Philip S. Scuderi
FIN7573
Fairness Opinion

Board of Directors
American Greetings Corp.
One American Road
Cleveland, OH 44144

Members of the Board:

You have requested my opinion as to the fairness, to American Greetings Corp. ("American Greetings") from a financial perspective, of the proposal dated September 25th, 2012 by members of the Weiss family and certain related parties (collectively, the "Weiss Family") to acquire all of the outstanding common shares of American Greetings for $17.18 per share in cash.

In performing my independent appraisal, I utilized the following three (3) Valuation Methods:

1) Discounted Cash-Flow
2) Comparable Company
3) Precedent Transaction

Discounted Cash-Flow Analysis

A discounted cash-flow (DCF) analysis derives the intrinsic value of a business based upon the net present value (NPV) of the business' free cash flow. In performing this analysis, I made the following key assumptions:

1) Beta = 0.9
2) Equity Risk Premium = 6%
3) Risk-Free Rate = 1.70%
4) All margins stayed the same as they were in the latest annual report (period ending 2/2012).
5) Net working capital, capital expenditures, and depreciation represented the same percent of revenue that they did in the latest annual report (period ending 2/2012).
6) Revenue declines at the same rate that IBISWorld predicts for the entire industry for each year 2012 through 2017 in the July 2012 Greeting Cards & Other Publishing Industry Report (51119).
7) The firm's Weighted-Average Cost of Capital (WACC) is between 6.0% and 9.0%.
8) An Exit Multiple of 4.5x to 5.5x is appropriate to value the firm after projecting 5 years of pro forma financials.

The beta assumption was used because 0.9 has been the firm's most recent historical beta. An equity risk premium of 6% is in accordance with standard banking practices and historical perspective. The assumptions listed in #4 and #5 above represent the most up-to-date information I have about the operational aspects of the firm. Revenue estimates from IBISWorld represent the most reliable industry predictions I have access to, and I see no reason the firm will perform substantially differently.

I estimated the WACC using the CAPM model, which estimated the current WACC to be 5.88%. However, there is little historical precedent for the current low interest rate environment, and rates can hardly decrease much at all from their current levels. Thus, it is probably inevitable that the firm's WACC will eventually increase. Additionally, a rising beta value could increase the firm's cost of equity. For example, if interest rates increase by 3 percent and the firm's beta increases to 1.5, the firm's cost of equity would be approximately 9.0%. Thus, I have projected the value of the firm using a range of WACCs from 6.0% to 9.0%, which I believe represents reasonably likely scenarios.

American Greetings is in a declining industry facing rising competition from digital alternatives such as e-cards. Thus, I did not view it as appropriate to value the company as a going concern using the Gordon growth method. Instead I used an exit multiple. The EV/EBITDA multiples I believe most likely are in the range of 4.5x to 5.5x. As you will see in further sections below, CSS Industries is currently valued at an EV/EBITDA of 4.65x and MeadWestvaco's Consumer and Office Products business was recently acquired at an EV/EBITDA of 5.38x.

Given the above assumptions, a sensitivity analysis was performed that varied the WACC and the EV/EBITDA multiple. The highlighted values in the figure below pertain to the values that I believe represent the most appropriate valuation of the firm by Enterprise Value.

Enterprise Value Sensitivity to WACC and EV/EBITDA Exit Multiple

		EV/EBITDA Exit Multiple										
		2.00x	2.50x	3.00x	3.50x	4.00x	4.50x	5.00x	5.50x	6.00x	6.50x	7.00x
WACC	5.0%	759	834	908	982	1,056	1,130	1,204	1,278	1,352	1,427	1,501
	6.0%	738	809	881	952	1,023	1,094	1,165	1,237	1,308	1,379	1,450
	7.0%	718	786	855	923	992	1,060	1,128	1,197	1,265	1,334	1,402
	8.0%	699	764	830	896	962	1,027	1,093	1,159	1,225	1,290	1,356
	9.0%	680	743	807	870	933	996	1,059	1,123	1,186	1,249	1,312
	10.0%	662	723	784	845	906	966	1,027	1,088	1,149	1,210	1,270
	11.0%	645	704	762	821	879	938	996	1,055	1,114	1,172	1,231
	12.0%	629	686	742	798	854	911	967	1,023	1,080	1,136	1,192

- **DCF Enterprise Value Range: 996m to 1,237m**
- **Implied Perpetuity Growth Rate Range: -5.66% to -1.01%**

The range of WACC from 6.0% to 9.0% and exit multiple from 4.5x to 5.5x produce implied perpetuity growth rates in the range of -5.66% to -1.01%. What this means is that in all these scenarios, the firm likely goes out of business or becomes much smaller over time, which is not all that surprising given the state of the greeting cards industry.

<u>Comparable Company Analysis</u>

A comparable company analysis estimates the value of a business based on what other comparable businesses are currently trading for. There were limited options for selecting comparable businesses because American Greetings is the only major player that is publicly traded. However, the following two (2) companies were the most comparable companies I could come up with:

1) CSS Industries (NYSE: CSS)
2) ACCO Brands (NYSE: ACCO)

CSS Industries is substantially smaller than American Greetings. For example, CSS Industries' latest EBITDA was 39.66m whereas American Greetings' latest EBITDA was 211.4m. That said, CSS Industries is clearly the closest public firm to American Greetings in terms of the products it offers.

