MONRO MUFFLER BRAKE INC
Form 10-K
May 30, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(MARK ONE)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For Fiscal Year Ended March 31, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number 0-19357

MONRO MUFFLER BRAKE, INC.

(Exact name of registrant as specified in its charter)

New York	**16-0838627**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
200 Holleder Parkway,	
Rochester, New York	**14615**
(Address of principal executive offices)	*(Zip code)*

Registrant s telephone number, including area code:

(585) 647-6400

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $.01 per share

Name of each exchange on which registered: The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act:

NONE

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark if the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and small reporting company in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer x	Accelerated Filer ¨	Non-Accelerated Filer ¨ (Do not check if a smaller reporting company)	Smaller Reporting Company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant s most recently completed second fiscal quarter, September 24, 2011, was approximately $991,909,000.

As of May 11, 2012, 30,897,356 shares of the registrant s Common Stock, par value $.01 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant s definitive proxy statement (to be filed pursuant to Regulation 14A) for the 2012 Annual Meeting of Shareholders (the Proxy Statement) are incorporated by reference into Part III hereof.

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PART I

Item 1. *Business*

GENERAL

Monro Muffler Brake, Inc. (Monro or the Company) is a chain of 803 Company-operated stores (as of March 31, 2012), three franchised locations and 14 dealer-operated stores providing automotive undercar repair and tire services in the United States. At March 31, 2012, Monro operated Company stores in 19 states, including New York, Pennsylvania, Ohio, Connecticut, Massachusetts, West Virginia, Virginia, Maryland, Vermont, New Hampshire, New Jersey, North Carolina, South Carolina, Indiana, Rhode Island, Delaware, Maine, Illinois and Missouri primarily under the names Monro Muffler Brake & Service , Tread Quarters Discount Tire , Mr. Tire , Autotire Car Care Center and T Warehouse (together, the Company Stores). Company Stores typically are situated in high-visibility locations in suburban areas and small towns, as well as in major metropolitan areas. Company Stores serviced approximately 4.4 million vehicles in fiscal 2012. (References herein to fiscal years are to the Company s year ended fiscal March [e.g., references to fiscal 2012 are to the Company s fiscal year ended March 31, 2012].)

The predecessor to the Company was founded by Charles J. August in 1957 as a Midas Muffler franchise in Rochester, New York, specializing in mufflers and exhaust systems. In 1966, the Company discontinued its affiliation with Midas Muffler, and began to diversify into a full line of undercar repair services. An investor group led by Peter J. Solomon and Donald Glickman purchased a controlling interest in the Company in July 1984. At that time, Monro operated 59 stores, located primarily in upstate New York, with approximately $21 million in sales in fiscal 1984. Since 1984, Monro has continued its growth and has expanded its marketing area to include 19 additional states (including dealer locations).

In December 1998, the Company appointed Robert G. Gross as President and Chief Executive Officer, who began full-time responsibilities on January 1, 1999.

The Company was incorporated in the State of New York in 1959. The Company s principal executive offices are located at 200 Holleder Parkway, Rochester, New York 14615, and its telephone number is (585) 647-6400.

The Company provides a broad range of services on passenger cars, light trucks and vans for brakes; mufflers and exhaust systems; steering, drive train, suspension and wheel alignment. The Company also provides other products and services including tires and routine maintenance services including state inspections. Monro specializes in the repair and replacement of parts which must be periodically replaced as they wear out. Normal wear on these parts generally is not covered by new car warranties. The Company typically does not perform under-the-hood repair services except for oil change services, various flush and fill services and some minor tune-up services. The Company does not sell parts or accessories to the do-it-yourself market.

All of the Company s stores, except Tire Warehouse stores, provide the services described above. Tire Warehouse stores only provide tire related services and alignments. However, a growing number of the Company s stores are more specialized in tire replacement and service and, accordingly, have a higher mix of sales in the tire category. These stores are described below as tire stores, whereas the majority of the Company s stores are described as service stores. (See additional discussion under Operating Strategy .) At March 31, 2012, there were 536 stores designated as service stores and 267 as tire stores.

