

The McClatchy Company Retirement Plan

Financial Statements for the Years
Ended December 31, 2007 and 2006, and
Independent Auditors' Report

THE MCCLATCHY COMPANY RETIREMENT PLAN

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INDEPENDENT AUDITORS' REPORT

Plan Administrator
The McClatchy Company:

We were engaged to audit the financial statements of The McClatchy Company Retirement Plan (the "Plan") as of December 31, 2007 and 2006, and for the years then ended, as listed in the Table of Contents. These financial statements are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Notes 5, 6, and 7, which was derived from information certified by Bank of New York Trust Company and The Northern Trust Company, the trustees of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the plan administrator that the trustees hold the Plan's investment assets and execute investment transactions. The plan administrator has obtained certifications from the trustees that the information as of and for the years ended December 31, 2007 and 2006, provided to the plan administrator by the trustees are complete and accurate.

Because of the significance of the information that we did not audit, we are unable to express, and we do not express, an opinion on the accompanying financial statements taken as a whole. The form and content of the information included in the financial statements, other than that derived from the information certified by the trustees, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

See Note 1 for discussion of the merger of the Knight Ridder Pension Plan into the Plan in 2007 and Note 9 for discussion of the sale of The Star Tribune Company and the related spin-off of certain Plan assets and future benefit obligations to Star Tribune Plan O in 2006.



October 14, 2008

THE MCCLATCHY COMPANY RETIREMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AS OF DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS —		
Trust fund assets held by Trustee:		
Interest in McClatchy Company Master Trust	\$ 396,556,248	\$ 524,843,807
Interest in Knight Ridder, Inc. Master Retirement Trust	980,970,307	-
LIABILITIES:		
Payable to Star Tribune Plan A	-	329,610
Payable to Star Tribune Plan O	-	151,328,155
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 1,377,526,555</u>	<u>\$ 373,186,042</u>

THE MCCLATCHY COMPANY RETIREMENT PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
ADDITIONS —		
Net investment income from McClatchy Company Master Trust	\$ 37,691,587	\$ 61,198,842
DEDUCTIONS:		
Payment to participants	12,067,147	17,478,112
Administrative expenses	2,254,234	1,903,086
Total deductions	14,321,381	19,381,198
SPIN-OFF OF STAR TRIBUNE PLAN O	-	(151,328,155)
NET TRANSFERS TO RELATED PLANS	-	(91,175)
TRANSFER FROM KNIGHT RIDDER PENSION PLAN	980,970,307	-
NET INCREASE (DECREASE) IN NET ASSETS	1,004,340,513	(109,601,686)
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	373,186,042	482,787,728
End of year	\$ 1,377,526,555	\$ 373,186,042

See notes to financial statements.

THE MCCLATCHY COMPANY RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. DESCRIPTION OF THE PLAN

The following description of The McClatchy Company (the “Company”) Retirement Plan (the “Plan”) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan provisions.

Effective December 31, 2007, the Knight Ridder Pension Plan was merged with and into the Plan. The Knight Ridder, Inc. Master Retirement Trust was dissolved in January 2008 and the assets were transferred to The McClatchy Company Master Retirement Trust. The accrual formulas, terms and conditions of the Plan that applied to legacy Knight Ridder employees benefiting under the Knight Ridder Pension Plan and to legacy McClatchy employees benefiting under the McClatchy Company Retirement Plan before the merger continue to be used under the merged plan, such that each plan’s formulas, terms and conditions continue to apply to its respective group of employees.

The Plan is a defined benefit pension plan covering most employees of legacy McClatchy companies who have completed 375 hours of service in six months and as of December 31, 2007 and most employees of legacy Knight Ridder companies who have completed one year of service with at least 1,000 hours per year and have attained age 20. The Plan generally provides for 100% vesting after 5 years of service. The Retirement Committee, which reports to the Pension and Savings Plan Committee of the Board of Directors of the Company, controls and manages the operation and administration of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). See Note 9 for a discussion of the sale of The Star Tribune Company and the related spin-off of certain Plan assets and future benefit obligations to Star Tribune Plan O.

Effective January 1, 2008, the portion of the McClatchy Company Retirement Plan reflecting the terms of the Knight Ridder Pension Plan was amended such that no participant shall accrue any further eligibility, vesting or benefit accrual service relating to a period of long-term disability after December 31, 2007 in order to conform with the provisions applicable to legacy McClatchy employees.

