

This information is being provided by The McClatchy Company (“McClatchy”) as a convenience to former shareholders of Knight-Ridder, Inc. (“Knight-Ridder”) and should not be construed as tax advice. Shareholders should consult their tax advisors with respect to all tax-related aspects of the merger, including federal, foreign, state, and local tax implications which may vary greatly depending on an individual’s particular circumstances. For a more complete discussion of the tax implications of the merger, see pages 67-69 of the prospectus/proxy statement/information statement dated May 9, 2006.

The McClatchy/Knight-Ridder Merger

On March 12, 2006, McClatchy agreed to acquire Knight-Ridder by merging Knight-Ridder with and into McClatchy. The merger was effective on June 27, 2006. Knight-Ridder shares were exchanged for a combination of cash (at \$40 per Knight-Ridder share) and McClatchy stock (at an exchange rate of 0.5118 per Knight-Ridder share). Each holder of Knight-Ridder stock who would otherwise have been entitled to receive a fraction of a share of McClatchy stock in the merger received a cash payment based on \$41.15 per full share, representing such holder’s proportionate interest in the proceeds from the sale by the exchange agent for the merger in one or more transactions at the then-prevailing market price(s) of shares of Knight-Ridder common stock.

Tax Reporting for the Exchange of Knight-Ridder Stock (see example on the next page)

We received an opinion from outside counsel that the exchange of Knight-Ridder stock for a combination of cash and McClatchy stock will qualify as a *reorganization* under the tax code.

Under the rules applicable to reorganizations, the gain or loss **realized** on the exchange will be an amount equal to the difference between (1) the sum of the cash received and the fair market value of McClatchy stock received and (2) the shareholder’s cost basis in the Knight-Ridder stock exchanged. However, only realized gains will be **recognized** for U.S. federal income tax purposes, and such gains will be recognized only to the extent of the amount of cash received. Realized losses will not be **recognized**. In other words, if a shareholder has a realized gain on the exchange of a particular block of shares, a shareholder will report taxable income equal to the lesser of the realized gain or the total cash received. However, if a shareholder has a realized loss on the exchange of a particular block of shares, a shareholder will not be able to deduct such loss. Any loss will instead be reflected in the new cost basis of the McClatchy stock received.

For purposes of computing gain or loss on the exchange, Knight-Ridder shares that have different cost bases or holding periods will be treated as separate blocks of stock, and the gain or loss **realized** on the exchange must be computed separately for each block. Also, any loss realized from the exchange of one block of stock may not be used to offset gain realized on another block of stock.

Any gains **recognized** by a shareholder may, in certain circumstances, be treated as capital gain. The rules for determining the character of gain, however, are often quite complex.

Shareholders who received cash in lieu of a fractional share of McClatchy stock will **recognize** gain or loss equal to the difference between the cash received and the portion of their cost basis in the Knight-Ridder stock attributable to that fractional share.

Information You Will Need to Report the Exchange of Knight-Ridder Stock in the Merger

1. Number of shares of McClatchy stock received in exchange for Knight-Ridder stock

2. Total Cash Received

This amount will be reported on a Form 1099-B.

3. Number of Knight-Ridder shares exchanged and the cost basis for each block of shares

Refer to your records for the number Knight-Ridder shares exchanged as well as for the cost basis and holding period for those shares.

4. Amount of cash received in lieu of a fractional share and cost basis for the fractional share

The cash received in lieu of a fractional share of McClatchy stock will be reported on a Form 1099-B. This amount is reportable as a sale of a fractional share of McClatchy stock. Refer to the example on the next page for information on how to determine the cost basis for the fractional share.

Example

In this example, a shareholder exchanged 1,000 shares of Knight-Ridder stock with a cost basis of \$15 per share. This example assumes that the gain can be reported as capital gain income by the shareholder.

