



**AMERICAN GREETINGS CORPORATION
AUDIT COMMITTEE CHARTER**

Adopted February 17, 2004

I. PURPOSE

It is the purpose of the Audit Committee (“Committee”) to assist the Board of Directors of American Greetings Corporation (“Corporation” or “Company”) in fulfilling its oversight responsibilities by:

- Monitoring the integrity of the Corporation’s financial statements;
- Monitoring the integrity of the Corporation’s auditing, accounting and financial reporting processes generally;
- Monitoring the independence and performance of the Corporation’s outside auditors and Internal Audit Department;
- Monitoring the Corporation’s compliance with legal and regulatory requirements;
- Reviewing the adequacy of and compliance with the Corporation’s financial policies and procedures and systems of internal control;
- Preparing the audit committee report required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Corporation’s annual proxy statement; and
- Making regular reports to the Board and keeping written minutes of its meetings.

II. AUTHORITY

- A. The Committee has the authority to conduct any investigation appropriate in fulfilling its responsibilities, and it shall have direct access to the independent auditors as well as anyone in the Company.

- B. The Committee has the authority to retain, at the Company's expense, special legal, accounting, and other consultants or experts it deems necessary in the performance of its duties. The Committee is also authorized to arrange for administrative assistance that may be necessary or appropriate in carrying out its duties. Such assistance may be provided by the Company but shall, in any event, be at the Company's expense.
- C. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditors (except as provided in Section V.B.1. below) or to assure the Company's compliance with laws and regulations and its Code of Conduct.
- D. The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such information as the Committee requests or to meet with any members of, or consultants to, the Committee.
- E. The Committee may meet in executive session outside the presence of the Company's executive officers.

III. COMPOSITION

- A. Each Committee member shall meet the independence, experience and other eligibility requirements of the New York Stock Exchange and the SEC.
- B. The Committee shall be comprised of at least three directors as determined by the Board.
- C. The members of the Committee shall be elected annually by the Board and shall serve at the pleasure of the Board. Vacancies on the Committee shall be filled by the Board and members of the Committee may be removed only by the Board.
- D. The members of the Committee shall designate a Chair by majority vote of the full Committee membership.

IV. MEETINGS

- A. The Committee shall meet at least three times annually.

- B. The Chairperson or a majority of the members of the Committee may call special meetings of the Committee.
- C. The Committee may form and delegate authority to subcommittees of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted nonaudit services as described in Paragraph IV.B.3 hereof, provided that the decisions of such subcommittee to grant preapprovals shall be presented to the full Committee at its next meeting.
- D. As part of its job to foster open communications, the Committee shall meet periodically with management, the director of the Internal Audit Department and the independent auditors in separate executive sessions to discuss any matters that the Committee or any of these people believes should be discussed privately.

V. RESPONSIBILITIES AND DUTIES.

The Committee shall:

A. Review of Documents and Reports

1. Obtain the full Board of Directors' approval of this Charter, and review and reassess the adequacy of this Charter at least annually.
2. Review the Corporation's annual audited financial statements, reports and other financial information, including certifications, reports, opinions, evaluations of operating and financial controls, and significant findings rendered by the independent auditor prior to their submission to any governmental body or the public.
3. Review summaries of material internal reports to management prepared by the Internal Audit Department and management's response, if any.
4. Review and discuss generally with management and the independent auditor the types of information to be disclosed and the type of presentation to be made regarding the quarterly financial information to be included in the Company's Quarterly Reports on Form 10-Q and the Company's Annual Report on Form 10-K (or the annual report to stockholders if distributed prior to the filing of the Form 10-K) including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Committee shall also discuss the results of the annual audit, reviews of quarterly financial information by the independent auditor, and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards, applicable law or listing standards. Based on such review and discussion, the Committee shall make a

determination whether to recommend to the Board that the audited financial statements be included in the Company's Form 10-K.

5. Review and discuss generally with management the types of information to be disclosed and the type of presentation to be made regarding the Company's earnings press releases.
6. Review the Company's required disclosure in the Proxy Statement for its Annual Meeting of Shareholders that describes that the Committee has satisfied its responsibilities under this Charter for the prior year. In addition, a copy of this Charter shall be included in the Proxy Statement at least tri-annually or the year after any significant amendment to the Charter.
7. Review with management, the internal auditor and independent auditor (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies, (b) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements and other public disclosures; and (d) generally the type and presentation of information to be included in earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information.
8. With respect to any changes in the composition of the Committee, and otherwise approximately once each year, provide the New York Stock Exchange written confirmation regarding the Committee as required by the Exchange.
9. Review periodically, but no less frequently than annually, a summary of the Company's transactions with directors and officers of the Company and with firms that employ directors, as well as any other material related party transactions including material charitable contributions to entities with which directors are affiliated or serve as board members.