The Plan provides for early retirement benefits at age 55 for vested legacy McClatchy participants and age 55 with 10 years of service for legacy Knight Ridder participants. Regular retirement benefits are payable for employees under the Plan at age 65 (age 62 with 20 years of service for legacy McClatchy employees). In the event of death of a vested participant prior to receiving benefits, the participant’s spouse may be eligible for a retirement benefit.

Monthly benefit payments are determined by the application of a formula. The formula for the legacy McClatchy participants is the better of 1.3% of the average monthly earnings multiplied by years of benefit accrual service (up to 35) or 1.5% of career average monthly earnings multiplied by years of career benefit service, plus any prior plan benefit accrued. Generally, legacy McClatchy participants may receive a lump sum distribution of the vested benefit if the actuarial equivalent present value is \$10,000 or less.

The retirement benefit for legacy Knight Ridder participants varies depending on qualified years of service, compensation level, retirement age and certain participant elections. Generally, Knight Ridder retirement benefits are based on a percentage of the average eligible compensation during the participants' highest five years out of their last ten years of service multiplied by the number of qualified years of service worked for Knight Ridder companies. Benefits are subject to statutory maximums and, in some cases, benefits take into consideration any expected Social Security benefit payments and, in some cases, benefits from other retirement plans, which may reduce benefits.

The Company funds the Plan with an annual contribution within the minimum and maximum limits under ERISA, representing current cost plus amortization of prior service costs as determined by the Plan's independent actuary. No funding was required under ERISA for the 2007 and 2006 Plan years (see Note 3).

While the Company has not expressed any intent to terminate the Plan or to discontinue contributions, it has the right to do so at any time, subject to the provisions set forth in ERISA. Should the Plan be terminated at some future time, all participants become 100% vested in benefits earned as of the termination date.

If the termination is the result of the bankruptcy or near bankruptcy of the Company and the Plan's assets are not adequate to pay all benefits vested prior to the termination, the Pension Benefit Guaranty Corporation ("PBGC") will take over the Plan and will pay those benefits that it guarantees. In this case, some participants may receive a smaller benefit than if the Plan had continued. Whether a particular participant's accumulated plan benefits will be paid depends on both the priority of those benefits (as described in the Plan) and the level of benefits guaranteed by the PBGC at that time.

If, however, the Plan is terminated for any reason other than the bankruptcy or near bankruptcy of the Company and the Plan has insufficient assets, the Company will be required to pay to the Plan an amount, which, together with plan assets, will satisfy all benefits accumulated to the date of the Plan's termination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Investments and Income Recognition — The Plan's investments in The McClatchy Company Master Retirement Trust ("McClatchy Master Trust") and the Knight Ridder, Inc. Master Retirement Trust ("Knight Ridder Master Trust") are stated at current fair value as determined by The Bank of New York Trust Company (the "Trustee") and The Northern Trust Company (the "Knight Ridder Trustee"), respectively, which hold the various investments (see Notes 5 and 6). The fair value of investments in mutual funds is based on the net asset value of shares held by the McClatchy Master Trust and Knight Ridder Master Trust on the last business day of the plan year. Securities traded on a national exchange are valued at the last reported sales price on the last business day of the year; investments traded in the over-the-counter market and listed securities for which no sales were reported on that date are valued at the average of the last reported bid and asked prices. When quoted market prices are not available, the fair value of investments is estimated primarily by independent investment brokerage firms. Asset-backed securities are valued in accordance with a formula based on their rating, maturity and coupon. The fair values of participation units in limited partnerships and the commingled group real estate trust are based on the McClatchy Master Trust and Knight Ridder Master Trust's proportionate share of the estimated fair value of the underlying

net assets on the last business day of the plan year. Short-term investments are stated at historical cost plus accrued interest, which approximates fair value. Commercial papers are stated at cost, which approximates fair value. Purchases and sales of investments are recorded on a trade-date basis, and dividends are recorded on the ex-dividend date. Net investment gain (loss) includes interest, dividends, net gain (loss) on the sale of assets, and unrealized asset appreciation (depreciation), less investment advisory and management fees.

