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Proposed Counsel for Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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<i>In re</i>	:	Chapter 11
	:	
THE McCLATCHY COMPANY, <i>et al.</i>,	:	Case No. 20-10418 (MEW)
	:	
Debtors.¹	:	(Jointly Administered)
	:	
-----	x	Related Docket Nos. 11, 55, 61, & 64

**NOTICE OF FILING OF REDACTED PORTIONS OF THE PAYOFF LETTER
RELATED TO PROPOSED POSTPETITION FINANCING FACILITIES**

¹ The last four digits of Debtor The McClatchy Company's tax identification number are 0478. Due to the large number of debtor entities in these jointly administered chapter 11 cases, a complete list of the debtor entities and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed claims and noticing agent at <http://www.kcclle.net/McClatchy>. The location of the Debtors' service address for purposes of these chapter 11 cases is: 2100 Q Street, Sacramento, California 95816.



PLEASE TAKE NOTICE that on February 13, 2020, The McClatchy Company and its affiliates, the debtors and debtors in possession in the above-captioned cases (collectively, the “Debtors”) filed and served the *Debtors’ Motion for Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief*. [Docket No. 11] (the “**DIP Financing Motion**”).

PLEASE TAKE FURTHER NOTICE that, as set forth in the DIP Financing Motion, the Debtors agreed to pay the fees set forth in the payoff letter dated February 12, 2020, by and between Wells Fargo Bank, National Association and The McClatchy Company (the “**Payoff Letter**”).

PLEASE TAKE FURTHER NOTICE that on February 13, 2020, the Debtors filed *Debtors’ Motion for Entry of an Order Authorizing Debtors to File Redacted Portions of the Payoff Letter Related to Proposed Postpetition Financing Facilities Under Seal* [Docket No. 55] (the “**Sealing Motion**”).

PLEASE TAKE FURTHER NOTICE that, on February 14, 2020, the Court held a hearing on the DIP Financing Motion, among other motions, and entered an interim order granting the DIP Financing Motion [Docket No. 64] (the “**Interim DIP Financing Order**”) and an *Order Authorizing Debtors to File Redacted Portions of the Payoff Letter Related to Proposed Postpetition Financial Facilities Under Seal* [Docket No. 61] (the “**Sealing Order**”).

PLEASE TAKE FURTHER NOTICE that, attached hereto as **Exhibit A** is a copy of the redacted Payoff Letter referenced in the DIP Credit Agreement and authorized to be redacted by the Sealing Order.

PLEASE TAKE FURTHER NOTICE that copies of the DIP Financing Motion, the Interim DIP Financing Order, the Sealing Motion, and the Sealing Order can be obtained through the Bankruptcy Court's electronic case filing system at www.nysb.uscourts.gov using a PACER password (to obtain a PACER password, go to the PACER website, www.pacer.gov) or the website maintained by the Debtors' noticing agent, Kurtzman Carson Consultants LLC, at <http://www.kccllc.net/McClatchy>.

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Dated: New York, New York
February 20, 2020

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

/s/ Destiny N. Almogue

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Proposed Counsel to Debtors and Debtors in Possession

EXHIBIT A

Redacted Payoff Letter

REDACTED EXECUTION VERSION

**Wells Fargo Bank, National Association
2450 Colorado Avenue
Suite 3000 West
Santa Monica, California 90404**

February 12, 2020

McClatchy Newspapers, Inc.
2100 Q Street
Sacramento, CA 95816
Attn: Chief Financial Officer

Ladies and Gentlemen:

Reference is hereby made to that certain Credit Agreement, dated as of July 16, 2018 (as amended by that certain First Amendment to Credit Agreement, dated as of November 20, 2018, and as further amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the lenders identified on the signature pages thereof (such lenders, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (in its individual capacity, "Wells Fargo"), as the administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, "Agent"), The McClatchy Company, a Delaware corporation ("Parent"), the Subsidiaries of Parent identified on the signature pages to the Credit Agreement as "Borrowers" and those additional entities that following the execution of the Credit Agreement become party thereto as "Borrowers" in accordance with the terms thereof (each a "Borrower" and individually and collectively, jointly and severally, the "Borrowers"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

Agent understands that, on the Anticipated Payoff Date (as defined below), Borrowers desire to repay in full all of the Obligations, including but not limited to, principal, interest, expenses, fees and other charges owing by the Loan Parties to the Lender Group under the Loan Documents (the "Existing Obligations") and to terminate the Credit Agreement (and the Commitments thereunder) and the other Loan Documents, other than the Surviving Obligations (as defined below), set forth in the Surviving Obligation Provisions (as defined below) and as otherwise expressly provided for below.

