. Weiss and reviewed and approved by M. Weiss, J. Weiss, Z. Weiss, Hardis, Hardin, Cowen, Thornton and Ratner. The 2008 Proxy included a "Report of the Compensation Committee" signed by Cowen, Hardis, Hardin and Ratner. The 2008 Proxy also included a "Report of the Audit Committee" signed by Hardis, Cowen and Thornton.

135. The 2008 Proxy Statement made numerous significant representations concerning American Greetings' stock option plans, for instance, relating to the purpose of stock option grants, how stock options were being granted, and how stock options would be granted in the future. The 2008 Proxy Statement communicated that stock option grants had not been backdated. In its discussion under "Long-Term Incentive Compensation," the 2008 Proxy (specifically the Board and Compensation Committee) stated that stock option awards "are consistent with our pay for performance principles because stock options[] align the interests of executives with those of the shareholders," and that "stock options are inherently performance based in that all the value received by the recipient from a stock option is based on the growth of the stock price above the option price." 2008 Proxy at 34-35. And in discussing the Company's historical practices with respect to annual grants of stock options that "have been made," the 2008 Proxy stated the "exercise price of any such grant is the closing price of our common shares on the grant date." *Id.* at 36.

136. The 2008 Proxy Statement contained a "Report of the Audit Committee" made with respect to the Company's financial statements for the fiscal year ended February 29, 2008, which included American Greetings' 2006-2008 financial statements and selected financial data from the

Company's 2004-2008 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), all of which were falsified by the backdating alleged herein. The Audit Committee's charter, referenced in the 2008 Proxy, demonstrated the Audit Committee's substantial oversight authority and responsibilities aimed at ensuring the Company's integrity of reported financial results, soundness of internal controls, adequacy of disclosures and compliance with laws and regulations. In the report, Hardis, Cowen and Thornton represented they had fulfilled their duties to help ensure the adequacy of the Company's internal controls and endorsed the integrity of American Greetings' financial statements and internal controls and adequacy of disclosures. In so doing, they stated (among other things) that the committee "recommended to the Board of Directors that the audited financial statements be included in [the Company's] Annual Report on Form 10-K for the year ended February 29, 2008, for filing with the Securities and Exchange Commission." 2007 Proxy at 61.

(a) The 2008 Proxy Statement representations were made in connection with and essential to the first proposal American Greetings' Board made to the Company's shareholders for a vote. The first proposal concerned "ELECTION OF DIRECTORS" – including certain of the same directors who were backdating and/or receiving backdated stock options and making misrepresentations to the Company's shareholders. 2008 Proxy at 9. Each defendant then a director explicitly recommended that American Greetings' shareholders ***"vote 'FOR' all of the . . . nominees."*** *Id.*

False and Misleading Forms 3, 4 and 5

137. American Greetings, with the knowledge, approval and participation of each of the defendants, filed with the SEC Forms 3, 4 or 5 that falsely reported the dates of American Greetings stock option grants to the defendants and others, for each of the option grants referenced in ¶¶77-87, *supra*. Those forms incorrectly stated the grant date of the options in the transaction date column for

the derivative securities section of the forms. In addition, certain forms otherwise falsely communicated in explanatory notes that options were granted on the option date.

BACKDATING AMERICAN GREETINGS' STOCK OPTIONS FALSIFIED THE COMPANY'S FINANCIAL STATEMENTS

138. Backdating American Greetings' stock options materially falsified the Company's financial statements by causing the understatement of compensation expense, the overstatement of earnings and the overstatement of shareholders' equity, among other things. For over a decade, defendants caused and/or allowed the Company to understate its compensation expense by not properly accounting for its stock options under GAAP and thus overstated the Company's net earnings.

139. Pursuant to Accounting Principles Board Opinion ("APB") No. 25, the applicable GAAP provision at the time of the options grants set forth herein, an option that is in-the-money on the measurement date has intrinsic value, and the difference between its exercise price and the quoted market price must be recorded as compensation expense to be recognized over the vesting period of the option. If the stock's market price on the date of grant exceeds the exercise price of the options, the corporation must recognize the difference as an expense, which directly impacts earnings. It is well known that "in-the-money" stock options must be recorded as an expense. But backdated stock options cause a company to not properly expense its option grants because the actual grant date escapes detection. Thus, American Greetings did not properly expense its backdated options and this was with full knowledge of the defendants who engaged in the backdating and/or received backdated options.

140. Although defendants received lucrative "in-the-money" options that were reported as market value options, they and American Greetings did not disclose this to shareholders or, worse, did not report the tens of millions of dollars of compensation expense (and reduced earnings)

incurred by the Company as a result of those backdated options. The backdated options falsified the Company's financial statements and periodic reports, not only during the quarterly and annual periods in which they were granted, but also as the options vested and were exercised in the following years. The Company has yet to recognize additional compensation expense resulting from backdated grants to its executives and directors.

141. Nor did defendants and American Greetings properly report defendants' compensation to the IRS. For years, defendants caused the Company to violate IRS rules and regulations as a result of backdated stock options. Internal Revenue Code §162(m) generally limits a publicly traded company's tax deductions for compensation paid to each of its named executive officers to $1 million unless the pay is determined to be "performance-based." In order for compensation to be performance-based, the compensation committee must have set pre-established and objective performance goals. The goals must then be approved by the shareholders. Section 162(m) defines stock options as performance-based provided they are issued at an exercise price that is no less than the fair market value of the stock on the date of the grant. According to former SEC Chairman Harvey Pitt: "What [§162(m)] did was create incentives to find other forms of compensation so people could get over the $1 million threshold without running afoul of the code." Stock options American Greetings purportedly issued were not taken into account in calculating whether the compensation of certain executives exceeded the $1 million compensation cap when they should have been, because they were backdated to be "in-the-money."

142. Additionally, defendants failed to ensure that the Company maintained a system of internal accounting controls sufficient to provide assurances that stock option grants were recorded as necessary to permit the proper preparation of financial statements in conformity with GAAP,

including APB No. 25, and SEC rules and regulations. As stated by Harvey Pitt, former Chairman of the SEC:

> Options backdating calls a company's internal controls into question. Many discussions of backdating start with the observation that backdating is not, per se, illegal. That is wrong. Options backdating frequently involves falsification of records used to gain access to corporate assets .... If corporate directors were complicit in these efforts, state law fiduciary obligations are violated. Backdating is not only illegal and unethical, it points to a lack of integrity in a company's internal controls.

Harvey Pitt, *Lessons of the stock option scandal*, Fin. Times, June 2, 2006, at 15. Through their fiduciary duties of good faith and loyalty, defendants owed to American Greetings a duty to ensure that the Company's financial reporting fairly presented, in all material respects, the operations and financial condition of the Company. In order to adequately carry out these duties, it is necessary for the defendants to know and understand the material non-public information to be either disclosed or omitted from the Company's public statements. This material non-public information included the problems the Company faced because of its deficient internal controls.

Audit Committee Members Who Engaged in Backdating Options Turned a Blind Eye to Internal Control Failures and Inadequate Disclosures

143. The conduct of certain members of the Board was particularly egregious because of their special obligations as members of American Greetings' Audit Committee. Not only did Hardis, Cowen and Thornton approve and/or accept backdated option grants in violation of the Company's stock option plans, they also turned a blind eye to their explicit obligations to report to American Greetings' external auditors the internal control failures (as members of the Audit Committee) caused by that conduct and the conduct of their fellow directors in backdating options. Nonetheless, Hardis, Cowen and Thornton reported no audit failures and recommended that the Company's financial statements be included in its SEC filings year after year.

144. As members of the Audit Committee, Hardis, Hardin, Cowen and Thornton had the highest obligation to inform American Greetings' external auditors of the backdating deception. Despite possessing knowledge that they and fellow members of the Board had approved millions of backdated option grants, they turned a blind eye to the backdating when performing their duties and their Audit Committee duties in particular. For example, as reported to shareholders in the Audit Committee's originating Charter, the Audit Committee shall consider, in consultation with the independent auditor and the senior internal auditing executive, the adequacy of the corporation's internal financial controls, and review the Company's financial statements and significant findings based on the auditor's review. See Audit Committee Charters adopted 2001, 2004. Specifically, Hardis, Hardin, Cowen and Thornton were to: (i) monitor the integrity of the Company's financial statements, reports and other financial information provided by American Greetings to any governmental body or the public; (ii) monitor the integrity of the Company's auditing, accounting and financial reporting processes; (iii) monitor the independence and performance of the Corporation's outside auditors and Internal Audit Department; (iv) monitor the Company's compliance with legal and regulatory requirements; and (v) review the adequacy of and compliance with the Company's financial policies and procedures and systems of internal control. *See* Audit Committee Charters adopted 2001, 2004. In so doing, the Audit Committee was empowered and authorized to "conduct any investigation appropriate in fulfilling its responsibilities." *See id.*

145. The Audit Committee Charters set forth extensive responsibilities, including reviewing with the Company's independent accountants the adequacy and effectiveness of the accounting and financial controls of the corporation, the plan and results of the annual audit, and material events or transactions and the reasoning for the appropriateness of accounting principles and financial disclosure practices used or proposed to be adopted by the Company. For example, among

other things, Hardis, Hardin, Cowen and Thornton were charged with oversight of the Company's disclosure controls and procedures, including applicable internal controls and procedures for financial reporting and internal controls relating to the authorization of transactions and the safeguarding and control of assets and were to consider the impact on the Company of any significant deficiencies in the design or operation of internal controls and procedures for financial reporting or material weaknesses therein and any fraud involving management or other employees that was reported to the Committee and were to oversee appropriate corrective actions. *See* Audit Committee Charters adopted 2001, 2004. They also had responsibility for reviewing with the Company: (i) any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data; (ii) any material weakness in the Company's internal controls; and (iii) any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal controls. *Id.*

146. Indeed, the members of the Audit Committee were charged with the Board's fiduciary responsibility to ensure the integrity of the Company's reported financial results and internal control systems. Nonetheless, during Cowen's meetings and communications with the Company's auditors from 1997 onward, during Hardis's meetings and communications with the Company's auditors from 2000 onward, and during Thornton's meetings and communications with the Company's auditors from 2001 onward, Hardis, Cowen and Thornton, respectively, withheld from the Company's auditors: (i) intentional breaches of the Company's internal controls, namely the backdating of stock options; (ii) material inflation of the Company's reported financial results due to the false underreporting of compensation expense; and (iii) the resulting irregularities of the Company's deceptive stock option granting practices and false financial reporting that would require

a restatement of (or charges to) the Company's financial statements and/or the withdrawal or modification of audit opinions certifying the Company's financial reports.