Derivative Financial Information — The Plan's investment policy allows use of derivatives by investment managers of the Master Trust for investment portfolio strategies that include enhancing returns and facilitating shifts in asset allocation. The policy states that derivatives may not be used in a speculative manner or to leverage the investment portfolio. Derivative financial instruments used by investment managers of the McClatchy Master Trust during the years ended December 31, 2007 and 2006, included the OFITC Real Asset Fund with a fair value of \$25,383,266 and \$31,506,793, respectively. Derivative financial instruments used by investment managers of the Knight Ridder Master Trust during the year ended December 31, 2007 included a net liability in interest rate swaps with a fair value of \$644,881. Generally, these derivative financial instruments are valued based on the settlement price as determined by the clearinghouse or by quoted prices on the exchange where the contract is principally traded.

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Contributions to the Plan and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions will occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

Actuarial Present Value of Accumulated Plan Benefits — Accumulated plan benefits (see Note 4) are those estimated future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to services rendered by the employees to the valuation date. Accumulated plan benefits include benefits expected to be paid to: (a) retired or former employees and their beneficiaries, (b) beneficiaries of employees who have died, and (c) active employees and their beneficiaries. Benefits payable under all circumstances — retirement, death, disability, and termination of employment — are included to the extent they are deemed attributable to employee service rendered to the valuation date.

Risks and Uncertainties — As described in Note 5, the Plan (through the use of both Master Trusts), utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Administrative Expenses — Some administrative expenses of the Plan are paid by the Plan within the extent permitted by applicable law and the Plan document.

Payment of Benefits — Benefit payments to participants are recorded upon distribution.

Income Taxes — The Plan has received a favorable determination letter dated February 10, 2006, that found the Plan was designed in accordance with the applicable Internal Revenue Code (IRC) requirements and, therefore, the related trust is not subject to tax under current tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its tax qualification. The Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC and, as a result, no provision for income taxes has been included in the Plan's financial statements.

New Accounting Pronouncements

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157 (SFAS 157), Fair Value Measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The provisions of SFAS 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007.

In November 2007, the FASB agreed to defer the effective date of Statement 157 one full year for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

Management does not expect the adoption of SFAS 157 to have a material impact to the Plan's net assets available for benefits or changes in net assets available for benefits.

Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued Statement No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. The entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. The provisions of SFAS 159 are effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The adoption of SFAS 159 is not expected to have a material impact to the Plan's net assets available for benefits or changes in net assets available for benefits.

3. FUNDING POLICY

Company contributions that meet the funding requirements of ERISA are determined by actuarial valuations and are made to the Master Trust (see Note 6). The contributions are determined by the Plan's independent actuary and are expected to be sufficient to provide the Plan with assets to pay estimated pension benefits to plan participants.

Contributions to the Plan are determined based upon calculations made by the actuary and are designed to annually fund current normal cost and to amortize the unfunded liability over 30 years or a period of time that results in annual contributions equal to or in excess of the minimum funding requirements. There was no voluntary contribution made to the Plan in 2007 and 2006, respectively.

4. ACCUMULATED PLAN BENEFITS

McClatchy Master Trust

The actuarial present value of accumulated plan benefits at January 1, 2007 and 2006, was determined using the unit credit actuarial method by the Plan's independent actuaries as of January 1, 2007 and 2006, and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected dates of payment.

Summarized below are the actuarial present value of accumulated plan benefits and the changes in the actuarial present value of accumulated plan benefits as of January 1, 2007 and 2006.

	2007	2006
Actuarial present value of accumulated plan benefits:		
Vested benefits:		
Participants currently receiving payments	\$ 90,077,980	\$ 136,002,212
Other participants	<u>153,368,334</u>	<u>171,505,590</u>
Total vested benefits	243,446,314	307,507,802
Nonvested benefits	<u>1,711,193</u>	<u>2,238,035</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 245,157,507</u>	<u>\$ 309,745,837</u>
Changes in the actuarial present value of accumulated plan benefits:		
The McClatchy Plan accumulated plan benefits —		
beginning of year	\$ 309,745,837	\$ 271,545,106
(Decrease)/increase in additional benefits accumulated ⁽¹⁾	(76,916,526)	4,718,066
Decrease in discount period	24,076,913	22,392,973
Benefits paid	(18,343,518)	(16,533,890)
Assumption changes ⁽²⁾	<u>6,594,801</u>	<u>27,623,582</u>
The McClatchy Plan accumulated plan benefits —		
end of year	245,157,507	309,745,837
Merger of Knight Ridder Pension Plan into the McClatchy Pension Plan and related accumulated plan benefits		
(end of year) ⁽³⁾	<u>812,332,526</u>	<u>-</u>
Accumulated plan benefits — end of year	<u>\$ 1,057,490,033</u>	<u>\$ 309,745,837</u>

(1) Includes effect of Plan O spin-off. (See Note 9)

(2) Assumption changes principally related to changes in discount rates in 2007 and discount rates and mortality assumptions in 2006.

