

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

AMENDMENT NO. 1

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report: March 19, 1998

THE MCCLATCHY COMPANY

-----  
(Exact name of registrant as specified in its charter)

----- DELAWARE ----- (State or Other Jurisdiction of Incorporation)	1-9824 ----- (Commission File Number)	52-2080478 ----- (I.R.S. Employer Identification Number)
2100 "Q" STREET, SACRAMENTO, CA ----- (Address of principal executive offices)		95816 ----- (Zip Code)

(916) 321-1846

-----  
(Registrant's telephone number,  
including area code)

(Former name or former address,  
if changed since last report)

Item 2. Acquisition or Disposition of Assets.  
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Effective March 19, 1998, McClatchy Newspapers, Inc. ("McClatchy"), a Delaware corporation, merged with and into MNI Mergerco, Inc. ("MNI Merger Sub"), a Delaware corporation and wholly owned subsidiary of The McClatchy Company (formerly named MNI Newco, Inc.) ("New McClatchy"), a Delaware corporation, and Cowles Media Company ("Cowles"), a Delaware corporation, merged with and into CMC Mergerco, Inc. ("CMC Merger Sub"), a Delaware corporation and wholly owned subsidiary of New McClatchy (collectively, the "Reorganization"), pursuant to the Agreement and Plan of Merger and Reorganization (the "Reorganization Agreement"), dated as of November 13, 1997 and amended and restated as of February 13, 1998, by and among McClatchy, Cowles, New McClatchy, MNI Merger Sub, and CMC Merger Sub. Pursuant to the terms of the Reorganization Agreement, each outstanding share of McClatchy Class A common stock, par value \$0.01 per share, and McClatchy Class B common stock, par value \$0.01 per share, was converted, respectively, into shares of New McClatchy Class A common stock, par value \$0.01 per share (the "New McClatchy Class A Common Stock"), and New McClatchy Class B common stock, par value \$0.01 per share, and each outstanding share of Cowles common stock was converted into \$90.50 in cash, shares of New McClatchy Class A Common Stock (based upon an exchange ratio of 3.01667 shares of New McClatchy Class A Common Stock for each share of Cowles common stock) or a combination of cash and New McClatchy Class A Common Stock. Based on elections of Cowles stockholders, approximately 6.4 million shares of New McClatchy Class A Common Stock were issued to Cowles stockholders and approximately \$1.123 billion was paid to Cowles stockholders.

New McClatchy, the registrant for this Current Report on Form 8-K, filed a Registration Statement on Form S-4 (Registration No. 333-46501) (the "Registration Statement") with the Securities and Exchange Commission (the "SEC") on February 18, 1998 which was declared effective by the SEC on February 19, 1998. The Registration Statement sets forth certain information regarding the Reorganization, McClatchy, Cowles, and New McClatchy, including, but not limited to, the date and manner of the Reorganization, a description of the assets involved, the nature and amount of consideration paid by McClatchy to the stockholders of Cowles, the principle followed in determining the amount of such consideration, the nature of any material relationships between the stockholders of Cowles and New McClatchy or any of its affiliates, any director or officer of New McClatchy, or any associate of any such director or officer, and the source of funds used for the consideration paid to Cowles stockholders.

Item 7. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

- (i) Cowles Media Company Consolidated Balance Sheets as of December 27, 1997 and December 28, 1996.
- (ii) Cowles Media Company Consolidated Statement of Earnings for the Nine Months Ended December 27, 1997 and December 28, 1996.
- (iii) Cowles Media Company Consolidated Statement of Cash Flows For the Nine Months Ended December 27, 1997 and December 28, 1996.
- (iv) Cowles Media Company Notes to Interim Consolidated Financial Statements.

(b) Pro Forma Financial Information.

- (i) Pro Forma Condensed Combined Balance Sheet as of December 31, 1997.
- (ii) Pro Forma Condensed Combined Statement of Operations for the Twelve Months Ended December 31, 1997.
- (iii) Notes to Pro Forma Condensed Combined Financial Statements.

COWLES MEDIA COMPANY  
 CONSOLIDATED BALANCE SHEETS  
 AS OF DECEMBER 27, 1997 AND DECEMBER 28, 1996  
 (UNAUDITED)

ALL REFERENCES ARE TO INTERIM PERIODS.