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The Company s sales mix for fiscal 2012, 2011 and 2010 is as follows:

	Service Stores			Tire Stores			Total Company		
	FY12	FY11	FY10	FY12	FY11	FY10	FY12	FY11	FY10
Brakes	26%	26%	27%	10%	9%	10%	18%	18%	19%
Exhaust	10	10	10	1	1	1	5	5	6
Steering	12	12	12	8	8	10	10	11	11
Tires	16	16	15	60	62	58	39	38	34
Maintenance	36	36	36	21	20	21	28	28	30
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

The Company has one wholly-owned subsidiary, Monro Service Corporation, which is a Delaware corporation qualified to do business in the states of New York, Maryland, Illinois and New Hampshire.

Monro Service Corporation holds all assets, rights, responsibilities and liabilities associated with the Company s warehousing, purchasing, advertising, accounting, office services, payroll, cash management and certain other operations that are performed in the states of New York, Maryland, Illinois and New Hampshire. The Company believes that this structure has enhanced operational efficiency and provides cost savings.

INDUSTRY OVERVIEW

According to industry reports, demand for automotive repair services, including undercar repair and tire services, has increased due to the general increase in the number of vehicles registered, the increase in the average age of vehicles and the increased complexity of vehicles, which makes it more difficult for a vehicle owner to perform do-it-yourself repairs.

At the same time as demand for automotive repair services has grown, the number of general repair outlets has decreased, principally because fewer gas stations now perform repairs, and because there are fewer new car dealers as a result of dealership closures by car manufacturers such as Chrysler and General Motors. Monro believes that these factors present opportunities for increased sales by the Company, even though the number of specialized repair outlets (such as those operated by the Company and its direct competitors) has increased to meet growing demand.

EXPANSION STRATEGY

Monro has experienced significant growth in recent years due to acquisitions and, to a lesser extent, the opening of new stores. Management believes that the continued growth in sales and profits of the Company is dependent, in large part, upon its continued ability to open/acquire and operate new stores on a profitable basis. Overall profitability of the Company could be reduced if acquired or new stores do not attain profitability.

Monro believes that there are significant expansion opportunities in new as well as existing market areas which will result from a combination of constructing stores on vacant land and acquiring existing store locations. The Company believes that, as the industry consolidates due to the increasingly complex nature of automotive repair and the expanded capital requirements for state-of-the-art equipment, there will be increasing opportunities for acquisitions of existing businesses or store structures.

In that regard, the Company has completed several acquisitions in recent years, as follows:

Effective March 1, 2004, the Company completed the acquisition of Mr. Tire stores from Atlantic Automotive Corp., which added 26 retail tire and automotive repair stores in Maryland and Virginia, as well as a

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wholesale operation based in Baltimore, Maryland. The Company has closed one of these stores and the wholesale operation.

In fiscal 2005, the Company further expanded its presence in Maryland through the acquisition of certain assets of Rice Tire, Inc. and Henderson Holdings, Inc., which added five and ten retail tire and automotive repair stores in the Frederick and southern Maryland markets, respectively. Thirteen of these stores operate under the Mr. Tire brand name and one under the Tread Quarters brand name. The Company has closed one Rice store.

On April 29, 2006, the Company acquired substantially all of the assets of ProCare Automotive Service Solutions LLC. The Company acquired 75 ProCare locations that offer automotive maintenance and repair services. The stores are located in eight metropolitan areas throughout Ohio and Pennsylvania. The Company converted 31 of the acquired ProCare stores to tire stores which operate under the Mr. Tire brand. The remaining stores operate as service stores under the Monro brand. In April 2007, the Company closed three of the acquired locations in accordance with its plan for this acquisition, leaving it with 43 service stores and 29 tire stores. The Company closed one additional tire store after 2007.

On July 21, 2007, the Company acquired 11 retail tire and automotive repair stores located primarily in the Philadelphia, PA market from Valley Forge Tire & Auto Centers (the Valley Forge Acquisition); on July 28, 2007, the Company acquired eight retail tire and automotive repair stores located in the northern Virginia market from Craven Tire & Auto (the Craven Acquisition); and on January 26, 2008, the Company acquired seven retail tire and automotive repair stores located in Buffalo, NY from the Broad Elm Group (the Broad Elm Acquisition). These stores all operate under the Mr. Tire brand name.