(3) As discussed in Note 1, the Knight Ridder Pension Plan was merged with and into the Plan effective December 31, 2007. The January 1, 2007 ABO balances of the Knight Ridder Pension Plan are presented to facilitate the comparison with the net assets available for benefits at December 31, 2007.

Significant assumptions underlying the actuarial computations of the present value accumulated plan benefits as of January 1, 2007 include:

	Age	Percentage Assumed To Retire
Retirement rates:	70	100.0 %
	65	23.0
	62	18.0
	60	9.0
	55	5.0
Mortality rates:	Based on 2000 Retired Pensioners Mortality Table	
Assumed rate of return on investments:	8.50%	
Termination rates:	Rates graded by age with sample rates as listed:	
	Age	Prior to 2012 Percentage Assumed To Retire With More Than 10 Years of Service
	45+	5.5 %
	40-44	7.0
	20-39	8.0
		2012 and Later Years Percentage Assumed To Retire With More Than 10 Years of Service
	45+	4.4 %
	40-44	5.6
	20-39	6.4
Asset value:	Based on Trustee's annual report and supplemental information supplied by the Company	
Form of payment:	Life annuity	

Significant assumptions underlying the actuarial computations of the present value accumulated plan benefits as of January 1, 2006 include:

	Age	Percentage Assumed To Retire
Retirement rates:	70	100.0 %
	66–69	15.0
	65	50.0
	63–64	10.0
	62	25.0
	60–61	5.0
	56–59	2.0
	55	3.0
Mortality rates:	Based on 2000 Retired Pensioners Mortality Table	
Assumed rate of return on investments:	8.00%	

Termination rates: Rates graded by age with sample rates as listed:

	Age	Percentage Assumed To Retire With More Than 10 Years of Service
	50–64	2.5 %
	45	4.0
	40	5.0
	35	6.0
	30	8.0
	25	10.0
	20	12.0
Asset value:	Based on Trustee's annual report and supplemental information supplied by the Company	
Form of payment:	Life annuity	

The foregoing actuarial assumptions were based on the presumption that the Plan would continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Subsequent to December 31, 2008, the Company announced plans to reduce its workforce as the Company streamlines its operations and staff size. The announced workforce reduction will come through both voluntary and involuntary separations and managed attrition involving about 2,550 positions. Not all of the eliminated positions may have been participants in the plan, or have yet taken place.

Knight Ridder Master Trust

The actuarial firm of Towers Perrin estimates the actuarial present value of accumulated plan benefits, which is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits earned by the participants to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

At January 1, 2007, significant assumptions underlying the actuarial valuations are as follows:

Discount rate	8.00% as of January 1, 2007
Mortality basis	RP 2000 projected to 2015 with no collar adjustment
Average retirement age	63

The significant changes in actuarial assumptions in the January 1, 2007 actuarial valuation are summarized as follows:

- Demographic and salary scale assumptions were updated as a result of an experience study conducted in 2007.

5. INFORMATION CERTIFIED BY TRUSTEE (UNAUDITED)

As of December 31, 2007, The McClatchy Company is a party to a master trust with The Bank of New York Trust Company and a master trust with The Northern Trust Company for The McClatchy Company Retirement Plan. In January 2008, The Knight Ridder Master Trust was dissolved and the assets were transferred to the McClatchy Master Trust with The Northern Trust Company acting as Trustee.

As of December 31, 2006, The McClatchy Company was a party to a master trust with The Bank of New York Trust Company for the three pension plans: The McClatchy Company Retirement Plan, Star Tribune Retirement Plan A ("Plan A") and Star Tribune Retirement Plan G ("Plan G"). As described in Note 9, the Star Tribune newspaper was sold in 2007. The purpose of combining the assets of the three plans was to pool investment transactions and to achieve uniform rates of return on comparable funds under all plans. Each plan owned an undivided interest in net assets of the McClatchy Master Trust based on its equity in the McClatchy Master Trust.

Under the terms of trust agreements between the Trustees and the Plan, the Trustees hold all of the Plan's investment assets, have been granted discretionary authority concerning purchases and sales of investments in the Master Trusts and collect the related investment income. The following is a summary of the unaudited information as of and for the years ended December 31, 2007 and 2006, included in the Plan's financial statements, that was derived from the information prepared by the Trustees. The Trustees have provided the Plan administrator with certifications that such information provided is complete and accurate at December 31, 2007 and 2006.