1. This payoff letter (this "Payoff Letter") confirms that:

(a) Upon receipt by Agent no later than 12:00 p.m. (Los Angeles, California time) on February 12, 2020 (such time and date, the "Anticipated Payoff Date") of:

(i) a wire transfer of immediately available funds in the aggregate amount of \$591,756.60, subject to adjustment as set forth in clause 4 of this Section 1 (as so adjusted, the "Payoff Amount"), consisting of:

(1) \$0 in respect of the principal amount of Revolving Loans outstanding under the Credit Agreement (assuming no further loans or other extensions of credit or repayments are made on or after the date hereof);

- (2) \$7.40 in respect of accrued and unpaid interest on such outstanding principal amount of Revolving Loans (assuming no further loans or other extensions of credit or repayments are made on or after the date hereof);
- (3) \$316,500.20 representing expenses and fees of Agent and Lenders (including any Issuing Bank) payable by Borrowers pursuant to the Credit Agreement (in each case, assuming no further loans or other extensions of credit or repayments are made on or after the date hereof), consisting of (A) \$[REDACTED] in respect of the Unused Line Fee payable under Section 2.10(b)(i) of the Credit Agreement, (B) \$[REDACTED] in respect of the Pledged Cash Letter of Credit Unused Line Fee payable under Section 2.10(b)(ii) of the Credit Agreement, (C) \$[REDACTED] in respect of the servicing fee, as set forth in the Fee Letter and payable under Section 2.10(a) of the Credit Agreement (the “Servicing Fee”), (D) \$[REDACTED] in accrued but unpaid Letter of Credit Fees payable under clause (i) of Section 2.6(b) of the Credit Agreement, (E) \$[REDACTED] in accrued but unpaid Letter of Credit Fees payable under clause (ii) of Section 2.6(b) of the Credit Agreement, and (F) \$300,000.00 in respect of the Expense Reserve (as defined below);
- (4) for each day or portion thereof that elapses after 12:00 p.m. (Los Angeles, California time) on the Anticipated Payoff Date before Agent receives payment in full in immediately available funds of the Payoff Amount (including any accrued per diem interest or fees), the Payoff Amount shall increase by \$1,345.17 per day (the “Per Diem Amount”) (in each case, assuming no further loans or other extensions of credit or repayments are made on or after the date hereof), consisting of (A) the per diem accrual of interest on the Revolving Loans of \$[REDACTED] per day, (B) the per diem accrual of the Unused Line Fee of \$[REDACTED] per day, (C) the per diem accrual of the Pledged Cash Letter of Credit Unused Line Fee of \$[REDACTED] per day, (D) the per diem accrual of the Servicing Fee of \$[REDACTED] per day, (E) the per diem accrual of the Letter of Credit Fees payable under clause (i) of Section 2.6(b) of the Credit Agreement of \$[REDACTED] per day, and (F) the per diem accrual of the Letter of Credit Fees payable under clause (ii) of Section 2.6(b) of the Credit Agreement of \$[REDACTED] per day;
- (5) \$275,249.00 representing the unpaid (x) legal and other advisor fees and expenses of Agent and (y) other out-of-pocket expenses of Agent, in each case, through February 12, 2020, which are payable in connection with the Loan Documents; and
 - (ii) a wire transfer of immediately available funds in the aggregate amount of \$650,220.00 (which amount is equal to (x) 2.00% of the Pledged Cash L/C Usage existing on the Anticipated Payoff Date in respect of the Remaining Letters of Credit (as defined below), *plus* (y) \$117,220.00 of early withdrawal fees in respect of Eligible CDs, as of the Anticipated Payoff Date) as cash collateral to be held in the L/C Cash Deposit Account (as defined below) maintained at Wells Fargo for the benefit of Agent and the Pledged Cash Letter of Credit Issuing Bank (such funds, the “Additional L/C Cash Collateral”) and the Additional L/C Cash Collateral, collectively with (x) any existing Pledged Cash held in or credited to each Pledged L/C Account listed on Schedule I hereto and (y) any other additional funds

(including, without limitation, Eligible CDs) pledged to Agent to cash collateralize the Remaining Letters of Credit, the "Letter of Credit Cash Collateral");

(iii) a wire transfer of immediately available funds in the aggregate amount of \$6,125,000.00 (the "Bank Product Cash Collateral") as cash collateral to be held in the Bank Product Deposit Account (as defined below) maintained at Wells Fargo for the benefit of Agent and the Bank Product Providers with respect to Bank Products;