On June 14, 2009, the Company acquired 26 Autotire Car Care Center retail tire and automotive repair stores located primarily in the St. Louis, MO market from Am-Pac Tire Distributors, Inc., a wholly-owned subsidiary of American Tire Distributors; on September 20, 2009, the Company acquired four retail tire and automotive repair stores located in northwest Indiana from Midwest Tire & Auto Repair; on October 4, 2009, the Company acquired 41 retail tire stores, including one that was under construction, and six franchised locations located in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont, from Tire Warehouse Central, Inc.; and on November 29, 2009, the Company acquired a retail tire and automotive repair store located in New Hampshire from Cheshire Tire Center, Inc. (collectively, the FY 2010 Acquisitions). These stores operate primarily under the Autotire, Mr. Tire and Tire Warehouse brand names, respectively. Additionally, during January 2010, the Company acquired two of the former Tire Warehouse franchise locations. These stores operate under the Tire Warehouse brand name. The Company has closed two Tire Warehouse stores.

On March 28, 2010, the Company acquired five Import Export Tire retail tire and automotive repair stores located in the Pittsburgh, PA market from Import Export Tire, Co.; on June 13, 2010, the Company acquired one of the former Tire Warehouse franchise locations and an additional service store, both of which are located in Maine, from the same owner; and on November 1, 2010, the Company acquired three retail tire and automotive repair stores located in the Fredericksburg, VA market from Courthouse Tire (collectively, the FY 2011 Acquisitions). The tire stores, except for the franchise location that operates under the Tire Warehouse brand name, operate under the Mr. Tire brand name. The service store operates under the Monro brand name.

On June 5, 2011, the Company acquired 24 retail tire and automotive repair stores located in Pennsylvania and New Jersey from Vespia Tire Centers, Inc.; on October 10, 2011, the Company acquired seven retail tire stores located in Ohio and Pennsylvania from Terry s Tire Town; and on November 19, 2011, the Company acquired a retail tire store in Maine from Expert Tire, Inc. (collectively, the FY 2012 Acquisitions). The tire stores, except for the Expert Tire location that operates under the Tire Warehouse brand name, operate under the Mr. Tire brand name. The Company has one Vespia store which was temporarily closed due to a fire at the store location.

The total number of stores that the Company operates in BJ s Wholesale Clubs is 34 at March 31, 2012.

As of March 31, 2012, Monro had 803 Company-operated stores, three franchised locations and 14 dealer locations located in 20 states. The following table shows the growth in the number of Company-operated stores over the last five fiscal years:

STORE ADDITIONS AND CLOSINGS

	Year Ended Fiscal March				
	2012	**2011**	**2010**	**2009**	**2008**
Stores open at beginning of year	781	777	710	720	698
Stores added during year	36(e)	12(d)	79(c)	3	31(b)
Stores closed during year (a)	(14)	(8)	(12)	(13)	(9)
Stores open at end of year	803	781	777	710	720
Service (including BJ s) stores	536	547	551	566	579
Tire stores	267	234	226	144	141

(a) Generally, stores were closed because they failed to achieve or maintain an acceptable level of profitability or because a new Company store was opened in the same market at a more favorable location. Additionally, in fiscal 2012, the Company sold all of its seven stores in the Long Island market to Mavis Tire for $2.0 million.

(b) Includes 11 stores acquired in the Valley Forge Acquisition, eight stores acquired in the Craven Acquisition and seven stores acquired in the Broad Elm Acquisition.

(c) Includes 74 stores acquired in the FY 2010 Acquisitions.

(d) Includes 10 stores acquired in the FY 2011 Acquisitions.

(e) Includes 32 stores acquired in the FY 2012 Acquisitions.

The Company plans to add approximately six new greenfield stores in fiscal 2013 and to pursue appropriate acquisition candidates.

The Company has developed a systematic method for selecting new greenfield store locations and a targeted approach to marketing new stores. Key factors in market and site selection include population, demographic characteristics, vehicle population and the intensity of competition. The characteristics of each potential site are compared to the profiles of existing stores in projecting sales for that site. Monro attempts to cluster stores in market areas in order to achieve economies of scale in advertising, supervision and distribution costs. All new sites presently under consideration are within Monro s established market areas.

As a result of extensive analysis of its historical and projected store opening strategy, the Company has established major market profiles, as defined by market awareness: mature, existing and new markets. Over the next several years, the Company expects to build a greater percentage of stores in mature and existing markets in order to capitalize on the Company s market presence and consumer awareness. During fiscal 2012, all of the stores added (including acquired stores) were located in existing markets.