False Financial Statements

147. Specifically, since fiscal 1997, American Greetings has reported false and misleading fiscal and quarterly financial results which materially understated its compensation expenses and thus overstated the Company's earnings as follows:

Fiscal Year	Reported Earnings (in millions)	Reported Diluted EPS From Continuing Operations
1994	$1,769.96	$1.77
1995	$1,868.93	$2.00
1996	$2,003.04	$1.54
1997	$2,161.09	$2.22
1998	$2,198.76	$2.37
1999	$2,205.71	$2.65
2000	$2,175.24	$1.81
2001	$2,518.81	$1.31
2002	$1,927.35	$1.09
2003	$1,995.86	$1.54
2004	$1,953.73	$1.46
2005	$1,883.37	$0.94
2006	$1,875.10	$1.71
2007	$1,794.29	$0.85
2008	$1,776.45	$1.77

148. Since fiscal 2007, American Greetings has also reported false and misleading financial statements that materially understated the weighted average fair value per share at date of grant for options granted during the fiscal years as follows:

Fiscal Year	Understated Weighted Average Fair Value Per Share at Purported Date of Grant for Options Granted During Fiscal Year (unadjusted for stock splits)

2001	$4.14
2002	$3.33
2003	$5.96
2004	$6.09
2005	$7.41
2006	$7.69

149. The effect of the backdating and the backdating itself is, and always has been, material to American Greetings' financial statements and should have been reported long ago. Relevant guidance on whether accounting items are material is found in the Supreme Court's ruling in *TSC Indus. v. Northway, Inc.*, 426 U.S. 438, 449 (1976), and in SEC Staff Accounting Bulletin No. 99 ("SAB 99"), released August 12, 1999. The Court ruled in *TSC* that a fact is material to investors if there is "a substantial likelihood that the . . . fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available." 426 U.S. at 449. SAB 99 explains that both "quantitative" and "qualitative" factors help determine an item's materiality, rather than purely quantitative factors alone. Qualitative factors that can make a misstated fact material include, among others:

(a) whether the misstatement has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation;

(b) whether the misstatement arises from an item "capable of precise measurement";

(c) whether the misstatement masks a change in earnings;

(d) whether the misstatement concerns a segment or other portion of the registrant's business that has been identified as playing a significant role in the registrant's operations or profitability; and

(e) whether the misstatement affects the registrant's compliance with regulatory requirements.

150. The backdating in this case and its effect is material under both a qualitative and a quantitative analysis. First, there is a substantial likelihood that the reasonable investor would consider that facts about backdating significantly alter the total mix of information about American Greetings. That is because, among other things, improper backdating of stock options reflects the degree to which the Company's insiders promote their own interests ahead of the Company's. The SEC has stated that the integrity of a company's management "is always a material factor." Second, the improper backdating increased management's and directors' compensation, and reduced requirements for those insiders to gain bonuses and incentive compensation. Third, the correct dates of option grants and the correct closing prices for stock on those dates can be precisely recorded and measured. Fourth, the improper backdating of stock options masked the Company's true net income, which should have been reported as lower, due to greater compensation expenses. Fifth, the improper backdating affects the incentives for management and directors to improve the Company's operations and profitability. Sixth, the improper backdating of stock options violates financial-reporting requirements of public companies and violates tax laws related to compensation expenses. Further, the backdating here was intentional conduct and therefore, by its nature, was material.

151. Although any of the above qualitative factors would have identified the defendants' stock option backdating as "material," the backdating also was material under quantitative criteria. Backdating contributed to the defendants' ability to sell tens of millions of dollars worth of the Company's stock while in possession of material, non-public adverse information about the backdating practices. Therefore, the defendants' only appropriate response would be to properly

correct the errors for each of the periods affected by the backdating scheme and thus provide the shareholders and the investing public the transparency they deserve.

152. In addition, under current accounting rules, a financial misstatement that appears immaterial as to a single reporting period may have a cumulative material impact on other periods. In such a situation, the misstatement must be disclosed, according to SEC Staff Accounting Bulletin No. 108 ("SAB 108"). This principle, which is reflected in SAB 108, has always been recognized in the financial accounting concept of materiality. For over ten years American Greetings understated compensation expense and overstated its earnings as a result of stock option backdating. The conduct and its effect in these individual years from fiscal 1997 onward was material in and of itself. Cumulatively, the financial statement effect is even more significant.

153. American Greetings' materially false and misleading financial statements were included in periodic reports filed with the SEC. The results were also included in press releases issued by the Company.

American Greetings' Materially False and Misleading Reports on Form 10-K

154. American Greetings' Reports on Form 10-K filed from 1997 through 2008 contained false and misleading financial statements and other statements understating compensation expense, overstating shareholders' equity, and overstating income (or understating loss), net income (or net loss) and earnings (or loss) per share. The notes to the Company's financial statements falsely communicated that stock options were being granted in accordance with American Greetings' stock option plans, namely by pricing options based on the Company's stock price on the date of the grant. And they falsely stated the weighted average fair value per share at date of grant for American Greetings' options, as well as compensation cost. The notes to the Company's financial statements further materially overstated pro forma net earnings and earnings per share (or understated pro forma net loss and loss per share) as if compensation cost for the Company's stock-based compensation

plans had been determined based on the estimated fair value of the options at the grant dates. These Reports on Form 10-K were false and misleading because (among other things) defendants were backdating and mispricing stock options. As those who engaged in the backdating and/or received backdated options knew, many purportedly at market option grants were backdated and retroactively priced to be "in-the-money."

The Fiscal 1997 Report on Form 10-K

155. On or about May 27, 1997, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 28, 1997 (the "1997 10-K"). The 1997 10-K was simultaneously distributed to shareholders and the public. The 1997 10-K included American Greetings' 1996-1997 financial statements and selected financial data from the Company's 1993-1997 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

156. The 1997 10-K also falsely communicated that option grants were not granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating "because the exercise price of the Corporation's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized." 1997 10-K at 30. The 1997 10-K also materially understated the weighted average fair value of options granted. Because options had been backdated to be "in-the-money," the value of those options was understated, and so too was the weighted average fair value of those options. Similarly, "[p]ro forma" net income and earnings per share purportedly reported under Statement of Financial

Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123") were materially overstated because the fair value of options granted and related compensation costs were understated. *Id.*

157. The 1997 10-K was signed by defendants M. Weiss and Cowen.

The Fiscal 1998 Report on Form 10-K

158. On or about May 14, 1998, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 28, 1998 (the "1998 10-K"). The 1998 10-K was simultaneously distributed to shareholders and the public. The 1998 10-K included American Greetings' 1997-1998 financial statements and selected financial data from the Company's 1994-1998 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

159. The 1998 10-K also falsely communicated that option grants were not granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating "because the exercise price of the Corporation's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized." 1998 10-K at 38. The 1998 10-K also materially understated the weighted average fair value of options granted. Because options had been backdated to be "in-the-money," the value of those options was understated, and so too was the weighted average fair value of those options. Similarly, "[p]ro forma" net income and earnings per share purportedly reported under SFAS No. 123 were

materially overstated because the fair value of options granted and related compensation costs were understated. *Id.*

160. The 1998 10-K was signed by defendants M. Weiss and Cowen.

The Fiscal 1999 Report on Form 10-K

161. On or about May 27, 1999, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 28, 1999 (the "1999 10-K"). The 1999 10-K was simultaneously distributed to shareholders and the public. The 1999 10-K included American Greetings' 1998-1999 financial statements and selected financial data from the Company's 1995-1999 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

162. The 1999 10-K also falsely communicated that option grants were not granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating "because the exercise price of the Corporation's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized." 1999 10-K at 42. The 1999 10-K also materially understated the weighted average fair value of options granted. Because options had been backdated to be "in-the-money," the value of those options was understated, and so too was the weighted average fair value of those options. Similarly, "[p]ro forma" net income and earnings per share purportedly reported under SFAS No. 123 were materially overstated because the fair value of options granted and related compensation costs were understated. *Id.* at 42-43.

163. The 1999 10-K was signed by defendants M. Weiss, Mouchly-Weiss and Cowen.

The Fiscal 2000 Report on Form 10-K

164. On or about May 26, 2000, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 29, 2000 (the "2000 10-K"). The 2000 10-K was simultaneously distributed to shareholders and the public. The 2000 10-K included American Greetings' 1998-2000 financial statements and selected financial data from the Company's 1996-2000 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

165. The 2000 10-K also falsely communicated that option grants were not granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating "because the exercise price of the Corporation's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized." 2000 10-K at 45. The 2000 10-K also materially understated the weighted average fair value of options granted. Because options had been backdated to be "in-the-money," the value of those options was understated, and so too was the weighted average fair value of those options. Similarly, "[p]ro forma" net income and earnings per share purportedly reported under SFAS No. 123 were materially overstated because the fair value of options granted and related compensation costs were understated. *Id.* at 45-46.

166. The fiscal 2000 10-K was signed by defendants M. Weiss, Cowen, Hardis and Mouchly-Weiss.

The Fiscal 2001 Report on Form 10-K

167. On or about May 3, 2001, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 28, 2001 (the "2001 10-K"). The 2001 10-K was simultaneously distributed to shareholders and the public. The 2001 10-K included American Greetings' 1999-2001 financial statements and selected financial data from the Company's 1997-2001 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

168. The 2001 10-K also falsely communicated that option grants were not granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating "because the exercise price of the Corporation's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized." 2001 10-K at 50. The 2001 10-K also materially understated the weighted average fair value of options granted. Because options had been backdated to be "in-the-money," the value of those options was understated, and so too was the weighted average fair value of those options. Similarly, "[p]ro forma" net income and earnings per share purportedly reported under SFAS No. 123 were materially overstated because the fair value of options granted and related compensation costs were understated. *Id.* at 50-51.

169. The 2001 10-K was signed by defendants M. Weiss, Cowen, Hardis, Ratner, Thornton and Mouchly-Weiss.

The Fiscal 2002 Report on Form 10-K

170. On or about May 29, 2002, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 28, 2002 (the "2002 10-K"). The 2002 10-K was simultaneously distributed to shareholders and the public. The 2002 10-K included American Greetings' 2000-2002 financial statements and selected financial data from the Company's 1998-2002 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

171. The 2002 10-K also falsely communicated that option grants were not granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating "because the exercise price of the Corporation's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized." 2002 10-K at 60. The 2002 10-K also materially understated the weighted average fair value of options granted. Because options had been backdated to be "in-the-money," the value of those options was understated, and so too was the weighted average fair value of those options. Similarly, "[p]ro forma" net income and earnings per share purportedly reported under SFAS No. 123 were materially overstated because the fair value of options granted and related compensation costs were understated. *Id.* at 60-61.