B. Independent Auditors

1. Have the sole authority to engage the independent auditor and, where appropriate, replace the independent auditor. The Committee shall be directly responsible for the compensation and oversight of the work of the

independent auditor (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attestation services for the Company. The Committee shall review the fees and other compensation paid to the outside auditors.

2. Have a clear understanding with the independent auditors that they are ultimately accountable to the Board of Directors and the Committee.
3. Preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the de minimus exceptions for non-audit services described in the Exchange Act and the rules and regulations thereunder which are approved by the Committee prior to completion of the audit.
4. Receive periodic reports from the independent auditor as required by the Independence Standards Board (or any successor body) regarding the auditor's independence, which shall be not less frequently than annually. The Committee shall discuss such reports with the auditor, and if so determined by the Committee, take appropriate action to satisfy itself of the independence of the auditor.
5. Review the performance of the Company's independent auditor annually. This review should include the review and evaluation of the signing partner of the independent auditor. In conducting the review, the Committee shall consult with management and the head of internal audit and shall obtain and review a report by the independent auditor describing its internal quality-control procedures, material issues raised by its most recent internal quality-control review, or peer review (if applicable), or by any inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and the response of the independent auditor. In addition to assuring the regular rotation of the audit partners as required by law, the Committee should consider whether it is appropriate to adopt a policy of rotating independent auditors on a periodic basis.
6. Discuss with management, the internal auditor and the independent auditor the Company's major risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. The Committee shall review with management and the independent auditor management's annual internal control report.

7. Prior to releasing year-end earnings, discuss the results of the audit with the independent auditors, including matters required to be communicated to audit committees in accordance with generally accepted auditing standards, applicable law or listing standards.
8. Review with the independent auditor any problems or difficulties the auditor may have encountered in connection with the annual audit or otherwise, including any restrictions on the scope of independent auditor's activities or on access to required information, and any significant disagreements with management. The review should also include discussion of the responsibilities, budget and staffing of the Company's internal audit staff.
9. Establish guidelines for the Company's hiring of employees or former employees of the independent auditors who have participated in the audit of the Company, which shall meet the requirements of applicable law and listing standards.

C. Compliance

1. Periodically review with the Chief Executive Officer and the Chief Financial Officer management's conclusions about the efficacy of the Company's disclosure controls and procedures, including any significant deficiencies in the design or operation of such controls and procedures or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
2. Review management's monitoring of the Corporation's compliance with its Code of Business Conduct, and ensure that management has a proper review system in place to ensure that Corporation's financial statements satisfy legal requirements.
3. Periodically review with management, including the General Counsel and the independent auditor any correspondence with, or other action by, regulators or governmental agencies and any employee complaints or published reports that raise concerns regarding the Company's financial statements, accounting or auditing matters or compliance with the Company's Code of Business Conduct.
4. Meet periodically, but at least annually, and separately with the General Counsel and other appropriate legal staff of the Company to review material legal affairs of the Company and the Company's compliance with applicable law and listing standards.
5. Review with the Company's counsel any legal matter that could have a significant impact on the Company's financial statements.

6. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Such procedures shall include a procedure whereby complaints regarding accounting, internal accounting controls or auditing matters may be submitted directly to the Committee. Such procedures shall include a provision whereby, at least annually, the Committee has the opportunity to review a log of all complaints received pursuant to this procedure.

D. Annual Report

Prepare the report required for inclusion in the Company's annual Proxy Statement, as required by SEC rules and in accordance with all applicable rules and regulations.

E. Other

1. Carry out such other duties that may be delegated to it by the Board.
2. On an annual basis, evaluate its performance under this Charter. The results of such evaluation shall be shared with all Committee members. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner. The Committee shall deliver to the Board a report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

Consistent with New York Stock Exchange listing requirements, this Charter will be included on the Company's website and will be made available upon request to the Company's Secretary. The Company's Annual Report on Form 10-K will state that this Charter is available on the Company's website and will be made available upon request sent to the Company's Secretary. This Charter may also be published periodically in the proxy statement relating to the Company's annual meeting of shareholders.