(iv) a fully-executed Control Agreement with respect to (x) the Bank Product Deposit Account and (y) the L/C Cash Deposit Account, in each case, in form and substance reasonably satisfactory to Agent;

(v) entry of that certain Interim Order (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (II) Granting (A) Liens and Providing Superpriority Administrative Expense Status and (B) Adequate Protection to Certain Prepetition Lenders, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief (the "Interim DIP Order") by the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), which shall be in form and substance reasonably acceptable to Agent;

(vi) entry of that certain Bridge Order Authorizing Debtors to Continue Using Corporate Credit Cards by the Bankruptcy Court, which shall be in form and substance reasonably acceptable to Agent; and

(vii) a fully-executed counterpart of this Payoff Letter signed by each Loan Party (the first date on which all of the conditions set forth in Sections 1(a)(i), 1(a)(ii), 1(a)(iii), 1(a)(iv), 1(a)(v), 1(a)(vi) above and this 1(a)(vii) (collectively, the "Payoff Conditions") are satisfied, the "Actual Payoff Date");

all of the Existing Obligations (and any guarantees thereof by any Person) shall be satisfied in full and the Credit Agreement and all other Loan Documents shall be terminated and of no further force and effect and all Liens granted or created thereunder shall be deemed to be automatically released and terminated; provided, that, subject to the Interim DIP Order, (1) any provision of the Credit Agreement or any other Loan Document that by its terms specifically survives termination of such agreement shall remain in full force and effect, and all of Borrowers' Obligations to indemnify each Indemnified Person under Section 10.3 of the Credit Agreement and to reimburse the Lender Group for fees and expenses owed to the Lender Group pursuant to the Credit Agreement (and, in each case, the guaranties by the other Loan Parties in respect of such Obligations), as well as Section 12 of the Credit Agreement relating to governing law, consent to jurisdiction and jury trial waiver, shall remain in full force and effect, (2) to the extent that any payments or proceeds (or any portion thereof) received by any member of the Lender Group shall be subsequently invalidated, declared to be fraudulent or a fraudulent conveyance or preferential, set aside or required to be repaid to a trustee, receiver, debtor-in-possession or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent that the payment or proceeds is rescinded or must otherwise be restored by such member of the Lender Group, whether as a result of any Insolvency Proceeding or otherwise, the Obligations, other Indebtedness of Loan Parties to the Lender Group, or part thereof which were intended to be satisfied by any such payment or proceeds shall be revived and continue to be in full force and effect, as if the payment or proceeds had never been received by the Lender Group, and this Payoff Letter shall in no way impair the claims of the Lender Group with respect to the revived Obligations or other Indebtedness of Loan Parties to the Lender Group, (3) all letter of credit applications, reimbursement agreements, and the provisions of the Credit Agreement regarding Letters of Credit shall remain in full force and effect with respect to Pledged Cash Letters of Credit that remain outstanding after the Actual Payoff Date, as listed on Schedule II hereto (such remaining Pledged Cash