172. The 2002 10-K was signed by defendants M. Weiss, Cowen, Hardis, Ratner, Thornton, Mouchly-Weiss and Cipollone.

The Fiscal 2003 Report on Form 10-K

173. On or about May 29, 2003, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 28, 2003 (the "2003 10-K"). The 2003 10-K was simultaneously distributed to shareholders and the public. The 2003 10-K included American Greetings' 2001-2003 financial statements and selected financial data from the Company's 1999-2003 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

174. The 2003 10-K also falsely communicated that option grants were not granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating "[b]ecause the exercise price of the Corporation's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized." 2003 10-K at 46-47. The 2003 10-K also materially understated the weighted average fair value of options granted. Because options had been backdated to be "in-the-money," the value of those options was understated, and so too was the weighted average fair value of those options. Similarly, "[p]ro forma" net income and earnings per share purportedly reported under SFAS No. 123 were materially overstated because the fair value of options granted and related compensation costs were understated. *Id.*

175. The 2003 10-K was signed by defendants M. Weiss, Cowen, Hardis, Ratner, Thornton, Mouchly-Weiss and Cipollone.

The Fiscal 2004 Report on Form 10-K

176. On or about May 4, 2004, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 29, 2004 (the "2004 10-K"). The 2004 10-K was simultaneously distributed to shareholders and the public. The 2004 10-K included American Greetings' 2002-2004 financial statements and selected financial data from the Company's 2000-2004 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

177. The 2004 10-K also falsely communicated that option grants were not granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating "[b]ecause the exercise price of the Corporation's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized." 2004 10-K at 50. The 2004 10-K also materially understated the weighted average fair value of options granted. Because outstanding options had been backdated to be "in-the-money," the value of those options was understated, and so too was the weighted average fair value of those options. Similarly, "[p]ro forma" net income and earnings per share purportedly reported under SFAS No. 123 were materially overstated because the fair value of options granted and related compensation costs were understated. *Id.* at 51.

178. The 2004 10-K was signed by defendants M. Weiss, Z. Weiss, J. Weiss, Cowen, Hardis, Ratner, Thornton, Mouchly-Weiss and Cipollone.

The Fiscal 2005 Report on Form 10-K

179. On or about May 11, 2005, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 28, 2005 (the "2005 10-K"). The 2005 10-K was simultaneously distributed to shareholders and the public. The 2005 10-K included American Greetings' 2003-2005 financial statements and selected financial data from the Company's 2001-2005 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

180. The 2005 10-K also falsely communicated that option grants were not granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating "[b]ecause the exercise price of the Corporation's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized." 2005 10-K at 51. The 2005 10-K also materially understated the weighted average fair value of options granted. Because outstanding options had been backdated to be "in-the-money," the value of those options was understated, and so too was the weighted average fair value of those options. Similarly, "[p]ro forma" net income and earnings per share purportedly reported under SFAS No. 123 were materially overstated because the fair value of options granted and related compensation costs were understated. *Id.* at 51-52.

181. The 2005 10-K was signed by defendants M. Weiss, Z. Weiss, J. Weiss, Cowen, Hardis, Hardin, Ratner, Thornton, Mouchly-Weiss and Cipollone.

The Fiscal 2006 Report on Form 10-K

182. On or about May 10, 2006, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 28, 2006 (the "2006 10-K"). The 2006 10-K was simultaneously distributed to shareholders and the public. The 2006 10-K included American Greetings' 2004-2006 financial statements and selected financial data from the Company's 2002-2006 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

183. The 2006 10-K also falsely communicated that option grants were not granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating "[b]ecause the exercise price of the Corporation's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized." 2006 10-K at 47. The 2006 10-K also materially understated stock-based compensation expense determined under the fair value based method, because outstanding options had been backdated to be "in-the-money" and the value of those options was understated. Similarly, "[p]ro forma" net income and earnings per share purportedly reported under SFAS No. 123 were materially overstated because stock-based compensation expense was understated. *Id.* at 48.

184. The 2006 10-K was signed by defendants M. Weiss, Z. Weiss, J. Weiss, Cowen, Hardis, Hardin, Ratner, Thornton, Mouchly-Weiss and Cipollone.

The Fiscal 2007 Report on Form 10-K

185. On or about April 30, 2007, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 28, 2007 (the "2007 10-K"). The 2007 10-K was simultaneously distributed to shareholders and the public. The 2007 10-K included American Greetings' 2005-2007 financial statements and selected financial data from the Company's 2003-2007 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

186. The 2007 10-K also falsely communicated that, historically, option grants had not been granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating: "Prior to March 1, 2006, the Corporation followed Accounting Principles Board Opinion No. 25 .... Because the exercise price of the Corporation's stock options equals the fair market value of the underlying stock on the date of grant, no compensation expense was recognized." 2007 10-K at 65. The 2007 10-K also falsely communicated that American Greetings was continuing to the grant options at not less than fair market value on the date of grant, stating "options to purchase common shares are granted to directors, officers and other key employees at the then-current market price." *Id.*

187. The 2007 10-K falsely understated the total intrinsic value of options exercised in 2005 and the "weighted average fair value per share" of options granted during fiscal 2007 because options had been backdated to be "in-the-money," and the value of those options was understated.

2007 Form 10-K at 66. Similarly, "[p]ro forma" net income and "[e]arnings per share" were overstated, as purportedly reported under Statement of Financial Accounting Standards No. 123R, *Share Based Payment* ("SFAS No. 123R"), because the fair values of options previously granted and related "[s]tock-based compensation expense" were understated. *Id.* at 65.

188. The 2007 10-K was signed by defendants M. Weiss, Z. Weiss, J. Weiss, Cowen, Hardis, Hardin, Ratner, Thornton, Mouchly-Weiss and Cipollone.

Fiscal 2008 Report on Form 10-K

189. On or about April 29, 2008, the Company filed with the SEC its Report on Form 10-K for the fiscal year ended February 29, 2008 (the "2008 10-K"). The 2008 10-K was simultaneously distributed to shareholders and the public. The 2008 10-K included American Greetings' 2006-2008 financial statements and selected financial data from the Company's 2004-2008 financial statements (including income statement and balance sheet data, *i.e.*, net income, net income per share and shareholders' equity), which were materially false and misleading and presented in violation of GAAP, due to improper accounting for the backdated stock options. Because stock options identified herein were backdated to be "in-the-money," the option grants constituted significant unreported non-cash compensation expense. As a result, American Greetings' compensation expense was understated and its income, net income and shareholders' equity were overstated.

190. The 2008 10-K also falsely communicated that, historically, option grants had not been granted at less than market value at the date of grant and falsely rationalized the lack of recorded compensation expense, stating: "Prior to March 1, 2006, the Corporation followed Accounting Principles Board Opinion No. 25 . . . . Because the exercise price of the Corporation's stock options equals the fair market value of the underlying stock on the date of grant, no compensation expense was recognized." 2008 10-K at 70. The 2008 10-K also falsely

communicated that American Greetings was continuing to the grant options at not less than fair market value on the date of grant, stating "options to purchase common shares are granted to directors, officers and other key employees at the then-current market price." *Id.*

191. The 2008 10-K falsely understated the "weighted average fair value per share" of options granted during fiscal 2008 because options had been backdated to be "in-the-money," and the value of those options was understated. 2008 10-K at 71. Similarly, "[p]ro forma" net income and "[e]arnings per share" were overstated, as purportedly reported under SFAS No. 123R, because the fair values of options previously granted and related "[s]tock-based compensation expense" were understated. *Id.* at 70.

192. The 2008 10-K was signed by defendants M. Weiss, Z. Weiss, J. Weiss, Cowen, Hardis, Hardin, Ratner, Thornton and Cipollone.

False and Misleading Sarbanes-Oxley Certifications

193. The Reports on Form 10-K for fiscal years ended February 28 or 29, 2003 through 2007 each contained Sarbanes-Oxley Certifications. M. Weiss signed the Certifications for the 2003 Form 10-K. Z. Weiss signed the Certifications for the 2004 Form 10-K. Z. Weiss and Cipollone signed the Certifications for the 2005 Form 10-K. Z. Weiss signed the Certifications for the 2006-2008 Form 10-Ks. Those Certifications provided (among other things) that: (i) the "report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading"; (ii) the "financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows" of the Company; and (iii) they had "disclosed . . . to [American Greetings'] auditors and the audit committee of [registrant's] board of directors (or persons performing the equivalent function): (a) [a]ll significant deficiencies and material weakness in the design or operation of internal control . . .;

and (b) [a]ny fraud, whether or not material, that involves management or other employees who have a significant role in [American Greetings'] internal control over financial reporting."

194. The Sarbanes-Oxley Certifications were false because, as M. Weiss, Z. Weiss and Cipollone knew or recklessly disregarded, the Reports on Form 10-K contained false and misleading statements as a result of the backdating alleged herein. Backdating by Board members, including Cowen, Hardis, Hardin, Ratner and Mouchly-Weiss, had been concealed from the Company's auditors, and the backdating scheme constituted a fraud that involved the top levels of management (including Cipollone, M. Weiss, Z. Weiss and J. Weiss) and Audit Committee members – those who had the most significant role in American Greetings' internal controls.

False and Misleading Reports on Form 10-Q

195. Cipollone signed the reports on Form 10-Q filed by American Greetings or about July 13, 2001, October 15, 2001, January 14, 2002, July 15, 2002, October 15, 2002, January 14, 2003, July 15, 2003, October 15, 2003, January 14, 2004, July 9, 2004, September 30, 2004, January 7, 2005, July 8, 2005, October 7, 2005, January 9, 2006, July 5, 2006, October 4, 2006, January 3, 2007, July 5, 2007, October 3, 2007, January 2, 2008, July 9, 2008, and October 8, 2008.

196. The Reports on Form 10-Q identified contained the Company's interim unaudited financial statements for current and previous reporting periods, which were false and misleading for ***understating*** compensation expense and ***overstating*** income, net income and earnings per share. These reports were false and misleading because (among other things) defendants were backdating stock options. As Cipollone knew through receiving backdated options, as alleged herein, option grants were being backdated and thus constituted significant unreported non-cash compensation expense.

197. The Reports on Form 10-Q filed on October 15, 2002 and January 14, 2003 each contained Sarbanes-Oxley Certifications signed by M. Weiss. The Reports on Form 10-Q filed on

July 15, 2003, October 15, 2003, January 14, 2004, July 9, 2004, September 30, 2004 and January 7, 2005 each contained Sarbanes-Oxley Certifications signed by Z. Weiss. The Report on Form 10-Q filed July 8, 2005 contained Sarbanes-Oxley Certifications signed by Z. Weiss and Cipollone. The Reports on Form 10-Q filed October 7, 2005, January 9, 2006, July 5, 2006, October 4, 2006, January 3, 2007, July 5, 2007, October 3, 2007, January 2, 2008, July 9, 2008 and October 8, 2008 each contained Sarbanes-Oxley Certifications signed by Z. Weiss.