The Company believes that management and operating improvements implemented over the last several fiscal years have enhanced its ability to sustain its growth. The Company has a chain-wide computerized inventory control and electronic point-of-sale (POS) management information system, which has increased management s ability to monitor operations as the number of stores has grown.

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The Company has customized the POS system to specific service and tire store requirements and deploys the appropriate version in each type of store. Being Windows-based, the system has simplified training of new employees. Additionally, the system includes electronic mail and electronic cataloging, which allows store managers to electronically research the specific parts needed for the make and model of the car being serviced. This enhanced system includes software which contains data that mirrors the scheduled maintenance requirements in vehicle owners manuals, specifically by make, model, year and mileage for every major automobile brand. Management believes that this software facilitates the presentation and sale of scheduled maintenance services to customers. Other enhancements include the streamlining of estimating and other processes; graphic catalogs; a feature which facilitates tire searches by size; direct mail support; appointment scheduling; customer service history; a thermometer graphic which guides store managers on the profitability of each job; the ability to view inventory of up to the closest 14 stores or warehouse; and expanded monitoring of price changes. This latter change requires more specificity on the reason for a discount, which management believes helps to control discounting. Enhancements will continue to be made to the POS system annually in an effort to increase efficiency, improve the quality and timeliness of store reporting and enable the Company to better serve its customers.

The financing to open a new greenfield service store location may be accomplished in one of three ways: a store lease for the land and building (in which case, land and building costs will be financed primarily by the lessor), a land lease with the building constructed by the Company (with building costs paid by the Company), or a land purchase with the building constructed by the Company. In all three cases, for service stores, each new store also will require approximately $190,000 for equipment (including a POS system and a truck) and approximately $55,000 in inventory. Because Monro generally does not extend credit to its customers, stores generate almost no receivables and a new store s actual net working capital investment is nominal. Total capital required to open a new greenfield service store ranges, on average (based upon the last five fiscal years openings, excluding the BJ s locations and the acquired stores), from $350,000 to $950,000 depending on the location and which of the three financing methods is used. In general, tire stores are larger and have more service bays than Monro s traditional service stores and, as a result, construction costs are at the high end of the range of new store construction costs. Total capital required to open a new greenfield tire (land and building leased) location costs, on average, approximately $600,000, including $220,000 for equipment and $150,000 for inventory. In instances where Monro acquires an existing business, it may pay additional amounts for intangible assets such as customer lists, covenants not-to-compete, trade names and goodwill, but generally will pay less per bay for equipment and real property.

At March 31, 2012, the Company leased the land and/or the building at approximately 71% of its store locations and owned the land and building at the remaining locations. Monro s policy is to situate new stores in the best locations, without regard to the form of ownership required to develop the locations.

New service and tire stores, (excluding acquired stores and BJ s locations), have average sales of approximately $384,000 and $1,015,000, respectively, in their first 12 months of operation, or $64,000 and $145,000, respectively, per bay.

STORE OPERATIONS

Store Format

The typical format for a Monro repair store is a free-standing building consisting of a sales area, fully-equipped service bays and a parts/tires storage area. In BJ s locations, the Company and BJ s both operate counters in the sales area, while the Company operates the service bay area. Most service bays are equipped with above-ground electric vehicle lifts. Generally, each store is located within 25 miles of a key store which carries approximately double the inventory of a typical store and serves as a mini-distribution point for slower moving inventory for other stores in its area. Individual store sizes, number of bays and stocking levels vary greatly, even within the service and

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tire store groups, and are dependent primarily on the availability of suitable store locations, population, demographics and intensity of competition among other factors (See additional discussion under Store Additions and Closings). A summary of average store data for service and tire stores is presented below:

	Average Number of Bays	Average Square Feet	Average Inventory	Average Number of Stock Keeping Units (SKUs)
Service stores (excluding BJ s and ProCare)	6	4,400	$ 102,000	2,700
Tire stores (excluding Tire Warehouse stores)	7	6,100	$ 152,000	1,500

Data for the acquired ProCare service stores has been excluded because the stores stock rooms are smaller than those in typical service stores and therefore, they generally carry less than half the amount of inventory of a typical service store.

Data for the acquired Tire Warehouse stores has been excluded because most stores have no indoor service bays. The store building houses a waiting room, storage area and an area to mount and balance tires on the car s wheels once the wheels and tires have been removed from the car. Removal of old tires and wheels from, and installation of new tires and wheels on, customers cars are performed outdoors under a carport. A growing number of Tire Warehouse stores have an indoor bay to perform alignments.