Letters of Credit, each a "Remaining Letter of Credit", and collectively, the "Remaining Letters of Credit", including, without limitation, reimbursement obligations of any Loan Party (and/or any guaranties thereof by the Loan Parties) under any Loan Document in connection with any Remaining Letters of Credit (including, without limitation, (y) the Letter of Credit Fee set forth in clause (ii) of Section 2.6(b) of the Credit Agreement (and it is hereby understood and agreed that the per annum rate for such Letter of Credit Fee shall be [REDACTED]% per annum for all periods following the occurrence of the Actual Payoff Date (such Letter of Credit Fee, as so modified, the "Modified Letter of Credit Fee") and (z) any and all other charges, commissions, fees and/or costs incurred in connection with the Remaining Letters of Credit pursuant to the terms of any Loan Document) shall remain in full force and effect, (4) any Bank Product Agreements that are allowed by the applicable Bank Product Provider to remain outstanding after the Actual Payoff Date shall remain in full force and effect, (5) (x) any security interest granted to Agent in the Letter of Credit Cash Collateral and the L/C Deposit Accounts (as defined below) pursuant to this Payoff Letter or otherwise, (y) any security interest granted to Agent in the Pledged L/C Collateral, including each Pledged L/C Account, and (z) any Control Agreement, entered into among any Loan Party, Agent or Wells Fargo, as secured party, and Wells Fargo, as bank, in respect of the L/C Deposit Accounts, the Letter of Credit Cash Collateral or the Pledged L/C Collateral (including any Pledged L/C Account), shall, in each case, continue in full force and effect on and after the date of this Payoff Letter until the L/C Release Time (as defined below), (6) (x) the security interest granted to Agent (for the benefit of the Bank Product Providers) in the Bank Product Cash Collateral and the Bank Product Deposit Account pursuant to this Payoff Letter and (y) any Control Agreement, entered into among any Loan Party, Agent or Wells Fargo, as secured party, and Wells Fargo Bank, as bank, in respect of the Bank Product Cash Collateral or the Bank Product Deposit Account, shall, in each case, continue in full force and effect on and after the date of this Payoff Letter until the Bank Product Release Time (as defined below), (7) the security interests, liens and superpriority claims granted to Agent for the benefit of the Pledged Cash Letter of Credit Issuing Bank, any other member of the Lender Group or any Bank Product Provider under the Interim DIP Order and any final order of the Bankruptcy Court in respect of the Interim DIP Order (the "Final DIP Order") (which, with respect to the Surviving Obligations, shall be substantially in the form of the Interim DIP Order and in form and substance reasonably acceptable to Agent) shall continue in full force and effect on and after the date of this Payoff Letter and following the satisfaction of the Payoff Conditions until (x) in respect of the Letter of Credit Cash Collateral and the L/C Deposit Accounts, the L/C Release Time and (y) in respect of the Bank Product Cash Collateral and the Bank Product Deposit Account, the Bank Product Release Time, (8) any security interests, liens or other encumbrances encumbering only deposit accounts, deposits or other funds maintained with Agent or a Lender (including the right to set-off) that are within the general parameters customary in the banking industry arising as a matter of law shall continue in full force and effect on and after the date of this Payoff Letter and following the satisfaction of the Payoff Conditions and (9) all obligations of any Loan Party to Agent, the Pledged Cash Letter of Credit Issuing Bank, the Lenders and any other member of the Lender Group and any Bank Product Provider created under this Payoff Letter shall not be terminated, released, discharged or impaired by the terms of this Payoff Letter (the provisions of the foregoing clauses (1) through (9) of this proviso, the "Surviving Obligation Provisions" and the obligations, the "Surviving Obligations"). If the foregoing assumptions regarding the calculation of each of the components of the Payoff Amount are not correct, Agent will so advise the Administrative Borrower in writing on or before the Anticipated Payoff Date of the adjusted figure for the Payoff Amount, reflecting the appropriate changes in the amounts of principal, interest, fees and other amounts. If the Payoff Amount is not received by Agent on or before 12:00 p.m. (Los Angeles, California time) on February 19, 2020 (the "Payoff Expiration Time") or any of the other Payoff Conditions are not satisfied on or before the Payoff Expiration Time, then this Payoff Letter shall terminate and be of no further force or effect. The Borrowers hereby agree that the Borrowers shall not request the making of any Loan or the issuance, amendment, renewal or extension of any Letter of Credit under any of the Loan Documents, and the Lender Group shall not be required to make any Loan or issue, amend, renew or extend any Letter of Credit under any of the Loan Documents, in each case, on and after the date hereof (unless any modification of any Remaining

Letter of Credit is consented to by the Pledged Cash Letter of Credit Issuing Bank in its sole discretion). The provisions in the foregoing sentence shall survive any termination or expiration of this Payoff Letter.

(b) The Loan Parties shall, jointly and severally, indemnify Agent and the other members of the Lender Group with respect to any and all costs, expenses (including reasonable and documented attorneys' fees and expenses), losses, damages and/or liabilities incurred by any of them for (i) (A) any checks or other items deposited into any deposit account of any Loan Party and returned unpaid, whether for insufficient funds or for any other reason, and without regard to the timeliness of return of any such items or the occurrence or timeliness of any drawee's notice of non-payment of such items, and (B) any other non-payment, claim, refund or dishonor of any checks or other similar items which have been credited by Agent to the accounts of the Loan Parties with Agent and (ii) any bookkeeping, accounting or other errors in calculation of any amount to be paid to Agent or any other member of the Lender Group hereunder requiring an adjustment thereto, together with any reasonable expenses or other reasonable charges incident thereto, in each case, as a result of the exercise or purported exercise of any of the rights, powers, discretions, authorities and remedies conferred on Agent or any other member of the Lender Group by this Payoff Letter or the consummation of the transactions contemplated by this Payoff Letter, except in the case of this clause (ii), to the extent that any such costs, expenses, losses, damages and/or liabilities shall have arisen solely as a direct result of the gross negligence or willful misconduct of Agent or any other member of the Lender Group (as determined by a court of competent jurisdiction in a final, non-appealable judgment).