198. Those Sarbanes-Oxley Certifications provided (among other things) that: (i) the "report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading"; (ii) the "financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows" of the Company; and (iii) they had "disclosed . . . to [American Greetings'] auditors and the audit committee of [registrant's] board of directors (or persons performing the equivalent function): (a) [a]ll significant deficiencies and material weakness in the design or operation of internal control . . .; and (b) [a]ny fraud, whether or not material, that involves management or other employees who have a significant role in [American Greetings'] internal control over financial reporting."

199. The Sarbanes-Oxley Certifications were false because, as M. Weiss, Z. Weiss and Cipollone knew or recklessly disregarded, the Reports on Form 10-Q contained false and misleading statements as a result of the backdating alleged herein. Backdating by Board members, including Cowen, Hardis, Hardin, Ratner and Mouchly-Weiss, had been concealed from the Company's auditors, and the backdating scheme constituted a fraud that involved the top levels of management

(including Cipollone, M. Weiss, Z. Weiss and J. Weiss) and Audit Committee members – those who had the most significant role in American Greetings' internal controls.

INSIDER TRADING

200. While defendants issued false and misleading periodic reports and proxy statements, causing shares to trade at artificially inflated levels, they were also causing the Company to grant them millions of stock options, many backdated to be priced at prices lower than which legitimate grants would be priced. Insiders, including defendants, exercised many of these stock options, contributing to their ability to sell over $38 million worth of American Greetings' stock:

Insider	Date	Shares	Price	Proceeds
David Beittel	4/17/2002	25,200	$17.50	$441,000
	4/5/2004	11,400	$22.04	$251,256
	4/5/2004	850	$22.14	$18,819
	10/1/2004	11,750	$25.00	$293,750
		49,200		$1,004,825
Michael Birkholm	6/23/1998	3,000	$49.00	$147,000
		3,000		$147,000
Dale Cable	4/4/1996	3,500	$27.75	$97,125
	4/2/2002	21,100	$18.00	$379,800
		24,600		$476,925
John Charlton	5/14/2002	6,300	$23.00	$144,900
		6,300		$144,900
Joseph Cipollone	1/2/2003	3,300	$15.79	$52,107
	1/2/2003	2,700	$15.78	$42,606
	4/2/2004	10,240	$22.31	$228,454
	4/2/2004	7,700	$22.31	$171,787
	4/2/2004	7,500	$22.31	$167,325
	4/2/2004	6,000	$22.31	$133,860
	4/2/2004	4,375	$22.31	$97,606
	7/3/2007	6,100	$28.95	$176,595
	7/3/2007	5,700	$29.00	$165,300
	7/3/2007	5,500	$28.90	$158,950
	7/3/2007	4,300	$28.99	$124,657
	7/3/2007	3,200	$28.82	$92,224

	7/3/2007	1,800	$28.92	$52,056
	7/3/2007	1,400	$28.96	$40,544
	7/3/2007	1,100	$28.91	$31,801
	7/3/2007	1,000	$28.80	$28,800
	7/3/2007	900	$28.87	$25,983
	7/3/2007	800	$28.97	$23,176
	7/3/2007	700	$28.88	$20,216
	7/3/2007	700	$28.98	$20,286
	7/3/2007	600	$28.94	$17,364
	7/3/2007	450	$29.01	$13,055
	7/3/2007	400	$28.85	$11,540
	7/3/2007	400	$28.86	$11,544
	7/3/2007	400	$28.93	$11,572
	7/3/2007	300	$28.89	$8,667
	7/3/2007	200	$28.81	$5,762
	7/3/2007	100	$29.04	$2,904
	7/3/2007	67	$29.03	$1,945
	7/3/2007	33	$29.02	$958
		77,965		$1,939,644
Mary Corrigan-Davis	4/7/1998	1,450	$47.93	$69,499
	12/29/2003	50,000	$21.26	$1,063,000
	7/7/2004	8,500	$23.46	$199,410
	7/7/2004	350	$23.52	$8,232
		60,300		$1,340,141
Scott Cowen	7/19/2004	12,100	$23.15	$280,115
	10/30/2007	2,400	$25.97	$62,328
	10/30/2007	2,300	$25.70	$59,110
	10/30/2007	1,400	$25.67	$35,938
	10/30/2007	1,400	$25.73	$36,022
	10/30/2007	700	$25.74	$18,018
	10/30/2007	600	$25.76	$15,456
	10/30/2007	400	$25.69	$10,276
	10/30/2007	200	$25.68	$5,136
	10/30/2007	200	$25.72	$5,144
	10/31/2007	100	$25.65	$2,565
		21,800		$530,108
Edward Fruchtenbaum	12/21/1998	16,500	$40.00	$660,000
	12/21/1998	9,000	$40.00	$360,000
	12/21/1998	9,000	$40.00	$360,000
	12/21/1998	3,500	$41.50	$145,250
	12/21/1998	1,000	$41.63	$41,630

		39,000		$1,566,880
Michael Goulder	4/20/2007	35,000	$25.50	$892,500
		35,000		$892,500
Jon Groetzinger	4/2/1996	10,500	$27.81	$292,005
	4/2/1996	4,500	$27.81	$125,145
		15,000		$417,150
Stephen Hardis	7/9/2003	17,800	$19.84	$353,152
		17,800		$353,152
John Klipfell	4/3/1996	5,000	$27.81	$139,050
	6/30/1997	2,500	$37.13	$92,825
	4/2/1998	2,500	$48.19	$120,475
	4/2/1998	2,500	$48.38	$120,950
		12,500		$473,300
Harvey Levin	4/9/1996	3,000	$27.63	$82,890
	6/30/1997	3,000	$37.00	$111,000
		6,000		$193,890
Pamela Linton	1/5/2004	3,400	$21.48	$73,032
	1/5/2004	3,000	$21.44	$64,320
	1/5/2004	3,000	$21.40	$64,200
	1/5/2004	2,600	$21.41	$55,666
	1/5/2004	1,000	$21.46	$21,460
	1/5/2004	1,000	$21.43	$21,430
	1/5/2004	600	$21.47	$12,882
	1/5/2004	400	$21.45	$8,580
	4/5/2004	11,250	$22.10	$248,625
	10/13/2004	10,900	$25.87	$281,983
	10/13/2004	100	$25.93	$2,593
		37,250		$854,771
William Mason	10/3/1996	5,000	$28.88	$144,400
	10/7/1996	5,000	$30.00	$150,000
	4/17/1997	3,000	$30.75	$92,250
	6/24/1997	10,000	$36.38	$363,800
	4/2/1998	5,000	$48.19	$240,950
	6/26/2003	10,000	$19.25	$192,500
	1/2/2004	10,000	$21.60	$216,000
	4/22/2004	4,900	$21.80	$106,820
	4/22/2004	3,100	$21.81	$67,611
	7/19/2004	6,000	$23.50	$141,000
	10/4/2004	4,000	$25.49	$101,960

	7/11/2005	8,000	$26.22	$209,760
	7/11/2005	2,000	$26.25	$52,500
	10/4/2005	12,600	$27.53	$346,878
	10/4/2005	2,300	$27.45	$63,135
	10/4/2005	1,400	$27.63	$38,682
	10/4/2005	1,300	$27.52	$35,776
	10/4/2005	1,000	$27.46	$27,460
	10/4/2005	700	$27.62	$19,334
	10/4/2005	500	$27.64	$13,820
	10/4/2005	400	$27.43	$10,972
	10/4/2005	400	$27.44	$10,976
	10/4/2005	300	$27.25	$8,175
	10/4/2005	300	$27.42	$8,226
	10/4/2005	300	$27.51	$8,253
	10/4/2005	300	$27.66	$8,298
	10/4/2005	200	$27.39	$5,478
	10/4/2005	200	$27.61	$5,522
	10/4/2005	100	$27.41	$2,741
	10/4/2005	100	$27.57	$2,757
	10/4/2005	100	$27.60	$2,760
	10/4/2005	100	$27.67	$2,767
	10/4/2005	100	$27.55	$2,755
	5/2/2007	3,200	$25.56	$81,792
	5/2/2007	1,800	$25.65	$46,170
	5/2/2007	1,600	$25.55	$40,880
	5/2/2007	1,000	$25.60	$25,600
	5/2/2007	400	$25.62	$10,248
	5/2/2007	400	$25.63	$10,252
	5/2/2007	400	$25.68	$10,272
	5/2/2007	300	$25.66	$7,698
	5/2/2007	100	$25.57	$2,557
	5/2/2007	100	$25.67	$2,567
	7/6/2007	24,500	$28.75	$704,375
	7/6/2007	2,200	$28.76	$63,272
	7/6/2007	1,500	$28.77	$43,155
	7/6/2007	700	$28.78	$20,146
	7/6/2007	400	$28.79	$11,516
		137,300		$3,784,816
Brian McGrath	4/20/2007	10,850	$25.49	$276,567
		10,850		$276,567
Willaim Meyer	1/15/1998	2,000	$40.13	$80,260
		2,000		$80,260
Harriet Mouchly-	12/22/2000	1,777	$8.88	$15,780

Weiss				
	4/4/2002	19,400	$17.30	$335,620
		21,177		$351,400
Patricia Papesh	4/9/1996	3,000	$27.38	$82,140
	4/2/1997	1,500	$30.88	$46,320
	9/29/1997	3,500	$34.88	$122,080
	3/28/2002	10,400	$18.15	$188,760
	4/1/2002	39,600	$17.34	$686,664
		58,000		$1,125,964
Charles Ratner	8/5/2004	4,800	$23.05	$110,640
	8/5/2004	200	$23.17	$4,634
		5,000		$115,274
James Spira	12/27/2002	15,000	$16.23	$243,450
	1/3/2003	2,000	$16.00	$32,000
	1/6/2003	13,000	$16.00	$208,000
	5/15/2003	15,000	$16.00	$240,000
	7/1/2003	15,000	$19.37	$290,550
	7/7/2003	17,500	$20.00	$350,000
	10/1/2003	9,000	$19.35	$174,150
	10/1/2003	4,700	$19.20	$90,240
	10/1/2003	1,300	$19.31	$25,103
	10/3/2003	17,500	$20.00	$350,000
	1/2/2004	17,500	$21.75	$380,625
	1/2/2004	2,200	$21.75	$47,850
	4/15/2004	6,900	$21.00	$144,900
	4/15/2004	300	$21.06	$6,318
	7/1/2004	17,500	$23.17	$405,475
	7/1/2004	2,200	$23.05	$50,710
	7/1/2004	1,300	$23.53	$30,589
	7/1/2004	1,000	$23.54	$23,540
	7/1/2004	550	$23.57	$12,964
	7/1/2004	300	$23.52	$7,056
	7/1/2004	100	$23.56	$2,356
	9/1/2004	25,533	$25.00	$638,325
	10/1/2004	18,483	$25.00	$462,075
	1/3/2005	2,200	$24.58	$54,076
	1/3/2005	1,000	$24.48	$24,480
	1/3/2005	1,000	$24.70	$24,700
	1/3/2005	900	$24.50	$22,050
	1/3/2005	350	$24.51	$8,579
	3/14/2005	13,033	$25.00	$325,825
	4/1/2005	5,151	$25.37	$130,681
		227,500		$4,806,666

