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AMERICAN GREETINGS CORP
Form 8-K/A
November 21, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A
AMENDMENT NO. 1 TO CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report
(Date of earliest event reported) September 12, 2001

AMERICAN GREETINGS CORPORATION

(Exact name of registrant as specified in Charter)

1-13859

Commission File Number

Ohio 34-0065325

(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

One American Road, Cleveland, Ohio 44144

(Address of principal executive Offices) (Zip Code)

(216) 252-7300

Registrant's telephone number, including area code

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

This Current Report on Form 8-K/A (Amendment No. 1) amends the Current Report on Form 8-K previously filed with the Securities and Exchange Commission on September 27, 2001 relating to the acquisition by American Greetings Corporation, an Ohio corporation ("American Greetings") through its subsidiary AmericanGreetings.com, Inc., of the BlueMountain.com division ("Blue Mountain Arts") of At Home Corporation, a Delaware corporation ("Excite@Home"), on September 12, 2001. The following documents are included as part of this report:

(a) Financial Statements of Business Acquired

The audited financial statements of Blue Mountain Arts as of and for the year ended December 31, 2000 with the report of independent auditors and the financial statements as of and for the six months ended June 30, 2000 and 2001 (unaudited) are included as Exhibit 99 of this Form 8-K/A.

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(b) Unaudited Pro Forma Financial Information

The accompanying unaudited pro forma financial information has been prepared to give effect to the acquisition of Blue Mountain Arts by American Greetings. The unaudited pro forma combined statement of operations for the year ended February 28, 2001 gives effect to the acquisition as if the acquisition had occurred on March 1, 2000. The unaudited pro forma combined statement of operations presented for the year ended February 28, 2001 includes the historical financial results of American Greetings for the year ended February 28, 2001 and of Blue Mountain Arts for the year ended December 31, 2000. The unaudited pro forma combined statement of operations for the six months ended August 31, 2001 gives effect to the acquisition as if the acquisition had occurred on March 1, 2001. The unaudited pro forma combined statement of operations presented for the six months ended August 31, 2001 includes the historical financial results of American Greetings for the six months ended August 31, 2001 and of Blue Mountain Arts for the six months ended June 30, 2001. Synergies and expected cost savings from the integration of Blue Mountain Arts with American Greetings' existing businesses or any additional profitability resulting from the application of American Greetings revenue enhancement measures have not been included in the unaudited pro forma combined statement of operations.

The unaudited pro forma combined statement of financial position as of August 31, 2001 gives effect to the acquisition as if the acquisition had occurred on that date. The unaudited pro forma combined statement of financial position includes the balance sheet of American Greetings as of August 31, 2001 and the balance sheet of Blue Mountain Arts as of June 30, 2001.

The unaudited pro forma financial information includes the adjustments that have a continuing impact to the combined company to reflect the transaction using purchase accounting. The pro forma adjustments are described in the notes to the unaudited pro forma financial information. The adjustments are based upon preliminary information and certain management judgments and estimates. The purchase accounting adjustments are subject to revisions which will be reflected in future periods. Revisions, if any, are not expected to have a material effect on the statement of operations or financial position of American Greetings. Certain reclassifications have been reflected to conform Blue Mountain Arts' financial information to American Greetings' presentation.

The unaudited pro forma financial information and accompanying notes are presented for illustrative purposes only and do not purport to be indicative of and should not be relied upon as indicative of the financial position or operating results which may occur in the future, or that would have occurred if the acquisition had been consummated on March 1, 2000. The unaudited pro forma financial information should be read in conjunction with:

- (a) American Greetings' consolidated financial statements and notes thereto and management's discussion and analysis for the year ended February 28, 2001 filed as part of American Greetings' Form 10-K;
- (b) American Greetings' consolidated financial statements and notes thereto and management's discussion and analysis for the six months ended August 31, 2001 filed as part of American Greetings' Form 10-Q;
- (c) Blue Mountain Arts' audited financial statements and notes thereto as of and for the year ended December 31, 2000 and the financial statements as of and for the six months ended June 30, 2000 and 2001

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(unaudited) included as Exhibit 99 of this Form 8-K/A.

Unaudited Pro Forma Combined Statement of Operations
 For the Year Ended February 28, 2001
 Thousands of dollars except per share amounts

	Historical	
	American Greetings Corporation	Blue Mountain Arts
Net sales	\$ 2,518,814	\$ 13,867
Costs and expenses:		
Material, labor and other production costs	999,271	9,073
Selling, distribution and marketing	1,068,543	10,111
Administrative and general	280,202	10,121
Interest expense	55,387	--
Other expense -net	16,778	924,207 (1)
	2,420,181	953,512
Income (loss) before income tax provision (benefit) and cumulative effect of accounting change	98,633	(939,645)
Income tax provision (benefit)	191,306	--
Net (loss) income before cumulative effect of accounting change	\$ (92,673)	\$ (939,645)
Loss per share and loss per share assuming dilution before cumulative effect of accounting change	\$ (1.46)	
Weighted average number of shares outstanding for loss per share and loss per share assuming dilution	63,646,405	

See Notes to Unaudited Pro Forma Combined Statement of Operations.

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

- (1) Includes \$684,205 related to write-down of goodwill, other intangible assets and other assets. See Notes 1 and 2 to the Financial Statements of Blue Mountain Arts included in Exhibit 99 for further discussion.