(c) Each Loan Party understands, acknowledges and agrees that the Payoff Amount includes a fee, cost, and expense reserve in the amount of \$300,000.00 (the "Expense Reserve"), which will be used to satisfy the fees, costs, expenses and any other amounts payable by the Loan Parties to Agent and/or any other member of the Lender Group in connection with the Loan Documents, the termination of the Loan Documents, the performance of the parties under this Payoff Letter, the Surviving Obligations, and any fees, costs and expenses of Agent related to any Insolvency Proceeding or related proceeding will be held by Agent for such purpose. If the Lender Group incurs fees, costs, expenses or other amounts with respect to the Loan Documents, the termination of the Loan Documents, any Remaining Letter of Credit, any other Surviving Obligations, any Insolvency Proceeding or related proceeding, or the performance of the parties under this Payoff Letter that exceed the Expense Reserve, or if the Lender Group incurs fees, costs, expenses or other amounts after the balance of the Expense Reserve has been remitted to Borrowers, including without limitation, fees, costs, expenses or other amounts that arise from or relate to litigation or any other dispute resolution proceeding involving the Loan Documents, the termination of the Loan Documents, the Interim DIP Order or the Final DIP Order or the performance of the parties under this Payoff Letter, the Loan Parties shall reimburse Agent and the other members of the Lender Group, promptly after receipt of a demand therefor (and in any event within three Business Days of the date of such demand by Agent), for the full amount of all such fees, costs, expenses or other amounts. The Expense Reserve shall be held without interest and may be commingled with other funds of Agent and may be invested at the option and sole discretion of Agent. The Loan Parties hereby agree that Agent will not hold the Expense Reserve as agent in trust, or in any fiduciary capacity for any Loan Party.

(d) Each Loan Party understands, acknowledges and agrees that the Modified Letter of Credit Fee will continue to accrue while any Remaining Letter of Credit remains outstanding. Additionally, any other charges, commissions, fees and/or costs in connection with the Remaining Letters of Credit will continue to accrue while any Remaining Letter of Credit remains outstanding after the Actual Payoff Date. Each Loan Party understands, acknowledges and agrees that all of such charges, commissions, fees and/or costs (including, without limitation, the Modified Letter of Credit Fee) shall be reimbursed to Agent and the other members of the Lender Group promptly after receipt of a written demand therefor by Agent (and in any event within five Business Days of the date of such written demand by Agent). In addition to the foregoing, each Loan Party understands, acknowledges and agrees that any such charges,

commissions, fees and/or costs (including, without limitation, the Modified Letter of Credit Fee) may be satisfied by Agent, in its sole discretion, by (i) utilizing the Expense Reserve and/or (ii) drawing such amount from the Letter of Credit Cash Collateral. Each Loan Party hereby grants to Agent a security interest in the Letter of Credit Cash Collateral and the L/C Deposit Accounts (and reaffirms any prior grant by any Loan Party to Agent of a security interest in any Pledged L/C Collateral, including any Pledged L/C Account) to secure the obligations of such Loan Party to Agent and/or any other member of the Lender Group in respect of any Remaining Letters of Credit and any other amounts described in this Section 1(d). Each Loan Party understands, acknowledges and agrees that the Letter of Credit Cash Collateral shall be held in the L/C Deposit Accounts maintained at Wells Fargo until the time that all of the amounts in respect of any Remaining Letters of Credit and any other amounts and obligations described in this Section 1(d) (collectively, "L/C Obligations") have been satisfied in full and all of the Remaining Letters of Credit have expired (in each case, as determined by Agent in its sole discretion) (such time, the "L/C Release Time"). If, as of any date of determination, the aggregate amount of the Letter of Credit Cash Collateral as of such date is less than (x) 102% of the undrawn amount of the Remaining Letters of Credit, *plus* (y) any early withdrawal fees (as determined by Agent in its sole discretion) in respect of any Eligible CDs constituting Letter of Credit Cash Collateral (the "Shortfall Amount"), then, upon Agent's written request, Borrowers shall be required to provide additional cash deposits to the L/C Cash Deposit Account (as defined below) in an amount equal to the Shortfall Amount. Without limiting the foregoing provisions of this clause (d), Agent shall, without the necessity of notice or demand of any kind, have the right to set-off, charge, and/or apply the Letter of Credit Cash Collateral to any outstanding or unpaid L/C Obligations, and the Loan Parties agree that Agent shall be entitled to debit or withdraw the Letter of Credit Cash Collateral from any L/C Deposit Account in an amount equal to any such outstanding or unpaid L/C Obligations.