Stores generally are situated in high-visibility locations in suburban areas, major metropolitan areas or small towns and offer easy customer access. The typical store is open from 7:30 a.m. to 7:00 p.m. on Monday through Friday and from 7:30 a.m. to 6:00 p.m. on Saturday. A majority of store locations are also open Sundays from 9:00 a.m. to 5:00 p.m.

Inventory Control and Management Information System

All Company stores communicate daily with the central office and warehouse by computerized inventory control and electronic POS management information systems, which enable the Company to collect sales and operational data on a daily basis, to adjust store pricing to reflect local conditions and to control inventory on a near real-time basis. Additionally, each store has access, through the POS system, to the inventory carried by up to the 14 stores or warehouse nearest to it. Management believes that this feature improves customer satisfaction and store productivity by reducing the time required to locate out-of-stock parts and tires. It also improves profitability because it reduces the amount of inventory which must be purchased outside the Company from local vendors.

Quality Control and Warranties

To maintain quality control, the Company conducts audits to rate its employees telephone sales manner and the accuracy of pricing information given.

The Company has a customer survey program to monitor customer attitudes toward service quality, friendliness, speed of service, and several other factors for each store. Customer concerns are addressed by customer service and field management personnel.

The Company uses a Double Check for Accuracy Program as part of its routine store procedures. This quality assurance program requires that a technician and supervisory-level employee (or in certain cases, another technician in tire stores) independently inspect a customer s vehicle, diagnose and document the necessary repairs, and agree on an estimate before presenting it to a customer. This process is formally documented on the written estimate by store personnel.

The Company is an active member of the Automotive Maintenance & Repair Association (AMRA). AMRA is an organization of automotive retailers, wholesalers and manufacturers which was established as part of an industry-wide effort to address the ethics and business practices of companies in the automotive repair industry through the Motorist Assurance Program (MAP). Participating companies commit to improving consumer confidence and trust in the automotive repair industry by adopting Uniform Inspection Communication Standards (UICS) established by MAP. These UICS are available in the Company s stores and serve to provide consistent recommendations to customers in the diagnosis and repair of a vehicle.

Monro offers limited warranties on substantially all of the products and services that it provides. The Company believes that these warranties are competitive with industry practices and serve as a marketing tool to increase repeat business at the stores.

Store Personnel and Training

The Company supervises store operations primarily through its Divisional Vice Presidents who oversee Zone Managers who, in turn, oversee Market Managers. The typical service store is staffed by a Store Manager and four to six technicians, one of whom serves as the Assistant Manager. The typical tire store, except Tire Warehouse stores, is staffed by a Store Manager, an Assistant Manager and/or Service Manager, and four to eight technicians. Larger volume service and tire stores may also have one or two sales people. The higher staffing level at many tire stores is necessary to support their higher sales volume. Tire Warehouse stores are generally staffed by a Store Manager and two to four technicians, one of whom serves as the Assistant Manager. All Store Managers receive a base salary, and Assistant Managers receive either hourly or salaried compensation. In addition, Store Managers and Assistant Managers may receive other compensation based on their store s customer relations, gross profit, labor cost controls, safety, sales volume and other factors via a monthly or quarterly bonus based on performance in these areas.

The Company believes that the ability to recruit and retain qualified technicians is an important competitive factor in the automotive repair industry, which has historically experienced a high turnover rate. The Company makes a concerted effort to recruit individuals who will have a long-term commitment to the Company and offers an hourly rate structure and additional compensation based on productivity; a competitive benefits package including health, dental, life and disability insurance; a 401(k)/profit-sharing plan; as well as the opportunity to advance within the Company. Many of the Company s Managers and Market Managers started with the Company as technicians.

Many of the Company s new technicians join the Company in their early twenties as trainees or apprentices. As they progress, they are promoted to technician and eventually master technician, the latter requiring ASE certification in both brakes and suspension. The Company offers a tool purchase program through which trainee technicians can acquire their own set of tools. The Company also will reimburse technicians for the cost of ASE certification registration fees and test fees and encourages all technicians to become certified by providing a higher hourly wage rate following their certification.

The Company s training program provides multiple training sessions to both store managers and technicians in each store, each year.