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- (2) Represents interest income foregone due to use of cash in acquisition.
- (3) Income tax benefit at statutory rate of 37% for loss incurred by Blue Mountain Arts (but for which no benefit was available to Blue Mountain Arts due to its having no operating profits in any of its periods), except amortization of other intangible assets, and including the impact of interest income foregone due to use of cash in acquisition.

Unaudited Pro Forma Combined Statement of Operations
 For the Six Months Ended August 31, 2001
 Thousands of dollars except per share amounts

	Historical		
	American Greetings Corporation	Blue Mountain Arts	
Net sales	\$ 993,965	\$ 4,345	
Costs and expenses:			
Material, labor and other production costs	438,017	3,896	
Selling, distribution and marketing	514,264	4,795	
Administrative and general	143,198	4,984	
Restructure charges	52,925	--	
Interest expense	35,525	--	
Other expense (income) -net	(4,070)	19,485 (1)	\$
	----- 1,179,859	----- 33,160	-----
(Loss) before income tax benefit	(185,894)	(28,815)	
Income tax (benefit)	(70,082)	--	(
	-----	-----	-----
Net (loss) income	\$ (115,812)	\$ (28,815)	\$
	=====	=====	=====
Loss per share and loss per share assuming dilution	\$ (1.82)		
Weighted average number of shares outstanding for loss per share and loss per			

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share assuming dilution

63,500,674

See Notes to Unaudited Pro Forma Combined Statement of Operations.

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

- (1) Includes \$15,503 related to write-down of goodwill, other intangible assets and other assets. See Notes 1 and 2 to the Financial Statements of Blue Mountain Arts included in Exhibit 99 for further discussion.
- (2) Represents interest income foregone due to use of cash in acquisition.
- (3) Income tax benefit at statutory rate of 37% for loss incurred by Blue Mountain Arts (but for which no benefit was available to Blue Mountain Arts due to its having no operating profits in any of its periods), except amortization of other intangible assets, and including the impact of interest income foregone due to use of cash in acquisition.

Unaudited Pro Forma Combined Statement of Financial Position

August 31, 2001

Thousands of dollars except per share amounts

ASSETS	Historical		Pro Forma Adjustments
	American Greetings Corporation	Blue Mountain Arts	
CURRENT ASSETS			
Cash and cash equivalents	\$ 74,883		\$ (36,200) (1)
Trade accounts receivable, less allowances for sales returns and for doubtful accounts	369,544	\$ 355	(241) (2)
Inventories	429,657		
Deferred and refundable income taxes	164,924		
Prepaid expenses and other	215,298		
Total current assets	1,254,306	355	(36,441)
GOODWILL	227,202		37,384 (3)
OTHER ASSETS	906,291	12,350	(12,332) (4) 260 (5) (1) (2)
PROPERTY, PLANT AND EQUIPMENT-NET	454,587	1,757	(121) (2)
	<u>\$ 2,842,386</u>	<u>\$ 14,462</u>	<u>\$ (11,251)</u>

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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Debt due within one year	\$ 141,311			
Accounts payable	152,574	\$ 74		
Accrued liabilities	198,340	669	\$ 1,980	(2)
Accrued compensation and benefits	86,667	250		13 (2)
Dividends payable	6,367			
Income taxes	128,303			
Other current liabilities	132,014	199		

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Total current liabilities	845,576	1,192	1,993	

LONG-TERM DEBT 850,250

OTHER LIABILITIES 199,585

DEFERRED INCOME TAXES 23,005

SHAREHOLDERS' EQUITY

Common shares - par value \$1				
Class A	58,877			
Class B	4,626			
Capital in excess of par value	286,054	993,461	(993,461)	(6)
Treasury stock	(447,124)			
Accumulated other comprehensive loss	(58,844)			
Retained earnings	1,080,381	(980,191)	980,191	26 (7)

	-----	-----	-----	
Total shareholders' equity	923,970	13,270	(13,244)	

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	\$ 2,842,386	\$ 14,462	\$ (11,251)	
	=====	=====	=====	

See notes to Unaudited Pro Forma Combined Statement of Financial Position.

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION

- (1) Represents cash paid in acquisition (\$35,000 plus \$1,200 of acquisition-related expenses).
- (2) Certain items included in Blue Mountain Arts' balance sheet have been adjusted to reflect their fair value at the date of acquisition.
- (3) Represents goodwill established in purchase accounting, representing excess of purchase price over fair value of assets acquired and liabilities assumed.
- (4) Intangible assets included in Blue Mountain Arts' results have been written off to reflect their fair value to the combined entity.
- (5) Represents establishment of fair value for Blue Mountain Arts' Universal Resource Locator acquired.
- (6) Represents the elimination of the shareholders' equity related to Blue

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Mountain Arts.

- (7) Difference in acquisition date net book value as compared to June 30, 2001 net book value.

(c) Exhibits:

		Page Num -----
Exhibit 23	Consent of Ernst & Young LLP	A
Exhibit 99	Financial Statements of Blue Mountain Arts for year ended December 31, 2000 and six months ended June 30, 2000 and 2001 (unaudited)	A

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN GREETINGS CORPORATION

By: /s/ Joseph B. Cipollone

Joseph B. Cipollone
Vice President, Corporate Controller
Chief Accounting Officer

November 21, 2001