(e) Each Loan Party hereby grants to Agent (for the benefit of each of the Bank Product Providers) a security interest in the Bank Product Cash Collateral and the Bank Product Deposit Account to secure the obligations of such Loan Party to Agent, any Bank Product Provider and/or any other member of the Lender Group in respect of any Bank Products that remain outstanding whether incurred before, on or after the Actual Payoff Date (including any Bank Product Obligations), and agrees that Agent or Wells Fargo may apply the Bank Product Cash Collateral to satisfy any Bank Obligations (as defined below). Each Loan Party understands, acknowledges and agrees that the Bank Product Cash Collateral shall be held in the Bank Product Deposit Account maintained at Wells Fargo until the time that all Bank Product Obligations and all other amounts and obligations described in this Section 1(e) (collectively, "Bank Obligations") have been satisfied in full (in each case, as determined by Agent and Wells Fargo in their sole discretion) (such time, the "Bank Product Release Time"), unless prior to such time, all Bank Product Providers permit in writing, in their sole discretion, any such Bank Obligations to remain outstanding without being secured by the Bank Product Cash Collateral. Without limiting the foregoing provisions of this clause (e), each of Agent and Wells Fargo shall, without the necessity of notice or demand of any kind, have the right to set-off, charge, and/or apply the Bank Product Cash Collateral to any outstanding or unpaid Bank Obligations and the Loan Parties agree that each of Agent and Wells Fargo shall each be entitled to debit or withdraw the Bank Product Cash Collateral from the Bank Product Deposit Account in an amount equal to any such outstanding or unpaid Bank Obligations.

2. Please transfer the Payoff Amount to Wells Fargo Bank, N.A., 420 Montgomery Street, San Francisco, CA, ABA No. 121-000-248, Account No. [REDACTED], Account Name: Wells Fargo Bank, and Reference: McClatchy Newspapers, Inc., by wire transfer of immediately available funds, for receipt on the Actual Payoff Date.

3. Please transfer the Additional L/C Cash Collateral to Wells Fargo Bank, N.A., 420 Montgomery Street, San Francisco, CA, ABA No. 121-000-248, Account No. [REDACTED], and Account Name: McClatchy Newspapers, Inc. (such account, the "L/C Cash Deposit Account" and together with

each Pledged L/C Account, the "L/C Deposit Accounts"), by wire transfer of immediately available funds, for receipt on the Actual Payoff Date.

4. Please transfer the Bank Product Cash Collateral to Wells Fargo Bank, N.A., 420 Montgomery Street, San Francisco, CA, ABA No. 121-000-248, Account No. [REDACTED], and Account Name: McClatchy Newspapers, Inc. (such account, the "Bank Product Deposit Account"), by wire transfer of immediately available funds, for receipt on the Actual Payoff Date.

5. Agent, on behalf of itself and the Lenders, (a) concurrently with the satisfaction of the Payoff Conditions authorizes Borrowers or any of their respective designees to (i) file the UCC-3 termination statements attached hereto as Exhibit A, (ii) file the intellectual property releases attached hereto as Exhibit B with the United States Patent and Trademark Office or the United States Copyright Office, as applicable, (iii) record the mortgage releases attached hereto as Exhibit C, (iv) deliver the Collateral Access Agreement terminations attached hereto as Exhibit D, and (v) deliver the Control Agreement terminations attached hereto as Exhibit E, and (b) following the satisfaction of the Payoff Conditions, (A) agrees to execute and deliver any further lien releases, mortgage releases, discharges of security interests, and other similar discharge or release documents (in recordable form if applicable) (such release documentation referenced in this clause (A), the "Additional Release Documentation"), as the Administrative Borrower may reasonably request in writing to effectuate the termination and release of the security interests and Liens securing the Existing Obligations (other than with respect to the Bank Product Cash Collateral, the Letter of Credit Cash Collateral and the Expense Reserve), and which are prepared and filed or recorded, as applicable, in each case, at Borrowers' expense, and (B) authorizes Borrowers or any of their respective designees to file or record any such Additional Release Documentation necessary to effectuate the termination and release of the security interests and Liens securing the Existing Obligations (other than with respect to the Bank Product Cash Collateral, the Letter of Credit Cash Collateral and the Expense Reserve); provided that no such Additional Release Documentation shall be filed or recorded prior to the reasonably satisfactory review and comment with respect thereto by Agent and its counsel.