Harry Stone	12/22/1998	900	$39.81	$35,829
	1/9/2002	962	$15.57	$14,978
	1/10/2002	5,000	$15.36	$76,800
	4/4/2002	9,200	$17.20	$158,240
	4/4/2002	1,800	$17.29	$31,122
	4/4/2002	1,000	$17.30	$17,300
	6/26/2003	6,900	$19.37	$133,653
	6/26/2003	500	$19.42	$9,710
		26,262		$477,632
Jerry Thornton	7/1/2004	1,500	$23.12	$34,680
	7/1/2004	1,000	$23.13	$23,130
	12/26/2007	1,400	$21.24	$29,736
	12/26/2007	600	$21.23	$12,738
	12/26/2007	400	$21.27	$8,508
	12/26/2007	100	$21.25	$2,125
		5,000		$110,917
James Van Arsdale	4/1/1997	20,000	$31.50	$630,000
		20,000		$630,000
Erwin Weiss	1/13/1998	8,300	$40.94	$339,802
	3/26/1999	4,500	$24.00	$108,000
	9/2/2004	10,728	$25.34	$271,848
	9/2/2004	1,600	$25.02	$40,032
	9/2/2004	635	$25.06	$15,913
	11/5/2004	30,536	$27.20	$830,579
		56,299		$1,606,174
Gary Weiss	9/30/1997	900	$36.44	$32,796
	9/30/1997	200	$36.44	$7,288
	9/30/1997	120	$36.88	$4,426
	9/30/1997	100	$36.44	$3,644
	6/26/1998	1,000	$50.63	$50,630
	6/26/1998	900	$50.63	$45,567
	6/26/1998	100	$50.63	$5,063
	6/27/2003	25,200	$19.75	$497,700
	4/2/2004	13,825	$22.26	$307,745
	4/2/2004	2,100	$22.35	$46,935
	4/2/2004	1,900	$22.39	$42,541
	4/2/2004	1,500	$22.36	$33,540
	4/2/2004	1,200	$22.38	$26,856
	4/2/2004	300	$22.37	$6,711
		49,345		$1,111,441

Jeffrey Weiss	4/9/1996	3,800	$27.63	$104,994
	11/19/1996	2,000	$29.13	$58,260
	7/24/1997	6,000	$34.63	$207,780
	5/29/1998	1,050	$47.75	$50,138
	6/1/1998	2,000	$47.75	$95,500
	6/1/1998	700	$47.75	$33,425
	4/2/2004	34,800	$22.31	$776,388
	4/2/2004	16,970	$22.26	$377,752
	9/2/2004	5,215	$25.34	$132,148
	7/6/2005	17,500	$26.42	$462,350
	7/6/2005	9,400	$26.62	$250,228
	7/6/2005	5,700	$26.40	$150,480
	7/6/2005	5,400	$26.60	$143,640
	7/6/2005	5,100	$26.58	$135,558
	7/6/2005	4,500	$26.39	$118,755
	7/6/2005	3,000	$26.64	$79,920
	7/6/2005	2,800	$26.43	$74,004
	7/6/2005	2,700	$26.59	$71,793
	7/6/2005	2,600	$26.63	$69,238
	7/6/2005	1,900	$26.52	$50,388
	7/6/2005	1,800	$26.68	$48,024
	7/6/2005	1,700	$26.61	$45,237
	7/6/2005	1,500	$26.38	$39,570
	7/6/2005	1,400	$26.72	$37,408
	7/6/2005	1,400	$26.72	$37,408
	7/6/2005	1,200	$26.66	$31,992
	7/6/2005	1,100	$26.65	$29,315
	7/6/2005	1,100	$26.67	$29,337
	7/6/2005	800	$26.55	$21,240
	7/6/2005	700	$26.50	$18,550
	7/6/2005	700	$26.54	$18,578
	7/6/2005	500	$26.47	$13,235
	7/6/2005	500	$26.88	$13,440
	7/6/2005	500	$26.88	$13,440
	7/6/2005	400	$26.41	$10,564
	7/6/2005	400	$26.44	$10,576
	7/6/2005	400	$26.71	$10,684
	7/6/2005	300	$26.57	$7,971
	7/6/2005	300	$26.75	$8,025
	7/6/2005	300	$26.75	$8,025
	7/6/2005	300	$26.76	$8,028
	7/6/2005	300	$26.76	$8,028
	7/6/2005	200	$26.48	$5,296
	7/6/2005	100	$26.51	$2,651
		151,035		$3,919,361

Morry Weiss	12/23/2004	207,653	$27.91	$5,795,595
		207,653		$5,795,595
Zev Weiss	4/6/1998	800	$48.06	$38,448
	4/6/1998	200	$48.06	$9,612
	4/7/1998	100	$48.06	$4,806
	9/2/2004	5,694	$25.34	$144,286
	7/6/2005	17,000	$26.42	$449,140
	7/6/2005	9,500	$26.43	$251,085
	7/6/2005	9,200	$26.38	$242,696
	7/6/2005	8,600	$26.62	$228,932
	7/6/2005	8,600	$26.62	$228,932
	7/6/2005	7,739	$26.60	$205,857
	7/6/2005	7,739	$26.60	$205,857
	7/6/2005	6,900	$26.32	$181,608
	7/6/2005	5,900	$26.40	$155,760
	7/6/2005	5,600	$26.58	$148,848
	7/6/2005	4,900	$26.59	$130,291
	7/6/2005	4,500	$26.39	$118,755
	7/6/2005	3,800	$26.52	$100,776
	7/6/2005	3,000	$26.64	$79,920
	7/6/2005	3,000	$26.64	$79,920
	7/6/2005	2,600	$26.63	$69,238
	7/6/2005	2,600	$26.63	$69,238
	7/6/2005	2,000	$26.31	$52,620
	7/6/2005	2,000	$26.41	$52,820
	7/6/2005	1,800	$26.55	$47,790
	7/6/2005	1,700	$26.68	$45,356
	7/6/2005	1,700	$26.68	$45,356
	7/6/2005	1,500	$26.61	$39,915
	7/6/2005	1,500	$26.61	$39,915
	7/6/2005	1,400	$26.50	$37,100
	7/6/2005	1,400	$26.72	$37,408
	7/6/2005	1,400	$26.72	$37,408
	7/6/2005	1,200	$26.54	$31,848
	7/6/2005	1,200	$26.66	$31,992
	7/6/2005	1,200	$26.66	$31,992
	7/6/2005	1,100	$26.29	$28,919
	7/6/2005	1,000	$26.47	$26,470
	7/6/2005	1,000	$26.65	$26,650
	7/6/2005	1,000	$26.65	$26,650
	7/6/2005	900	$26.44	$23,796
	7/6/2005	900	$26.67	$24,003
	7/6/2005	900	$26.67	$24,003
	7/6/2005	800	$26.34	$21,072
	7/6/2005	600	$26.30	$15,780

	7/6/2005	566	$26.88	$15,214
	7/6/2005	566	$26.88	$15,214
	7/6/2005	400	$26.48	$10,592
	7/6/2005	300	$26.51	$7,953
	7/6/2005	300	$26.71	$8,013
	7/6/2005	300	$26.71	$8,013
	7/6/2005	200	$26.33	$5,266
	7/6/2005	200	$26.37	$5,274
	7/6/2005	200	$26.57	$5,314
	7/6/2005	200	$26.75	$5,350
	7/6/2005	200	$26.75	$5,350
	7/6/2005	100	$26.36	$2,636
		149,704		$3,987,058
George Wenz	6/29/1998	2,000	$50.56	$101,120
		2,000		$101,120
	Total:	**1,534,840**		**$38,615,430**

201. This also does not account for the hundreds of thousands of "in-the-money" backdated stock options Company insiders continue to hold and which continue to vest.

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

202. Plaintiff brings this action derivatively in the right and for the benefit of American Greetings to redress injuries suffered and to be suffered by the Company as a direct result of defendants' violations of state law, breaches of fiduciary duty, abuse of control, constructive fraud, gross mismanagement, corporate waste and unjust enrichment, as well as the aiding and abetting thereof, by the defendants.

203. Plaintiff will adequately and fairly represent the interests of American Greetings and its shareholders in enforcing and prosecuting their rights.

204. Plaintiff owns American Greetings' stock and held the Company's stock during the times relevant to defendants' alleged illegal and wrongful course of conduct. To the extent plaintiff alleges facts that occurred prior to when it owned American Greetings stock, such allegations are to demonstrate a pattern and practice of backdating, repeated breaches of the duty of loyalty, *ultra vires*

acts and violations of state law, false statements, and the state of mind of defendants, among other things, in support of plaintiff's claims, which seek redress only for the false statements, transactions and other wrongful conduct that occurred when plaintiff owned American Greetings stock.

205. Based upon the facts set forth throughout this Complaint, applicable law and the longstanding rule that equity does not compel a useless and futile act, a pre-filing demand upon the American Greetings' Board to institute this action against the officers and members of American Greetings' Board is excused as futile. All of American Greetings' directors as of the lawsuit's filing knowingly accepted backdated stock options, three engaged in backdating stock options, and all approved false and misleading SEC filings.

American Greetings Corp. Board of Directors as of Lawsuit Filing Dominated by Those Who Accepted and/or Granted Backdated Options

Defendant Director	Board Tenure	*Accepted* Backdated Options	*Granted* Backdated Options	Signed and/or Approved False & Misleading SEC Filings in Relevant Period	Granted Stock Options and/or Worked on Audit Committee in Relevant Period	Insider Trading Proceeds
M. Weiss	1971-filing	√		√ (1993-2008)		$5.7MM
J. Weiss	2003-filing	√		√ (2003-2008)		$3.9MM
Z. Weiss	2003-filing	√		√ (2003-2008)		$3.9MM
Thornton	2000-filing	√		√ (2000-2008)	Audit Committee: 2000-2008	$110K
Hardin	2004-filing	√	√	√ (2004-2008)	Comp. Committee: 2006-2008 Audit Committee: 2004-2005	
Cowen	1989-filing	√	√	√ (1993-2008)	Comp. Committee: <1993-2008 Audit Committee: <1993-2008	$530K
Ratner	2000-filing	√	√	√ (2000-2008)	Comp. Committee: 2001-2006	$115K

206. Indeed, through their deceptive conduct alleged herein, including backdating stock options and making false and misleading statements and omissions in Forms 4 and 5, proxy statements and Reports on Forms 10-K and 10-Q, more than a majority of American Greetings' Board engaged in *ultra vires* and illegal acts and through their fraud controlled the Company to

accomplish and perpetuate the backdating of stock options. In fact, the Board is dominated by three members of the Weiss family, who, in the aggregate, received over 500,000 backdated options, and three other members of the Board who granted (and received) the backdated options. The only other member of the Board, Thornton, ***also*** accepted backdated options and (like Cowen and Hardin) withheld from the Company's auditors that the Company's upper echelon were backdating stock options.