	1997	1996
	-----	-----
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,469	\$ -
Receivables, less allowance for doubtful accounts of \$9,341 as of December 27, 1997 and \$10,353 as of December 28, 1996	71,511	62,571
Inventories	15,311	13,435
Deferred tax asset	5,479	5,979
Prepaid expenses and other	16,916	15,590
	-----	-----
Total current assets	114,686	97,575
	-----	-----
Property, plant and equipment, at cost:		
Land and land improvements	10,261	10,731
Buildings	59,102	57,335

Machinery and equipment	184,245	172,854
Construction in progress	16,947	13,501
	-----	-----
	270,555	254,421
Less accumulated depreciation	154,458	139,974
	-----	-----
Net property, plant and equipment	116,097	114,447
Intangible assets, net of accumulated amortization of \$39,789 as of December 27, 1997 and \$37,900 as of December 28, 1996	120,195	101,306
Other assets	6,827	7,194
	-----	-----
Total	\$ 357,805	\$ 320,522
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of long-term debt	\$ 8,841	6,085
Accounts payable	14,669	14,463
Accrued expenses and other liabilities	51,251	50,926
Unearned income, principally subscriptions paid in advance	49,090	51,233
Income taxes	3,723	6,385
	-----	-----
Total current liabilities	127,574	129,092
Long-term debt, less current installments	82,993	85,368
Deferred income taxes	11,014	9,608
Deferred credit	1,875	3,375
Other liabilities	23,348	18,674
Stockholders' equity:		
Voting common stock, \$0.17 stated value; 4,000,000 shares authorized; 3,858,687 shares issued; and 3,837,006 and 3,827,920 shares outstanding	643	643
Non-voting common stock, \$0.17 stated value; 10,600,000 shares authorized; 10,145,836 shares issued; and 10,060,870 and 9,892,200 shares outstanding	1,691	1,691
Capital in excess of stated value	4,562	4,406
Retained earnings	107,000	75,320
	-----	-----
	113,896	82,060
Less:		
Treasury stock at cost; 106,648 as of December 27, 1997 and 284,403 as of December 28, 1996	2,895	7,655
	-----	-----
Total stockholders' equity	111,001	74,405
	-----	-----
Commitments and contingent liabilities		
Total	\$ 357,805	\$ 320,522
	=====	=====

SEE ACCOMPANYING NOTE TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS.

COWLES MEDIA COMPANY  
CONSOLIDATED STATEMENT OF EARNINGS  
FOR THE NINE MONTHS ENDED DECEMBER 27, 1997  
AND DECEMBER 28, 1996  
(UNAUDITED)

ALL REFERENCES ARE TO INTERIM PERIODS.

	1997	1996
	-----	-----
	(In thousands)	
Operating Revenue	\$ 401,667	\$ 387,359
Expenses:		
Operating	327,009	327,132
Depreciation	12,852	11,864
Amortization of intangible assets	4,785	5,600
	-----	-----
Operating earnings	57,021	42,763
	-----	-----
Other income (expenses), net:		

Investment income	406	202
Interest expense	(4,708)	(5,955)
Other, net	576	4,181
	-----	-----
	(3,726)	(1,572)
	-----	-----
Earnings before income taxes	53,295	41,191
Provision for income taxes	19,281	18,577
	=====	=====
Net earnings	\$ 34,014	\$ 22,614
	=====	=====
Net earnings per share:		
Basic	\$ 2.44	\$ 1.63
Dilutive	\$ 2.41	\$ 1.63
Average equivalent common shares:		
Basic	13,922	13,884
Dilutive	14,121	13,897

SEE ACCOMPANYING NOTE TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS.

COWLES MEDIA COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED DECEMBER 27, 1997  
AND DECEMBER 28, 1996  
(UNAUDITED)

ALL REFERENCES ARE TO INTERIM PERIODS.