Management training courses are developed and delivered by the Company s dedicated training department and Operations management, and are supplemented with live and on-line vendor training courses. Management training covers customer service, sales, human resources (counseling, recruiting, interviewing, etc.), leadership, scheduling, financial and operational areas, and is delivered on a regular basis. The Company believes that involving Operations management in the development and delivery of these sessions results in more relevant and actionable training for store managers, and will improve overall performance and staff retention.

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The Company s training department develops and coordinates technical training courses on critical areas of automotive repair to Company technicians (e.g. Antilock braking systems (ABS) brake repair, drivability, tire pressure monitoring system (TPMS), etc.) and also conducts required technical training to maintain compliance with state inspection licenses, where applicable, and AMRA/MAP accreditation. Additionally, the Company s training department holds periodic in-house technical clinics for store personnel and coordinates technician attendance at technical clinics offered by the Company s vendors. The Company has electronic repair manuals installed in all of its stores for daily reference. It also issues technical bulletins to all stores on innovative or complex repair processes, and maintains a centralized database for technical repair problems. In addition, the Company has established a telephone technical help line to provide assistance to store personnel in resolving problems encountered while diagnosing and repairing vehicles. The help line is available during all hours of store operation. The Company also maintains a training web page that contains many resources that are available for the technicians to reference.

OPERATING STRATEGY

Monro s operating strategy is to provide its customers with a wide range of dependable, high-quality automotive services at a competitive price by emphasizing the following key elements.

Products and Services

The typical service or tire store provides a full range of undercar repair services for brakes, steering, mufflers and exhaust systems, drive train, suspension and wheel alignment, as well as tire replacement and service. These services apply to all makes and models of domestic and foreign cars, light trucks and vans. As a percentage of sales, the service stores provide significantly more brake and exhaust service than tire stores, and tire stores provide substantially more tire replacement and related services than service stores.

Stores generally provide many of the routine maintenance services (except engine diagnostic), which automobile manufacturers suggest or require in the vehicle owners manuals, and which fulfill manufacturers requirements for new car warranty compliance. The Company offers Scheduled Maintenance services in its stores whereby the aforementioned services are packaged and offered to consumers based upon the year, make, model and mileage of each specific vehicle. Management believes that the Company is able to offer this service in a more convenient and cost competitive fashion than auto dealers can provide.

Included in maintenance services are oil change services, heating and cooling system flush and fill service, belt installation, fuel system service and a transmission flush and fill service. Additionally, most stores replace and service batteries, starters and alternators. Stores in New York, West Virginia, New Hampshire, Maryland, Rhode Island, New Jersey, Pennsylvania, North Carolina, Virginia, Missouri, Maine and Vermont perform annual state inspections. Approximately 55% of the Company s stores also offer air conditioning services.

The Company began a program in the third quarter of fiscal year 2007 to increase tire and tire related sales, such as alignments, in its service stores. The goal is to increase the overall sales of these stores by capturing tire and related sales from existing store traffic and eventually drive additional traffic and sales. The program involves increasing the specific sales training of store managers, expanding the tire merchandise selection in these stores, and raising the focus of store advertising in this category. This initiative, which is called Black Gold , has now been rolled out to 262 of the Company s service stores.

The format of the Tire Warehouse stores, acquired in fiscal year 2010, is different from Monro s typical service or tire stores (as described above) in that, generally, over 98% of the stores sales involve tire services, including the mounting and balancing of tires, and the sale of road hazard warranties, but generally excluding alignments. All stores provide the installation of wiper blades. Currently, 10 stores perform alignments. In fiscal year 2013, the Company plans to expand the number of stores offering alignment services to a total of 30 stores.

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Customer Satisfaction

The Company s vision of being the dominant Auto Service provider in the markets it serves is supported by a set of values displayed in each Company store emphasizing TRUST:

Total Customer Satisfaction

Respect, Recognize and Reward (employees who are committed to these values)

Unparalleled Quality and Integrity

Superior Value and

Teamwork

Also displayed in each Company store are guiding principles in support of its commitment to customer service: only present needed work; fix vehicles right the first time; complete vehicle service on time; and exceed the customer s expectations.

Additionally, each Company-operated store operates under the following set of customer satisfaction principles: free inspection of brakes, tires, shocks, front end and exhaust systems (as applicable); item-by-item review with customers of problem areas; free written estimates; written guarantees; drive-in service without an appointment; fair and reasonable prices; a 30-day best price guarantee; and repairs by professionally trained undercar and tire specialists. (See additional discussion under Store Operations: Quality Control and Warranties .)