6. Agent will, upon the satisfaction of the Payoff Conditions, return to the Administrative Borrower, at the address set forth on the first page of this Payoff Letter or as otherwise directed by the Administrative Borrower, (i) the originals of any and all promissory notes previously delivered to the Lenders in connection with the Credit Agreement, duly marked "paid in full" or "cancelled" (or with written authorizations to so mark such documents after the Actual Payoff Date) as may be appropriate, and (ii) any and all stock certificates, stock powers, or other investment property and all negotiable instruments, as well as any other possessory collateral, in each case, to the extent (x) previously delivered to Agent pursuant to the Loan Documents prior to the date hereof and (y) in Agent's possession.

7. Each Loan Party hereby waives, releases, remises, and forever discharges all Agent-Related Persons, all Lender-Related Persons, each other member of the Lender Group, each Participant, and each Bank Product Provider, together with each of their respective Affiliates, each of their respective successors in title, past, present and future officers, directors, employees, limited partners, general partners, investors, attorneys, assigns, subsidiaries, shareholders, trustees, agents and other professionals (collectively, the "Releasees"), from any and all past, present and future claims, demands, suits, liens, lawsuits, adverse consequences, amounts paid in settlement, debts, deficiencies, diminution in value, disbursements, demands, obligations, liabilities, causes of action, damages, losses, costs and expenses of any kind or character, whether based in equity, law, contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law (each a "Claim" and collectively, the "Claims"), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, matured or unmatured, foreseen or unforeseen, past or present, liquidated or unliquidated, suspected or unsuspected, which any Loan Party ever had from the beginning of the world, now has or might hereafter have against any such Releasee, which Claims relate, directly or indirectly, to any act or omission by any

Releasee that occurred on or prior to the date of this Payoff Letter and relate, directly or indirectly, to the Credit Agreement, any other Loan Document, or any acts or omissions of any such Releasee in connection with, as a result of, arising out of, related to, or with respect to the Credit Agreement or any other Loan Document, the Loan Parties' restructuring efforts (whether in-court or out-of-court), intercompany transactions, any Insolvency Proceeding or related proceedings, the Interim DIP Order and Final DIP Order, or the debtor-creditor relationship evidenced by any of the Loan Documents or any other related agreements, except for the duties and obligations set forth in this Payoff Letter. As to each and every Claim released hereunder, each Loan Party hereby represents that it has received the advice of legal counsel with regard to the releases contained herein, and having been so advised, specifically waives the benefit of the provisions of Section 1542 of the Civil Code of California which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

As to each and every Claim released hereunder, each Loan Party also waives the benefit of each other similar provision of applicable federal or state law (including without limitation the laws of the state of California), if any, pertaining to general releases after having been advised by legal counsel to such Loan Party with respect thereto.

Each Loan Party acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such Claims and agrees that this Payoff Letter shall be and remain effective in all respects notwithstanding any such differences or additional facts. Each Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

Each Loan Party hereby agrees, represents, and warrants that such party has not voluntarily, by operation of law or otherwise, assigned, conveyed, transferred or encumbered, either directly or indirectly, in whole or in part, any right to or interest in any of the Claims released pursuant to this Section 7.

8. Each Loan Party understands, acknowledges and agrees that the amounts referred to in Section 1 above are enforceable obligations of it owed to Agent and the Lenders pursuant to the provisions of the Credit Agreement and the other Loan Documents and confirms its agreement to the terms and provisions of this Payoff Letter by returning to Agent a signed counterpart of this Payoff Letter. Each Loan Party hereby confirms that the commitments of the Lender Group under the Credit Agreement to make Loans or issue, amend, or extend Letters of Credit are terminated as of the date hereof.

9. All of the Remaining Letters of Credit contain terms regarding the automatic extension of the expiration dates set forth therein. Each Loan Party understands, acknowledges and agrees that (a) it is not Agent's or the Pledged Cash Letter of Credit Issuing Bank's intention to extend any expiration date in any Remaining Letter of Credit, and (b) the Pledged Cash Letter of Credit Issuing Bank intends to provide to each beneficiary under each Remaining Letter of Credit that contains such automatic extension language written notice that the Pledged Cash Letter of Credit Issuing Bank elects not to extend the expiration date in such Remaining Letter of Credit; provided, however, that neither Agent nor the Pledged Cash Letter of Credit Issuing Bank shall have any liability whatsoever to any Person as a result of the failure to issue any such non-renewal notice. Each Loan Party understands, acknowledges and agrees that the outstanding obligations owing to Agent (including for the benefit of the Pledged Cash Letter of Credit Issuing Bank) with respect to any Remaining Letter of Credit that has not been satisfied in full on

the expiration date set forth in such Remaining Letter of Credit (plus any charges, commissions, fees and/or costs that have accrued and are unpaid with respect to such Remaining Letter of Credit on such date) may be satisfied from the Letter of Credit Cash Collateral.