The next best comparable company to American Greetings I found was ACCO Brands. However, using ACCO Brands as a comparable company concerned me because I believe American Greetings faces much more risk from digital solutions to their products than ACCO Brands does. For example, ACCO Brands' dry-erase boards, dry-erase markers, easels, bulletin boards, overhead projectors, transparencies, and laser pointers are much less likely than greeting cards to be replaced by Internet-based solutions.

I calculated a variety of key statistics for these two companies (2) as follows.

American Greetings (NYSE: AM) Comparable Company Analysis											
Company	Equity Value (m)	Enterprise Value (m)	Sales (m)	EBITDA (m)	EBIT (m)	Net Income (m)	P/E	EV/Sales	EV/EBITDA	EV/EBIT	EV/Net Income
CSS Industries	194.26	184.43	385	39.66	31.78	15.67	12.01	0.48	4.65	5.80	11.77
ACCO Brands	800.83	1,890	1,318	203.2	162.1	56.7	4.09	1.43	9.30	11.66	33.33

As you can see, these companies trade significantly far from one another in terms of metrics, which is most likely because CSS Industries is in a riskier business segment (greeting cards). For example, ACCO Brands' EV/Sales is approximately 3 times as high as CSS Industries'. These companies are in low capital intensive industries, meaning they have little depreciation. As a result, EV/EBITDA provides a good estimate of value that is substantially agnostic to tax and accounting policies. For this reason, and because of the previous concerns I addressed in regards to ACCO Brands, I chose to base my comparable company valuation estimate on CSS Industries using its EV/EBITDA.

Given that American Greetings benefits from economies of scale that CSS Industries does not, I selected a range of EV/EBITDA values slightly favoring multiples higher than CSS Industries': from 4.5x to 5.5x. Using this range of EV/EBITDA multiples I obtained the following Enterprise Value Range for American Greetings:

- **Comparable Company Enterprise Value Range: 951m to 1,163m**

It is important to keep in mind the limitations of using the comparable company method in a vacuum. In other words, the comparable company method valuation would be more reliable if there were more appropriate companies to compare American Greetings to.

<u>Precedent Transaction Analysis</u>

A precedent transaction analysis estimates the value of a business based on multiples paid for other similar companies in acquisitions. Again, there were limited options here because of limited financial data on acquisitions of greeting card companies. For example, American Greetings acquired Recycled Paper Greetings and Papyrus in early 2009, but these acquisition targets were both private and American Greetings did not provide details of their financial characteristics.

The most closely related transaction for which there was sufficient financial data available was ACCO Brands' acquisition of MeadWestvaco Corporation's (NYSE: MWV) Consumer and Office Products (C&OP) business, which sells products substantially similar to American Greetings'. A temporary company used to facilitate the transaction called "Monaco Spinco" filed sufficient financials with the SEC on 3/20/2012 for me to derive the following metrics.

American Greetings (NYSE: AM) Precedent Transaction Analysis						
Date	Target	Acquiror	EV/Sales	EV/EBITDA	EV/EBIT	EV/Net Income
11-Nov-2011	MeadWestvaco Corporation's (NYSE: MWV) Consumer and Office Products business	ACCO Brands Corporation (NYSE: ACCO)	1.10	5.38	6.45	13.72

Both American Greetings and the C&OP business are in low capital intensive industries. So again, EV/EBITDA provides a good estimate of value that is substantially agnostic to tax and accounting policies. For this reason, I chose to base my precedent transaction valuation estimate on C&OP using its EV/EBITDA. I chose an EV/EBITDA estimate within ±0.5 of C&OP's EV/EBITDA, and obtained the following results:

- **Comparable Company Enterprise Value Range: 1,032m to 1,243m**

Again here, it is important to keep in mind the limitations of using the precedent transaction method in a vacuum. This method would be more reliable if there were more acquisition targets to compare American Greetings to.

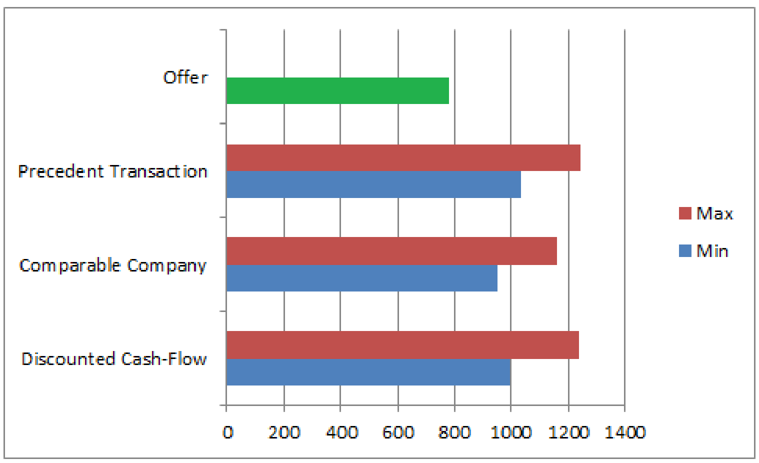
Results and Opinion

The offer price of $17.18/share implies an Enterprise Value of **$783.5m**.

My valuation estimates produced the following ranges of Enterprise Values:

- Discounted Cash-Flow Method: 996m to 1,237m
- Comparable Company Method: 951m to 1,163m
- Precedent Transaction Method: 1,032m to 1,243m

As the following diagram shows, my Enterprise Value estimates are all at least 17.6% higher than the offering price.



For the reasons set forth above, it is my opinion that the deal is not fair from a financial perspective.

Very Truly Yours,

Philip S. Scuderi
/Philip S. Scuderi/