	2007	2006
Interest in Master Trust	\$ 396,556,248	\$ 524,843,807
Interest in Knight Ridder Master Trust	980,970,307	-
Net investment income from Master Trust	37,691,587	61,198,842

Such amounts and all of the financial information in Note 6 and 7 are included in the accompanying financial statements of the Plan based on such certifications from the Trustee.

6. MASTER TRUSTS (UNAUDITED)

McClatchy Master Trust

Under the terms of the trust agreement, the Trustee manages trust funds on behalf of the Plan. In accordance with the trust agreements, as of December 31, 2006 certain assets of the Plan were held together with assets related to the Star Tribune Plans held in the McClatchy Master Trust, which were transferred to the Star Tribune Master Trust for the benefit of the Star Tribune Plans in 2007. As of December 31, 2007, only the Plan's assets were held in the McClatchy Master Trust. The Trustee has been granted discretionary authority concerning the purchases and sales of the investments of the Master Trust.

In 2006, the Plan's share of net investment income or loss from the McClatchy Master Trust was determined by the plan administrator based on the ratio of the fair value of the Plan's equity in the McClatchy Master Trust to the total net assets of the McClatchy Master Trust at the beginning of the plan year. The fair value of the Plan's interest in the McClatchy Master Trust was based on the beginning of year value of the Plan's interest in the trust plus actual contributions and allocated investment income less actual distributions and allocated administrative expenses.

The allocation of funds among the participating pension plans at December 31, 2007 and 2006 is as follows:

	2007		2006	
	Amount	Percentage Ownership	Amount	Percentage Ownership
The McClatchy Plan	\$ 396,556,248	100.0 %	\$ 524,843,807	76.2 %
Star Tribune Plan A	-	-	93,396,512	13.6
Star Tribune Plan G	-	-	70,184,073	10.2
	<u>\$ 396,556,248</u>	<u>100.0 %</u>	<u>\$ 688,424,392</u>	<u>100.0 %</u>

The net assets of the McClatchy Master Trust at December 31, 2007 and 2006 are as follows:

	2007	2006
ASSETS:		
Investments:		
Equities:		
Commingled funds	\$ 77,256,930	\$ 218,902,086
Common stocks	32,119,960	76,751,995
Foreign equities	<u>171,462,169</u>	<u>171,097,382</u>
Total equities	280,839,059	466,751,463
Fixed income — commingled funds	87,684,749	183,674,145
Total commodities futures contract	25,383,266	31,506,793
Cash and cash equivalents	<u>2,604,597</u>	<u>6,522,103</u>
Total investments	396,511,671	688,454,504
Accrued income	44,577	75,014
Settlement receivables	<u>1,235,162</u>	<u>1,343,090</u>
Total assets	397,791,410	689,872,608
LIABILITIES — Settlement payables	<u>1,235,162</u>	<u>1,448,216</u>
NET ASSETS AVAILABLE FOR BENEFITS IN MASTER TRUST	<u>\$ 396,556,248</u>	<u>\$ 688,424,392</u>

The net investment income in the Master Trust is as follows for the years ended December 31, 2007 and 2006 is as follows:

	2007	2006
Net appreciation in fair value of investments	\$ 49,205,048	\$ 71,347,085
Interest	3,527,336	4,366,628
Dividends	<u>3,141,829</u>	<u>4,607,042</u>
Total investment income	55,874,213	80,320,755
Less Plan A, Plan G and Star Tribune Plan O	<u>(18,182,626)</u>	<u>(19,121,913)</u>
Net investment income - The McClatchy Company Plan	<u>\$ 37,691,587</u>	<u>\$ 61,198,842</u>

During the years ended December 31, 2007 and 2006, the Master Trust's investments appreciated in fair value as shown below:

	2007	2006
Equity instruments	\$48,884,764	\$71,258,101
Fixed income instruments	<u>320,284</u>	<u>88,984</u>
Net appreciation in fair value of investments	<u>\$49,205,048</u>	<u>\$71,347,085</u>

Knight Ridder Master Trust

Under the terms of the trust agreement, the Trustee manages trust funds on behalf of the Plan. The Trustee has been granted discretionary authority concerning the purchases and sales of the investments of the Master Trust.