207. As for those directors who, besides granting and/or accepting backdated options, also sat on the Audit Committee during 2005-2006, including Hardin, Thornton and Cowen, those directors turned a blind eye to the Company's historical stock option granting practices (*e.g.*, backdating), or did not inform themselves about those practices to the extent reasonably appropriate under the circumstances. Each was a member of the Audit Committee during years in which significant accounting changes were required with respect to stock-based compensation expense. Those changes required looking back at all outstanding and unvested stock option grants to determine the fair value of such awards as of the grant date, using a methodology that the Company had not historically used to determine compensation expense and report expenses and earnings in the Company's consolidated financial statements. Indeed, the Company and Audit Committee members evaluated the impact of SFAS No. 123R for over a year prior to the effective date the Company was required to adopt it.

208. Effective March 1, 2006, the Company was required to (and did) adopt the fair value recognition provisions of SFAS No. 123R.[6] SFAS No. 123R required the Company to expense all stock option grants (including all previously granted outstanding unvested grants) under the fair

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6 SFAS No. 123R was originally effective for the first interim or annual period beginning after June 15, 2005, but the SEC extended the compliance date.

value methodology of SFAS No. 123, which required measuring option grant value as of the grant date. The impact of this accounting change was significant and the Company reported SFAS No. 123R as a "SIGNIFICANT" accounting policy. For example, the Company's reported earnings for fiscal 2005 and 2006 were each reduced by $0.07 per share after application of the fair value methodology.

209. Not only were Hardin, Thornton and Cowen directors who signed the Company's Reports on Form 10-K for fiscal 2005 and 2006, both years in which the Company recognized SFAS No. 123R as a significant accounting policy impacting the Company and in which the Company reported financial statements falsified by improperly reported stock-based compensation, they were members of the Audit Committee. Accordingly, these directors had a specific duty to inquire into the basis for changes to the Company's financial reporting as a result of the imposition of this significant accounting policy that personally impacted them as Board members responsible for overseeing stock option administration and the Company's internal controls and financial reporting and disclosures. These directors need simply have requested the records pertaining to the Company's outstanding option grants and, given the backdating, at a minimum he would have noted discrepancies between granting and option dates and/or inadequate documentation to support option dates and a fair value determination for stock options. Given the Company's failure to disclose any deficiency whatsoever in its historical stock option granting practices or internal controls related thereto, or in its previous stock-based compensation accounting or financial reporting, it is apparent these directors did not make a reasonable inquiry or turned a blind eye to the backdating, in light of their granting and/or acceptance of backdated options.

210. A pre-filing demand would be a useless and futile act because:

(a) The members of American Greetings' Board have demonstrated their unwillingness and/or inability to act in compliance with their fiduciary obligations and/or to sue themselves and/or their fellow directors and allies in the top ranks of the corporation for the violations of law complained of herein. These are people they have developed professional relationships with, who are their friends and/or relatives and with whom they have entangling financial alliances, interests and dependencies, and therefore, they are not able to and will not vigorously prosecute any such action.

(b) American Greetings' Board and senior management participated in, approved and/or permitted the wrongs alleged herein to have occurred and participated in efforts to conceal or disguise those wrongs from American Greetings' stockholders or recklessly and/or negligently disregarded the wrongs complained of herein, and are therefore not disinterested parties. As a result of their access to and review of internal corporate documents, or conversations and connections with other corporate officers, employees, and directors and attendance at management and/or Board meetings, each of the defendants knew the adverse non-public information regarding the improper stock option grants and financial reporting. Pursuant to their specific duties as Board members, the director defendants are charged with the management of the Company and to conduct its business affairs. Defendants breached the fiduciary duties that they owed to American Greetings and its shareholders in that they failed to prevent and correct the improper stock option granting and financial reporting. Certain directors are also dominated and controlled by other directors and cannot act independently of them. Thus, American Greetings' Board cannot exercise independent objective judgment in deciding whether to bring this action or whether to vigorously prosecute this action because each of its members participated personally in the wrongdoing or are dependent upon other defendants who did.

(c) The acts complained of constitute violations of the fiduciary duties of loyalty owed by American Greetings' officers and directors, bad faith acts, *ultra vires* acts and illegal acts, and are incapable of ratification.

(d) The defendants control a substantial percentage of American Greetings' voting stock.

(e) The members of American Greetings' Board have benefited, and will continue to benefit, from the wrongdoing herein alleged and have engaged in such conduct to preserve their positions of control and the perquisites derived thereof, and are incapable of exercising independent objective judgment in deciding whether to bring this action.

(f) Any suit by the directors of American Greetings to remedy these wrongs would likely further expose their own liability under the federal securities laws, which could result in additional civil and/or criminal actions being filed against one or more of the defendants, thus, they are hopelessly conflicted in making any supposedly independent determination whether to sue themselves.

(g) American Greetings has been and will continue to be exposed to significant damages due to the wrongdoing complained of herein, yet the current Board has not filed any lawsuits against itself or others who were responsible for that wrongful conduct to attempt to recover for American Greetings any part of the damages the Company suffered and will suffer thereby.

(h) In order to properly prosecute this lawsuit, it would be necessary for the directors to sue themselves and the other defendants, requiring them to expose themselves and their comrades to millions of dollars in potential civil liability and criminal sanctions, or IRS penalties. This they will not do.

(i) American Greetings' current and past officers and directors are protected against personal liability for their acts of mismanagement, waste and breach of fiduciary duty alleged in this Complaint by directors' and officers' liability insurance which they caused the Company to purchase for their protection with corporate funds, *i.e.*, monies belonging to the stockholders of American Greetings. However, due to certain changes in the language of directors' and officers' liability insurance policies in the past few years, the directors' and officers' liability insurance policies covering the defendants in this case contain provisions which eliminate coverage for any action brought directly by American Greetings against these defendants, known as, *inter alia*, the "insured versus insured exclusion." As a result, if these directors were to sue themselves or certain of the officers of American Greetings, there would be no directors' and officers' insurance protection and thus, this is a further reason why they will not bring such a suit. On the other hand, if the suit is brought derivatively, as this action is brought, such insurance coverage exists and will provide a basis for the Company to effectuate a recovery.

(j) In order to bring this action for breaching their fiduciary duties, the members of American Greetings' Board would have been required to sue themselves and/or their fellow directors and allies in the top ranks of the Company, who are their personal friends or relatives and with whom they have entangling financial alliances, interests and dependencies, which they would not do.

211. Plaintiff has not made any demand on shareholders of American Greetings to institute this action since such demand would be a futile and useless act for the following reasons:

(a) The conduct of which plaintiff complains cannot be ratified, for it involves *ultra vires*, illegal and/or fraudulent acts;

(b) American Greetings is a publicly traded company with over 41 million Class A common shares outstanding, and over 15,000 beneficial owners of stock, including beneficial owners for whom the Company's stock is held by a stockbroker in the name of the brokerage firm;

(c) Making demand on such a number of shareholders would be impossible for plaintiff who has no way of finding out the names, addresses or phone numbers of shareholders; and

(d) Making demand on all shareholders would force plaintiff to incur huge expenses, assuming all shareholders could be individually identified.

CONCEALMENT AND TOLLING OF THE STATUTE OF LIMITATIONS

212. The Counts alleged herein are timely. As an initial matter, defendants wrongfully concealed their manipulation of the stock option plans, through strategic timing and fraudulent backdating, by issuing false and misleading proxy statements, by falsely reassuring public investors that American Greetings' option grants were made in accordance with the Company's stock option plans, and by failing to disclose that backdated options were, in fact, actually issued on dates other than those disclosed, and that strategically timed option grants were issued based on the manipulation of insider information that ensured that the true fair market value of the Company's stock was, in fact, higher than the publicly traded price on the date of the option grant.

213. Indeed, defendants took affirmative steps to conceal the backdating at American Greetings by authorizing or otherwise causing the Company to issue proxy statements, Reports on Form 10-Q, Reports on Form 10-K, Sarbanes-Oxley Certifications, and other SEC filings and public statements that were false and misleading. Defendants also signed or otherwise authorized Forms 3, 4 and 5 that were false and misleading. These SEC filings omitted the true grant date and proper price for backdated options, and failed to disclose options were being backdated and mispriced. Many of these SEC filings also contained affirmative misrepresentations that stock options were

being priced based on fair market value as of the date of the grant and were otherwise determined and granted in accordance with American Greetings' stock option plans.

214. As alleged herein, M. Weiss, Z. Weiss, Cipollone and the defendant directors who are members of American Greetings' Audit Committee also misrepresented the adequacy of the Company's internal controls and disclosures, the integrity of the Company's financial statements, and that American Greetings' auditors were apprised of all material facts, including fraudulent acts by members of management. These false and misleading SEC filings prevented plaintiff and American Greetings' other public shareholders from becoming aware of the backdating practices at the Company and the Company's false and misleading financial statements.

215. Plaintiff alleges the following Counts for redress of all alleged conduct that occurred during the period in which it owned American Greetings stock.

FIRST CAUSE OF ACTION

Breach of Fiduciary Duty and/or Aiding and Abetting Against All Defendants

216. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

217. Each of the defendants agreed to and did participate with the other defendants and/or aided and abetted one another in a deliberate course of action designed to divert corporate assets in breach of fiduciary duties the defendants owed to the Company.

218. Defendants engaged in *ultra vires*, illegal and/or fraudulent acts by backdating and accepting stock options in violation of American Greetings' stock plans, and (having backdated and/or received backdated stock options) by causing American Greetings to file false and misleading financial statements. In so doing, defendants violated SEC rules and regulations, state law and the Internal Revenue Code with respect to the reporting of compensation and tax liabilities. This

conduct could not have been ratified by a simple majority of shareholders. Furthermore, the Board, through its deceptive conduct pleaded herein, acquired *de facto* control of American Greetings to accomplish and perpetuate its self dealing in backdated "in-the-money" options.

219. The conduct of each defendant constitutes actual omissions involving negligence, default, breach of duty or breach of trust. Indeed, the defendants have violated fiduciary duties of care, loyalty, candor and independence owed to American Greetings and its public shareholders, have engaged in unlawful self dealing, and have acted to put their personal interests and/or their colleagues' interests ahead of the interests of American Greetings and its shareholders.