<i>In this example, the shareholder uses the following information to calculate the “gain or loss realized.”</i>	
Number of shares (and assumed value*) of McClatchy stock received in exchange for Knight-Ridder stock	
511 shares	McClatchy stock received. (1,000 Knight-Ridder shares x .5118 = 511.8)
\$ 19,944.33	Assumed value based on \$39.03* per share (511 McClatchy shares x \$39.03 = \$19,944.33)
Total Cash Received	
\$ 40,000.00	Total cash received and reported on 1099-B (1,000 Knight-Ridder shares times \$40 per share)
Number of Knight-Ridder shares exchanged and the cost basis for each block of shares.	
1,000	Knight-Ridder shares exchanged. Cost basis as determined by the shareholder was \$15.00 per share.
\$ 15,000.00	Cost basis of Knight-Ridder shares
<u>(\$7.81)</u>	Cost basis for the fractional share**
<u>\$ 14,992.19</u>	Cost basis for Knight-Ridder shares exchanged, less the cost of the fractional share exchanged for cash.

In this example, the shareholder follows these steps to determine the amount to report as taxable income and to determine the cost basis of new McClatchy shares received.

Step 1 Calculate the “Gain or Loss Realized”	
Assumed value of McClatchy stock*	\$ 19,944.33
Plus: Total cash received	<u>\$ 40,000.00</u>
Total value of cash and stock received	\$ 59,944.33
Minus: Cost basis of Knight-Ridder shares exchanged	<u>(\$ 14,992.19)</u>
TOTAL GAIN REALIZED	<u>\$ 44,952.14</u>

Step 2 If the result of Step 1 is a realized loss, proceed to Step 3 and do not deduct the loss. Otherwise, compare the “Gain Realized” to “Total Cash Received”. Report the lesser amount as taxable income.	
<u>Total Gain Realized</u>	<u>Total Cash Received</u>
\$ 44,952.14	\$ 40,000.00
<p><u>In this example</u>, Total Cash Received is less than Total Gain Realized. Therefore, the shareholder will report \$40,000.00 as taxable income. Assuming the transaction qualifies for capital gain treatment, the gain will be reported on Schedule D.</p>	

Step 3 Calculate the new cost basis for McClatchy Shares Received***	
Cost of Knight-Ridder shares exchanged	\$ 15,000.00
Minus: Total cash received	(\$40,000.00)
Minus: Basis of fractional share**	(\$ 7.81)
Plus: Amount reported as taxable income	<u>\$ 40,000.00</u>
COST BASIS FOR 511 MCCLATCHY SHARES	<u>\$ 14,992.19</u>

Step 4. Calculate gain or loss for cash-in-lieu of a fractional share.**	
Cash received in-lieu of fractional share	\$ 32.92
Minus: Cost allocated to fractional share	<u>(\$ 7.81)</u>
Gain on sale of fractional share	<u>\$ 25.11</u>

* For the above example, the value of McClatchy stock received is based on the closing price of McClatchy stock on June 27, 2006. Please consult your tax advisor for other acceptable methods of determining the fair market value of stock received.

** For the above example, the fractional share equals a 0.8 share. Fractional shares were paid based on \$41.15 per share, representing the proportionate interest per share of the proceeds from the sale by the exchange agent for the merger in one or more transactions at the then-prevailing market price(s) of shares of Knight-Ridder common stock. The cash received in lieu of a fractional share of McClatchy stock is \$32.92 in this example ($\$41.15 \times 0.8 = \32.92). The cost basis allocated to the fractional share in this example is \$7.81. The basis was determined by using the following calculation:

- 1) FMV of total McClatchy stock received, including fractional share = $511.8 \times \$39.03 = \$19,975.55$
- 2) FMV of total consideration received = $\$19,975.55$ stock + $\$40,000$ cash = $\$59,975.55$
- 3) Cost allocated to fractional share = $\$15,000 \times (\$19,975.55 / \$59,975.55) \times (0.8 \text{ share} / 511.8 \text{ shares}) = \7.81 .

*** The new cost basis for McClatchy stock received will equal the shareholder's cost in Knight-Ridder shares exchanged decreased by the amount of cash received for Knight-Ridder shares, decreased by the cost allocated to the fractional share, and increased by any gain reported by the shareholder.