The net assets of the Knight Ridder Master Trust at December 31, 2007 are as follows:

	2007
ASSETS	
Investments, at fair value:	
U.S. Government debt securities	\$ 284,330,334
Equities	28,045,013
Corporate debt securities	104,924,276
Mutual funds	194,281,280
Common Collective Trusts	456,089,623
Real Estate	15,470,606
Limited partnerships	9,440,975
Securities lending collateral (cash collateral)	88,901,810
Other	1,782,718
Receivables for security sales	38,863,876
Cash	1,603,861
Total assets	<u>1,223,734,372</u>
LIABILITIES	
Payable for securities lending collateral	88,901,810
Payables for security purchases	153,862,255
Total liabilities	242,764,065
Net assets in Master Trust	\$ 980,970,307

7. SECURITIES LENDING (UNAUDITED)

The Knight Ridder Master Trust has entered into securities lending agreements with The Northern Trust Company as the lending agents. The agreement authorizes the lending agent to lend securities of United States and non-United States issuers held by the Master Trust to an approved list of

borrowers. The lending agent has a responsibility for negotiating the terms of each loan and for collecting all required collateral. By the close of the business day on which the securities are delivered to the borrower, the lending agent shall obtain collateral in an amount equal to 102% in the case of securities of United States issuers, and 105% in the case of securities of non-United States issuers, of the market value of any securities loaned. The lending agent is authorized to invest and reinvest, on behalf of the Master Trust, all cash collateral in accordance with the provisions set forth in the agreement. Until a loan of securities is terminated and such securities are returned to the lending agent, a borrower shall have all incidents of ownership of the securities loaned, including but not limited to, the right to transfer the securities to others. In 2008, the Company made the determination that it would temporarily not enter into any new securities lending agreements.

The securities lending transactions have been accounted for as a loan of securities, since the Master Trust may not sell or re-pledge the collateral unless the borrower defaults on the loan, at which time the lending agent will use the collateral to replace the loaned security. Securities on loan valued at \$101,355,754 are included in the investments of the Master Trust at December 31, 2007. Collateral valued at \$103,464,544 at December 31, 2007 has been obtained to secure these loans. Since the non-cash collateral may not be pledged or sold, the Master Trust is not obligated to record the collateral or the obligation to return the non-cash collateral, which was valued at \$14,562,734 at December 31, 2007. Cash collateral of \$88,901,810 has been recorded by the Master Trust as an asset with an offsetting obligation to return the collateral at December 31, 2007.

8. PARTY-IN-INTEREST TRANSACTIONS

Certain short-term Plan investments are held in investments managed by Bank of New York and Northern Trust . Bank of New York Trust Company and Northern Trust Company are the trustees as defined by the Plan, and therefore, these transactions qualify as exempt party-in-interest transactions.

At December 31, 2006 the Plan owed Star Tribune Plan A (“Plan A”) \$329,610, related to the reimbursement of Plan expenses made by Plan A on behalf of the Plan. Management has determined that this is an exempt party-in-interest transaction.

9. SALE OF STAR TRIBUNE AND SPIN-OFF OF STAR TRIBUNE PLAN O

On December 26, 2006, the Company reached a definitive agreement (the “Agreement”) to sell the *Star Tribune* newspaper of Minneapolis, Minnesota to Avista Capital Partners, LLC (“Avista”). On March 5, 2007, the transaction to sell the Star Tribune Company closed.

In conjunction with the sale of the Star Tribune to Avista the following occurred:

- The Plan established a liability of \$151,328,155 to transfer the assets related to certain Star Tribune employees to a newly created Star Tribune plan (“Plan O”) as of December 31, 2006 as prescribed by the Agreement and as approved by McClatchy’s Board of Directors on December 22, 2006.
- A separate master trust (the “Star Tribune Master Trust”) was established for the Star Tribune Plans A, G and O (the “Star Tribune Plans”) as of January 1, 2007.
- Assets related to the Star Tribune Plans held in the McClatchy Master Trust were transferred to the Star Tribune Master Trust for the benefit of the Star Tribune Plans in 2007.

- Assets and future benefit obligations of the Plan related primarily to non-unionized employees of the *Star Tribune* of \$157,345,779 were transferred to a newly created Star Tribune plan (“Plan O”) effective January 1, 2007 reflecting the value of the assets required to be transferred at December 31, 2006, plus earnings on those assets through the date of transfer in 2007.