10. Agent, for itself and on behalf of the Lender Group, hereby waives the five Business Days prior written notice condition for early termination of the Commitments under Section 3.5 of the Credit Agreement.

11. Agent hereby agrees that it shall execute and deliver such additional documents and shall provide additional information as Administrative Borrower may reasonably require to carry out the terms of this Payoff Letter at Borrowers' expense.

12. This Payoff Letter may be executed in any number of counterparts, all of which taken together shall be deemed one and the same instrument, and any of the parties hereto may execute this Payoff Letter by signing any such counterpart. Delivery of an executed counterpart of this Payoff Letter by telefacsimile or other electronic method shall be equally as effective as delivery of an original executed counterpart. Any party delivering an executed counterpart of this Payoff Letter by telefacsimile or other electronic method also shall deliver an original executed counterpart, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Payoff Letter.

13. This Payoff Letter shall be governed by, and construed and enforced in accordance with, the laws of the State of California as applied to agreements among parties resident therein. Whenever possible, each provision of this Payoff Letter shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Payoff Letter shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Payoff Letter.

14. This Payoff Letter, together with any other documents attached hereto as exhibits or incorporated herein by reference (including the Interim DIP Order), constitutes the entire agreement of the parties with respect to the subject matter of this Payoff Letter. There are no other agreements or understandings, written or oral, express or implied. In the event of any conflict between this Payoff Letter (including any documents attached hereto as exhibits or incorporated herein by reference) and the Interim DIP Order (or, to the extent applicable, the Final DIP Order), the provisions of the Interim DIP Order or the Final DIP Order, as applicable, shall control.

[Signature pages follow]

Very truly yours,

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**, a national banking association, as
Agent

By: _____
Name: _____
Title: _____

[SIGNATURE PAGE TO PAYOFF LETTER]

Agreed to by the undersigned as of the date first written above:

THE MCCLATCHY COMPANY

By: _____
Name:
Title:

MCCLATCHY MANAGEMENT SERVICES, INC.

By: _____
Name: Elaine Lintecum
Title: President

MCCLATCHY INTERACTIVE, LLC

By: McClatchy Management Services, its Sole Member

By: _____
Name: Elaine Lintecum
Title: Manager

SAN LUIS OBISPO TRIBUNE, LLC

By: The McClatchy Company, its Sole Member

By: _____
Name: Elaine Lintecum
Title: Vice President, Finance, Chief
Financial Officer and Treasurer

CYPRESS MEDIA, LLC

By: Cypress Media, Inc., its Sole Member

By: _____
Name: Elaine Lintecum
Title: Vice President

MCCLATCHY NEWSPAPERS, INC.
COLUMBUS LEDGER-ENQUIRER, INC.
EAST COAST NEWSPAPERS, INC.
GULF PUBLISHING COMPANY, INC.
LEXINGTON H-L SERVICES, INC.
MACON TELEGRAPH PUBLISHING COMPANY
MIAMI HERALD MEDIA COMPANY
NITTANY PRINTING AND PUBLISHING
COMPANY
STAR-TELEGRAM, INC.
TACOMA NEWS, INC.
THE BRADENTON HERALD, INC.
THE CHARLOTTE OBSERVER PUBLISHING
COMPANY
THE NEWS AND OBSERVER PUBLISHING
COMPANY
THE STATE MEDIA COMPANY
THE SUN PUBLISHING COMPANY, INC.
WICHITA EAGLE AND BEACON PUBLISHING
COMPANY, INC.
MCCLATCHY U.S.A., INC.
MCCLATCHY INVESTMENT COMPANY
MCCLATCHY INTERACTIVE WEST
CYPRESS MEDIA, INC.
NOR-TEX PUBLISHING, INC.
MAIL ADVERTISING CORPORATION
OLYMPIC-CASCADE PUBLISHING, INC.
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BELTON PUBLISHING COMPANY, INC.
CASS COUNTY PUBLISHING COMPANY

All By: _____
Name: Elaine Lintecum
Title: Vice President

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IDAHO STATESMAN PUBLISHING, LLC
OLYMPIAN PUBLISHING, LLC

All By: Pacific Northwest Publishing Company, Inc.,
its Sole Member

By: _____
Name: Elaine Lintecum
Title: Vice President