	1997	1996
	-----	-----
	(In thousands)	
Net cash from operating activities	\$ 37,487	\$ 36,838
Cash Flows from Investing Activities:		
Net cash outlay for acquisitions	(15,176)	(4,963)
Capital expenditures	(12,857)	(12,142)
Proceeds from sales of assets and businesses	144	5,704
Other	(981)	(1,165)
	-----	-----
Net cash used by investing activities	(28,870)	(12,566)
	-----	-----
Cash Flows from Financing Activities:		
Proceeds from long-term debt	-	20,000
Payments on long-term debt	(5,672)	(33,747)
Dividends paid	(7,023)	(6,627)
Proceeds from stock options exercised	4,660	165
Capital stock repurchased	(959)	(4,673)
Other	(21)	(64)
	-----	-----
Net cash used by financing activities	(9,015)	(24,946)
	-----	-----
Net Change in Cash and Cash Equivalents	(398)	(674)
Cash and cash equivalents at beginning of year	5,867	674
	-----	-----
Cash and cash equivalents at end of period	\$ 5,469	\$ -
	=====	=====

SEE ACCOMPANYING NOTE TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS.

COWLES MEDIA COMPANY  
NOTE TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 27, 1997, December 28, 1996

ALL REFERENCES ARE TO INTERIM PERIODS UNLESS OTHERWISE NOTED.

The interim financial statements should be read in conjunction with the audited consolidated financial statements of Cowles Media Company and related notes thereto included in the filing of MNI Newco, Inc. on Form S-4 with the

U.S. Securities and Exchange Commission on February 17, 1998.

In the opinion of management, the interim financial statements contain all adjustments necessary to present fairly the Company's balance sheets, consolidated statement of earnings and cash flows for the interim periods presented. All adjustments are normal recurring entries. These interim financial statements are not necessarily indicative of the results to be expected for a full year.

PRO FORMA CONDENSED COMBINED BALANCE SHEET (UNAUDITED)  
DECEMBER 31, 1997  
(In Thousands)

	McCLATCHY DECEMBER 31, 1997	COWLES DECEMBER 27, 1997	PRO FORMA PURCHASE ACCOUNTING ADJUSTMENTS (See Note 1)	PRO FORMA COMBINED PRIOR TO BUSINESSES DISPOSED	PRO FORMA BUSINESSES DISPOSED ADJUSTMENTS (See Note 2)	PRO FORMA COMBINED
Current assets	\$ 122,795	\$ 114,686	\$ 2,271	\$ 239,752	\$ (50,892)	\$ 188,860
Property, plant and equipment, net	325,186	116,097	71,436	512,719	(57,806)	454,913
Intangibles, net	393,215	120,195	1,173,646	1,687,056	(116,550)	1,570,506
Other assets	12,585	6,827	59,339	78,751	(736)	78,015
<b>Total assets</b>	<b>\$ 853,781</b>	<b>\$ 357,805</b>	<b>\$ 1,306,692</b>	<b>\$ 2,518,278</b>	<b>\$ (225,984)</b>	<b>2,292,294</b>
Current liabilities, excluding the current portion of long-term debt	\$ 98,443	\$ 118,738	\$ -	\$ 217,176	\$ (50,984)	\$ 166,192
Long-term debt	94,000	91,834	1,122,312	1,308,146	(167,700)	1,140,446
Other long-term obligations	96,669	36,237	103,188	236,094	(7,300)	228,794
Stockholders' equity:						
Common stock	381	2,334	(2,270)	445	-	445
Additional paid in capital	74,354	4,562	187,567	266,483	-	266,483
Retained earnings	489,934	104,105	(104,105)	489,934	-	489,934
<b>Total</b>	<b>564,669</b>	<b>111,001</b>	<b>81,192</b>	<b>756,862</b>	<b>-</b>	<b>756,862</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 853,781</b>	<b>\$ 357,805</b>	<b>\$ 1,306,692</b>	<b>\$ 2,518,278</b>	<b>\$ (225,984)</b>	<b>2,292,294</b>

SEE ACCOMPANYING NOTES TO PRO FORMA CONDENSED FINANCIAL STATEMENTS.

PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (UNAUDITED)  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1997  
(In Thousands)

	McCLATCHY December 31, 1997	COWLES December 27, 1997	PRO FORMA PURCHASE ACCOUNTING ADJUSTMENTS (See Note 3)	PRO FORMA COMBINED PRIOR TO BUSINESSES DISPOSED	PRO FORMA BUSINESSES DISPOSED ADJUSTMENTS (See Note 4)	PRO FORMA COMBINED
Revenues - net	\$ 641,950	531,377	-	\$ 1,173,327	\$ (161,543)	\$ 1,011,784
Operating expenses	(472,926)	(440,388)	-	\$ (913,314)	150,557	(762,757)
Depreciation and amortization	(53,269)	(22,366)	(49,051)	\$ (124,686)	9,169	(115,517)
<b>Total expenses</b>	<b>(526,195)</b>	<b>(462,754)</b>	<b>(49,051)</b>	<b>(1,038,000)</b>	<b>159,726</b>	<b>(878,274)</b>
Operating income	115,755	68,623	(49,051)	\$ 135,327	(1,817)	133,510
Interest expense	(8,698)	(7,026)	(83,051)	\$ (98,775)	14,965	(83,810)
Other	9,203	3,827	-	\$ 13,030	(670)	12,360
Income before taxes	116,260	65,424	(132,102)	\$ 49,582	\$ 12,478	\$ 62,060
Income taxes	(47,461)	(24,532)	43,526	\$ (28,467)	\$ (1,057)	(29,524)
Income from continuing operations	\$ 68,799	\$ 40,892	\$ (88,576)	\$ 21,115	\$ 11,421	\$ 32,536
Weighted average shares	38,155		6,406			44,561
Diluted earnings per share	\$ 1.80					\$ 0.73

SEE ACCOMPANYING NOTES TO PRO FORMA CONDENSED FINANCIAL STATEMENTS.

NOTES TO PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)

1. Pro Forma Adjustments to Reflect Purchase Accounting

The Following tables set forth the determination of the estimated purchase price as of December 31, 1997 based on a market value of \$30.00 per share of McClatchy Common Stock, and assumes that 15% of the total consideration in the Cowles Merger is paid in The McClatchy Company Class A Common Stock (in thousands):

McClatchy Class A Common Stock (6,406,456 @ \$30.00 per share)	\$	192,193
Assumed debt		91,834
Cash paid including transaction costs		1,122,312
		-----
Estimated purchase price	\$	1,406,339
		=====

The McClatchy Company funded the merger of Cowles using bank debt along with issuing Class A Common Stock as discussed above. A syndicate of banks have provided the debt in three tranches. The term loan facility consists of two tranches: Tranche A, of \$735 million, bears interest at LIBOR plus 125 basis points and is payable in seven years; and Tranche B, of \$330 million, bears interest at LIBOR plus 175 basis points and is payable in nine and one-half years. In addition, a revolving credit facility of up to \$200 million bears interest at LIBOR plus 125 basis points, is partially available for The McClatchy Company's working capital needs and is payable in seven years. The debt is secured by certain assets of The McClatchy Company, and all of the debt is pre-payable without penalty. To the extent that the Company reduces outstanding debt relative to its EBITDA, the interest rate spread over LIBOR on the debt will decline. Although McClatchy has no present plan in place for early repayment of this debt, the Company intends to accelerate payments on this debt as cash generation allows.

The estimated transaction costs totaling \$30 million include approximately \$20 million of bank fees and approximately \$10 million in advisory, accounting and legal fees, including costs of disposing of the Non-newspaper Subs (See note 2).

The preliminary allocation of the estimated purchase price is as follows (in thousands):

Cowles shareholder equity as reported	\$	111,001
Cowles debt as reported		91,834
Increases to assets and liabilities:		
Newsprint inventory at fair market price		2,271
Star Tribune property		22,000
Non-newspaper net assets		49,436
Star Tribune identifiable intangible assets		136,000
Pension and other assets		59,339
Deferred income taxes payable		(103,188)
Goodwill		1,037,646
		-----
Investment in Cowles	\$	1,406,339
		=====

2. Pro Forma Adjustments for Businesses Disposed

McClatchy and Cowles executed definitive agreements in January 1998 to sell Cowles magazine subsidiaries to PRIMEDIA, Inc., and to sell its book publishing subsidiary to a management group led by the subsidiary's president. The sales of the non-newspaper subsidiaries, valued at \$208.1 million including the assumption of \$29.4 million in debt and other liabilities, closed on March 19, 1998. Accordingly, the pro forma financial statements reflect these businesses as a discontinued operating segment. The following adjustments are in thousands:

To reclassify assets and liabilities of segment sold:	Cowles December 27, 1997	Pro Forma Adjustments	Pro Forma Businesses Disposed Adjustments
	-----	-----	-----
Current assets	\$ 50,892	\$ -	50,892
Net property, plant & equipment			
including increase in carrying value	8,370	49,436	57,806
Net intangibles	116,550	-	116,550
Other assets	736	-	736
Current liabilities	(50,984)	-	(50,984)
Long-term debt	(21,767)	(333)	(22,100)
Other obligations	(5,228)	(2,072)	(7,300)
	-----	-----	-----
Net reduction in New McClatchy debt	\$ 98,569	47,031	\$ 145,600
	=====	=====	=====

The carrying value of the net assets sold represents McClatchy's best estimate of the after-tax proceeds expected to reduce debt. McClatchy did not have a gain or loss on the sale of these assets. The after-tax proceeds are net of \$3 million in costs (\$2 million in advisor fees and \$1 million in legal and accounting fees). McClatchy's debt and other obligations are reduced by \$175 million (debt assumed by buyers \$22.1 million, other obligations assumed of \$7.3 million and after-tax proceeds of \$145.6 million applied to new debt).

3. Pro Forma Adjustments to Combined Statement of Operations (excluding assets to be sold) for the year ended December 31, 1997:

Increase in depreciation and amortization on carrying value of property, plant and equipment and identifiable intangible assets of Star Tribune	\$ (23,110)
Increase in amortization of goodwill	(25,941)
Interest charges on new debt @ 7.4%	(83,051)
Tax effect of pro forma adjustments	43,526
	-----
	\$ (88,576)
	=====

The tax effects are calculated as follows:

Additional depreciation and amortization	\$ (49,051)
Additional interest	(83,051)
	-----
Net income adjustments	(132,102)
Non taxable goodwill amortization	25,941
	-----
Net taxable adjustments	(106,161)
Statutory rate	41%
	-----
Taxes	\$ (43,526)
	=====

4. Pro Forma Adjustments for Businesses Disposed

To reclassify operating results of discontinued operations (in thousands):

	Cowles December 31, 1997 -----	Businesses Pro Forma Adjustments -----	Disposed Adjustments -----
Revenues	\$ (161,543)	\$ -	\$ (161,543)
Operating expenses	(150,557)	-	(150,557)
Depreciation and amortization	9,169	-	9,169
Operating income	(1,817)	-	(1,817)
Interest expense	(2,015)	(12,950)	(14,965)
Other non-operating expense	(670)	-	(670)
Earnings before taxes	(472)	12,950	12,478
Taxes	(4,253)	5,310	1,057
Adjustment to income from continuing operations	\$ 3,781	7,640	11,421

Pro forma adjustments to remove interest on debt repaid with net proceeds of sales of non-newspaper businesses and related tax effect.

(c) Exhibits.

- 2.1 Agreement and Plan of Merger and Reorganization (the "Reorganization Agreement"), dated as of November 13, 1997 and amended and restated as of February 13, 1998, by and among McClatchy, Cowles, New McClatchy, MNI Merger Sub, and CMC Merger Sub. (Attached as Annex A to the Joint Proxy/Prospectus included in the Registrant's Registration Statement on Form S-4 (File No. 233-46501) and incorporated by reference herein.)

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.

Dated: May 26, 1998

The McClatchy Company

By /s/ Karole Morgan-Prager

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Karole Morgan-Prager  
Vice President, General Counsel  
and Corporate Secretary

EXHIBIT INDEX

Exhibit No. -----	Description -----
2.1	Agreement and Plan of Merger and Reorganization (the "Reorganization Agreement"), dated as of November 13, 1997 and amended and restated as of February 13, 1998, by and among McClatchy, Cowles, New McClatchy, MNI Merger Sub, and CMC Merger Sub. (Attached as Annex A to the Joint Proxy/Prospectus included in the Registrant's Registration Statement on Form S-4 (File No. 233-46501) and incorporated by reference herein.)