220. Defendants caused American Greetings to issue options of more value than authorized or reported. They also exercised backdated options, causing the Company to issue and sell stock at prices lower than what the option exercise price would have been absent the backdating. In addition, defendants sold overvalued class B stock to the Company (*see supra* ¶¶19, 22, 25, 28, 31, 34, 43) and also otherwise caused the Company to purchase overvalued common stock due to their falsification of American Greetings' financial statements. Defendants did this (among other reasons) to replenish the Company's treasury stock in order to support the issuance of more backdated options. Their false statements and omissions in option contracts and SEC filings (including Proxies, Reports on Forms 10-K and 10-Q, Forms 3-5, and Sarbanes Oxley certifications) concealed defendants' conduct.

221. As demonstrated by the allegations above, defendants failed to exercise the care required and breached their duties of loyalty, good faith, candor and independence owed to American Greetings and its public shareholders, and they failed to disclose material information and/or made material misrepresentations to shareholders regarding defendants' option backdating scheme.

222. By reason of the foregoing acts, practices and course of conduct, the defendants have failed to exercise ordinary care and diligence in the exercise of their fiduciary obligations toward American Greetings and its public shareholders.

223. As a proximate result of defendants' conduct, American Greetings has been injured and is entitled to damages.

SECOND CAUSE OF ACTION

Accounting Against All Defendants

224. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

225. At all relevant times, defendants, as directors and/or officers of American Greetings, owed the Company and its shareholders fiduciary duties of good faith, care, candor and loyalty.

226. In breach of their fiduciary duties owed to American Greetings and its shareholders, the defendants caused American Greetings, among other things, to grant backdated stock options to themselves and/or certain other officers and directors of American Greetings and/or failed to properly investigate whether these grants had been improperly made. Defendants also sold class B stock directly to the Company (*see supra* ¶¶19, 22, 25, 28, 31, 34, 43), which stock was overvalued due to their falsification of the Company's financial statements as alleged herein. By this wrongdoing, the defendants breached their fiduciary duties owed to American Greetings and its shareholders.

227. The defendants possess complete and unfettered control over the improperly issued stock option grants and the books and records of the Company concerning the details of such improperly backdated stock option grants to certain of the defendants and defendants' sales of stock directly to the Company.

228. As a result of defendants' misconduct, American Greetings has been substantially injured and damaged financially and is entitled to a recovery as a result thereof, including the proceeds of those improperly granted options which have been exercised and sold and the profits from defendants' sales of stock directly to the Company.

229. Plaintiff demands an accounting be made of all stock option grants made to any of the defendants, including, without limitation, the dates of the grants, the amounts of the grants, the value of the grants, the recipients of the grants, the exercise date of stock options granted to any of the defendants, as well as the disposition of any proceeds received by any of the defendants via sale or other exercise of backdated stock option grants received by those defendants.

230. Plaintiff also demands an accounting be made of all of defendants' stock sales to the Company, including, without limitation, the dates of the sales, the amount of stock sold, the prices of the stock sold, as well as the disposition of any proceeds received by defendants from the sale of stock to the Company.

THIRD CAUSE OF ACTION

Abuse of Control Against All Defendants

231. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

232. The defendants employed the alleged scheme for the purpose of maintaining and entrenching themselves in their positions of power, prestige and profit at, and control over, American Greetings, and to continue to receive the substantial benefits, salaries and emoluments associated with their positions at American Greetings. As a part of this scheme, defendants actively made and/or participated in the making of or aided and abetted the making of, misrepresentations regarding American Greetings.

233. Defendants' conduct constituted an abuse of their ability to control and influence American Greetings.

234. By reason of the foregoing, American Greetings has been damaged.

FOURTH CAUSE OF ACTION

Gross Mismanagement Against All Defendants

235. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

236. Defendants had a duty to American Greetings and its shareholders to prudently supervise, manage, and control the operations, business, and internal financial accounting and disclosure controls of American Greetings.

237. Defendants, by their actions and by engaging in the wrongdoing described herein, abandoned and abdicated their responsibilities and duties with regard to prudently managing the businesses of American Greetings in a manner consistent with the duties imposed upon them by law. By committing the misconduct alleged herein, defendants breached their duties of due care, diligence, and candor in the management and administration of American Greetings' affairs and in the use and preservation of American Greetings' assets.

238. During the course of the discharge of their duties, defendants knew or recklessly disregarded the unreasonable risks and losses associated with their misconduct, yet defendants caused American Greetings to engage in the scheme complained of herein which they knew had an unreasonable risk of damage to American Greetings, thus breaching their duties to the Company. As a result, defendants grossly mismanaged American Greetings.

239. By reason of the foregoing, American Greetings has been damaged.

FIFTH CAUSE OF ACTION

Constructive Fraud Against All Defendants

240. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

241. As corporate fiduciaries, defendants owed to American Greetings and its shareholders a duty of candor and full accurate disclosure regarding the true state of American Greetings' business and assets and their conduct with regard thereto.

242. As a result of the conduct complained of, defendants made, or aided and abetted the making of, numerous misrepresentations to and/or concealed material facts from American Greetings' shareholders despite their duties to, *inter alia*, disclose the true facts regarding their stewardship of American Greetings. Thus they have committed constructive fraud and violated their duty of candor.

243. By reason of the foregoing, American Greetings has been damaged.

SIXTH CAUSE OF ACTION

Corporate Waste Against All Defendants

244. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

245. By failing to properly consider the interests of the Company and its public shareholders, by failing to conduct proper supervision, and by giving away millions of dollars to defendants via the option backdating scheme, defendants have caused American Greetings to waste valuable corporate assets.

246. As a result of defendants' corporate waste, they are liable to the Company.

SEVENTH CAUSE OF ACTION

Unjust Enrichment Against All Defendants

247. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

248. As a result of the conduct described above, defendants will be and have been unjustly enriched at the expense of American Greetings, in the form of unjustified salaries, benefits, bonuses, stock option grants and other emoluments of office.

249. All the payments and benefits provided to the defendants were at the expense of American Greetings. The Company received no benefit from these payments. American Greetings was damaged by such payments.

250. Certain of the defendants sold American Greetings stock for a profit during the period of deception, misusing confidential non-public corporate information. These defendants should be required to disgorge the gains which they have and/or will otherwise unjustly obtain at the expense of American Greetings. A constructive trust for the benefit of the Company should be imposed thereon.

EIGHTH CAUSE OF ACTION

Common Law Rescission Against All Defendants

251. Plaintiff incorporates by reference and realleges each and every allegation contained above as though fully set forth herein.

252. As a result of the acts alleged herein, the stock option contracts between the defendants and American Greetings entered into during the relevant period were obtained through defendants' fraud, deceit and abuse of control. Further, the backdated stock options were illegal grants and thus invalid as they were not authorized in accordance with the terms of the publicly filed

contracts regarding the defendants' employment agreements and the Company's stock option plan which was also approved by American Greetings' shareholders and filed with the SEC.

253. All contracts which provide for stock option grants between the defendants and American Greetings and were entered into during the relevant period should, therefore, be rescinded, with all sums paid under such contracts returned to the Company, and all such executory contracts cancelled and declared void.

PRAYER FOR RELIEF

WHEREFORE, plaintiff demands judgment as follows:

A. Awarding money damages in excess of $25,000 against all defendants, jointly and severally, for all losses and damages suffered as a result of the acts and transactions complained of herein, together with pre-judgment interest, to ensure defendants do not participate therein or benefit thereby;

B. Directing all defendants to account for all damages caused by them and all profits and special benefits and unjust enrichment they have obtained as a result of their unlawful conduct, including all salaries, bonuses, fees, stock awards, options and common stock sale proceeds, and imposing a constructive trust thereon;

C. Directing American Greetings to take all necessary actions to reform and improve its corporate governance and internal control procedures to comply with applicable law, including, but not limited to, putting forward for a shareholder vote resolutions for amendments to the Company's By-Laws or Articles of Incorporation and taking such other action as may be necessary to place before shareholders for a vote adoption of the following Corporate Governance policies:

(i) a proposal strengthening American Greetings' Board structure by improving the independence of the Board;

(ii) a proposal to strengthen the American Greetings Board's supervision of operations and develop and implement procedures for greater shareholder input into the policies and guidelines of the Board;

(iii) appropriately test and then strengthen the internal audit and control function;

(iv) rotate independent auditing firms or audit partners every four years; and

(v) control and limit insider stock selling and the terms and timing of stock option grants.

D. Ordering the imposition of a constructive trust over defendants' stock options and any proceeds derived therefrom;

E. Awarding punitive damages;

F. As to all improperly dated and/or improperly priced options that have been exercised, ordering defendants to make a payment to the Company in an amount equal to the difference between the prices at which the options were exercised and the exercise prices the options should have carried if they were priced at fair market value on the actual date of grant;

G. As to all improperly dated and/or improperly priced options that have been granted but not yet exercised or expired, ordering the Company to rescind such options so they carry the exercise prices they should have carried if they were priced at fair market value on the actual date of grant;

H. Awarding costs and disbursements of this action, including reasonable attorneys', accountants' and experts' fees; and

I. Granting such other and further relief as this Court may deem just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

DATED: March 20, 2009

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Attorneys for Plaintiff

VERIFICATION

I, Richard P. Gambino, Administrator of the Electrical Workers Pension Fund, Local 103, I.B.E.W., hereby verify that I am familiar with the allegations in the VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT FOR BREACH OF FIDUCIARY DUTIES, ABUSE OF CONTROL, GROSS MISMANAGEMENT, CONSTRUCTIVE FRAUD, CORPORATE WASTE AND UNJUST ENRICHMENT, and that I have authorized the filing of the VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT FOR BREACH OF FIDUCIARY DUTIES, ABUSE OF CONTROL, GROSS MISMANAGEMENT, CONSTRUCTIVE FRAUD, CORPORATE WASTE AND UNJUST ENRICHMENT, and that the foregoing is true and correct to the best of my knowledge, information and belief.

ELECTRICAL WORKERS PENSION FUND,
LOCAL 103, I.B.E.W.

DATED: 3-17-09

By: Richard P. Gambino
Richard P. Gambino, Administrator

FILED
2010 MAR -2 P 4:11
GERALD E. FUERST
CLERK OF COURTS
CUYAHOGA COUNTY

IN THE COURT OF COMMON PLEAS
CUYAHOGA COUNTY, OHIO

ELECTRICAL WORKERS PENSION FUND LOCAL 103 I.B.E.W., derivatively on behalf of AMERICAN GREETINGS CORPORATION, Plaintiff, v. MORRY WEISS, JEFFREY WEISS, ZEV WEISS, SCOTT S. COWEN, JOSEPH S. HARDIN, JR., CHARLES A. RATNER, JERRY SUE THORNTON, JOSEPH B. CIPOLLONE, STEPHEN R. HARDIS, and HARRIET MOUCHLY-WEISS, Defendants, –and– AMERICAN GREETINGS CORPORATION, Nominal Defendant.	) CASE NO: CV-09-687985)) JUDGE PETER J. CORRIGAN

DEFENDANTS' MOTION TO TRANSFER CASE TO THE COMMERCIAL DOCKET[1]

Defendants respectfully move this Court to transfer this case to the Commercial Docket in accordance with Temporary Provision 4 of the Rules of Superintendence for Courts of Ohio. The Temporary Rules provide:

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[1] Pursuant to Temp. Sup. R. 1.04(B)(5), a copy of this Motion shall be delivered to the Administrative Judge.

> [A] commercial docket judge shall accept a civil case, including any . . . *derivative action*, into the commercial docket . . . if the case is within the statutory jurisdiction of the court and the gravamen of the case relates to any of the following:
>
> * * *
>
> (4) The rights, obligations, liability, or indemnity of an officer, director, manager, trustee, partner, or member of a business entity owed to or from the business entity[.]

(Temp. Sup. R. 1.03 (emphasis added)).

This derivative action alleges, among other things, various breaches of fiduciary duty by officers and directors of American Greetings, and falls squarely within the scope of the commercial docket. Furthermore, the gravamen of the action does not relate to the topics set forth in division (A) of Temporary Rule 1.03 of the Rules of Superintendence for Courts of Ohio. Accordingly, defendants request that their motion be granted.

A proposed Order is attached for the Court's convenience.

Dated: March 2, 2010

Respectfully submitted:

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CERTIFICATE OF SERVICE

I certify that a true and accurate copy of this Motion to Transfer was served by REGULAR U.S. MAIL and E-MAIL this 2nd day of March 2010 upon:

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One of the attorneys for Defendants

IN THE COURT OF COMMON PLEAS
CUYAHOGA COUNTY, OHIO

ELECTRICAL WORKERS PENSION FUND LOCAL 103 I.B.E.W., derivatively on behalf of AMERICAN GREETINGS CORPORATION, Plaintiff, v. MORRY WEISS, *et al.*, Defendants, –and– AMERICAN GREETINGS CORPORATION, Nominal Defendant.	)	CASE NO: CV-09-687985 **JOURNAL ENTRY**

ORDER GRANTING MOTION TO TRANSFER
CASE TO THE COMMERCIAL DOCKET

The Court hereby finds that the Motion to Transfer this case to the Commercial Docket in accordance with Temporary Rules 1.03 and 1.04 of the Rules of Superintendence for Courts of Ohio is well taken and hereby GRANTS the motion.

The Clerk of Courts is hereby ORDERED to transfer the case to the Commercial Docket.

____
Assigned Judge

____
Administrative Judge

____
Commercial Docket Judge

IN THE COURT OF COMMON PLEAS
CUYAHOGA COUNTY, OHIO

ELECTRICAL WORKERS PENSION FUND LOCAL 103 I.B.E.W., *etc.*	) Case No. CV-09-687985
	)
	) Judge Peter J. Corrigan
Plaintiff	)
vs.	)
MORRY WEISS, *et al.*	)
Defendants	) **PLAINTIFF'S OPPOSITION TO DEFENDANTS' MOTION TO TRANSFER CASE TO THE COMMERCIAL DOCKET**
and	)
AMERICAN GREETINGS CORP.	)
Nominal Defendant	)

Plaintiff, The Electrical Workers Pension Fund Local 103 I.B.E.W. ("Local 103") respectfully requests that this Court deny defendants' Motion to Transfer Case To The Commercial Docket. Transfer is prohibited by Temporary Rule 1.03(B)(7), which states that "A commercial docket judge <u>shall not accept</u> a civil case into the commercial docket . . . [in] cases in which a <u>labor organization</u> is a party." TEMP. SUP. R. 1.03(B)(7) (emphasis added). The National Labors Relations Act broadly defines a labor organization as:

> Any organization of any kind or any agency or employee representation committee or plan in which employees participate and which exists for the purpose, in whole or in part, of dealing with employees concerning grievances, labor disputes, wages, rate of pay, hours of employment, or conditions of work.

See 29 U.S.C. § 152(5). *See also* O.R.C. § 4117.01(D).

Plaintiff, Local 103, is a labor organization as defined under 29 U.S.C. § 152(5) and as stated in Temporary Rule 1.03(B)(7).[1] Therefore, Temporary Rule 1.03(B)(7) prohibits the transfer of this case to the commercial docket, and defendants' Motion to Transfer must be denied.

Respectfully submitted,

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[1] "The mission of Local 103, I.B.E.W., is a simple one – to provide the most skilled and productive workforce in the world, while at the same time protecting the rights and benefits of every worker." *See* www.ibew103.com.

CERTIFICATE OF SERVICE

I certify that a copy of this brief was sent via regular mail on March 3, 2010, to the following counsel of record:

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FILED

IN THE COURT OF COMMON PLEAS
CUYAHOGA COUNTY, OHIO

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GERALD E. FUERST
CLERK OF COURTS
CUYAHOGA COUNTY

ELECTRICAL WORKERS PENSION FUND LOCAL 103 I.B.E.W., derivatively on behalf of AMERICAN GREETINGS CORPORATION,	)	CASE NO: CV 09-687985
	)	JUDGE PETER J. CORRIGAN
Plaintiff,	)	
v.	)	
MORRY WEISS, JEFFREY WEISS, ZEV WEISS, SCOTT S. COWEN, JOSEPH S. HARDIN, JR., CHARLES A. RATNER, JERRY SUE THORNTON, JOSEPH B. CIPOLLONE, STEPHEN R. HARDIS, and HARRIET MOUCHLY-WEISS,	)	
Defendants,	)	
–and–	)	
AMERICAN GREETINGS CORPORATION,	)	
Nominal Defendant.	)	

DOCKET
MAR 4 2010

DEFENDANTS' REPLY IN SUPPORT OF THEIR MOTION TO TRANSFER CASE TO THE COMMERCIAL DOCKET

In its Opposition to Defendants' Motion to Transfer Case to the Commercial Docket, Plaintiff Electrical Workers Pension Fund, Local 103, I.B.E.W. ("Pension Fund"), argues that this case should not be transferred to the Commercial Docket pursuant to Temporary Provision 4 of the Rules of Superintendence for Courts of Ohio because it claims the Temporary Rules prohibit transfer of cases where a labor organization like the Pension Fund is a party. (Opp. at 1.) But the Temporary Rules only bar transfer of cases to the Commercial Docket where the party's identity as a labor organization relates to the gravamen of the case. Here, the Pension

Fund is merely a shareholder attempting to sue derivatively on behalf of American Greetings Corporation ("American Greetings" or "the Corporation") and, as such, its identity is irrelevant to the gravamen of the case.

ARGUMENT

As set forth in Defendants' Motion to Transfer Case to the Commercial Docket, this is a derivative action purportedly brought on behalf of American Greetings by the Pension Fund, an American Greetings Shareholder. (Mot. at 1). In its Complaint the Pension Fund claims certain current and former directors and officers breached their fiduciary duties to American Greetings by allegedly directing or allowing the Corporation to illegally backdate millions of dollars worth of stock options granted to top officers and directors over the past 18 years.

As demonstrated in defendants' Motion, the plain language of Temporary Rule 1.03(A) requires a derivative action like this one involving the "rights, obligations, liability, or indemnity of an officer [or] director" to be transferred to the Commercial Docket. (Mot. at 2 (citing Temp. Sup. R. 1.03(A)). In fact, the Eighth District recently considered the propriety of an order transferring to the Commercial Docket a very similar shareholder derivative action alleging breach of fiduciary duty. *See State ex rel. Carr v. McDonnell*, 921 N.E. 2d 251, 255-256 (8th Dist. 2009). The court concluded that under the Temporary Rules the transfer of the case to the Commercial Docket was not only proper but ***required***, noting that if one of the parties had not made the motion to transfer, the trial court would have been required to transfer the case *sua sponte*. *Id.* at 256.

To avoid the plain language of Temporary Rule 1.03(A), the Pension Fund relies on Temporary Rule 1.03(B)(7), which it claims prohibits transfer of cases "in which a labor organization is a party." (Opp. at 1 (citing Temp. Sup. R. 1.03(B)(7)). The Pension Fund argues that it is a "labor organization" and, as such, this case cannot be transferred to the Commercial Docket.

Even assuming *arguendo* that the Pension Fund is a "labor organization," the Temporary Rule cited by the Pension Fund does not bar transfer of this case to the Commercial Docket. Temporary Rule 103(B) – the full rule from which the Pension Fund creatively excerpted in its Opposition – does not prohibit the transfer to the Commercial Docket of *all* cases in which a labor organization is a party, only those cases in which a labor organization is a party *and* the fact that the party is a "labor organization" relates to the "gravamen of the case." Temp. Sup. R. 103(B). The Pension Fund carefully excised this language from its discussion of Temporary Rule 1.03(B)(7) to create the false impression of a blanket ban on cases in which a "labor organization" is a party. (*See* Opp. at 1-2). But read as a whole, Temporary Rule 1.03(B) is plainly intended to preclude the transfer of only those cases in which a party is a labor organization *and* the party's identity as a labor organization is related to the "gravamen of the case." Excluding or ignoring this language as the Pension Fund intends would run afoul of well-established principles of statutory construction that require the Court to give effect to all of the words and phrases in a statute or rule. *See, e.g. E. Ohio Gas Co. v. Pub. Utilities Comm.*, 39 Ohio St. 3d 295, 299, 530 N.E.2d 875 (1988) (basic rule of statutory construction requires that no words in statutes be ignored).

Here, the Pension Fund's identity as a labor organization (if indeed it were determined to be one) is irrelevant to the gravamen of the case. Other than the case caption and a single paragraph defining the parties, there is nothing in the Complaint that would suggest the Pension Fund even *is* a labor organization, let alone that its identity as a labor organization has some relevance to the claims it purports to bring on behalf of American Greetings. The Pension Fund is acting merely in its capacity as a holder of American Greetings' stock and identical claims could have been made by any other American Greetings stockholder – whether a hedge fund, an individual stockholder or another pension fund. The Pension Fund brings its claims derivatively on behalf of American Greetings (Compl. at 2) and, in so doing, effectively relegates itself to irrelevance in the instant analysis of whether the case should be transferred to the Commercial Docket.

Since the Pension Fund's claimed identity as a labor organization is irrelevant to the claims it purports to bring on behalf of American Greetings, Temporary Rule 1.03(B)(7) should not preclude the transfer of this case to the Commercial Docket. Instead, Defendants respectfully submit that the Court should apply the plain language of Temporary Rule 1.03(A), follow the well-reasoned analysis of *State ex rel. Carr v. McDonnell*, 921 N.E. 2d at 255-256, and transfer this case to the Commercial Docket.

Dated: March 4, 2010

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I certify that a true and accurate copy of this Reply in Support of Defendants' Motion to Transfer Case to the Commercial Docket was served by REGULAR U.S. MAIL this 4th day of March 2010 upon:

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