Competitive Pricing, Advertising and Co-branding Initiatives

The Company seeks to set competitive prices for quality services and products. The Company supports its pricing strategy by advertising through direct mail coupon inserts and in-store promotional signage and displays. In addition, the Company advertises through radio, yellow pages, newspapers, service reminders and digital marketing to increase consumer awareness of the services offered. The Company also maintains websites for the Monro, Mr. Tire/Tread Quarters/Autotire and Tire Warehouse brands which allow customers to search for a location, print coupons, make service appointments, search tires for their vehicle and access information and tips on vehicle services offered at the Company s stores.

The Company is promoting the Monro Muffler Brake & Service brand in its Tire Warehouse stores, to encourage Tire Warehouse customers to use Monro stores for their automotive service needs outside of tire replacement.

During fiscal year 2012, the Company launched and is maintaining mobile compatible websites for Monro, Mr. Tire/Tread Quarters, Autotire and Tire Warehouse, that allow customers to find a store location, current promotions and coupons, search for tires, and make appointments from their smart phones.

The Company also launched and is maintaining mobile apps on the iPhone and Android platforms. The mobile apps allow customers to manage and maintain their vehicle maintenance records, make an appointment, locate a store, and search for promotions/coupons and tires.

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Centralized Control

Unlike many of its competitors, the Company operates, rather than franchises, most of its stores (except for the three Tire Warehouse franchises and 14 dealer locations). Monro believes that direct operation of stores enhances its ability to compete by providing centralized control of such areas of operations as service quality, store appearance, promotional activity and pricing. A high level of competence is maintained throughout the Company, as Monro requires, as a condition of employment, that employees participate in periodic training programs, including sales, management, customer service and changes in automotive technology. Additionally, purchasing, distribution, merchandising, advertising, accounting and other store support functions are centralized primarily in the Company s corporate headquarters in Rochester, New York, and are provided through the Company s subsidiary, Monro Service Corporation. The centralization of these functions results in efficiencies and gives management the ability to closely monitor and control costs.

Comprehensive Training

The Company provides ongoing, comprehensive training to its store employees. Monro believes that such training provides a competitive advantage by enabling its technicians to provide quality service to its customers in all areas of undercar repair and tire service. (See additional discussion under Store Operations: Store Personnel and Training .)

PURCHASING AND DISTRIBUTION

The Company, through its wholly-owned subsidiary Monro Service Corporation, selects and purchases tires, parts and supplies for all Company-operated stores on a centralized basis through an automatic replenishment system. Although purchases outside the centralized system (outside purchases) are made when needed at the store level, these purchases are low by industry standards, and accounted for approximately 13% of all parts and tires used in fiscal 2012.

The Company s ten largest vendors accounted for approximately 79% of its parts and tire purchases, with the largest vendor accounting for approximately 16% of total stocking purchases in fiscal 2012. The Company currently imports approximately 25% of its parts and tire purchases. The Company purchases parts and tires from approximately 100 vendors. Management believes that the Company s relationships with vendors are excellent and that alternative sources of supply exist, at comparable cost, for substantially all parts used in the Company s business. The Company routinely obtains bids from vendors to ensure it is receiving competitive pricing and terms.

Most parts are shipped by vendors to the Company s primary warehouse facility in Rochester, New York, and are distributed to stores by the Company-operated tractor/trailer fleet. During fiscal 2012, the Company substantially completed an expansion of its warehouse from 80,000 square feet to 135,000 square feet. Stores are replenished either on a weekly or bi-weekly basis from this warehouse, and such replenishment fills, on average, 97% of all items ordered by the stores automatic POS-driven replenishment system. The Rochester warehouse stocks approximately 6,000 SKUs. The Company also operates warehouses in Maryland, Virginia, Illinois and New Hampshire. These warehouses carry, on average, 4,900, 1,900, 1,200 and 900 SKUs, respectively.

The Company enters into contracts with parts and tire suppliers, certain of which require the Company to buy (at market prices) up to 100% of its annual purchases of specific products. These agreements expire at various dates through November 2013. The Company believes these agreements provide it with high quality, branded merchandise at preferred pricing, along with strong marketing and training support.

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COMPETITION

The Company competes in the retail automotive service industry. This industry is generally highly competitive and fragmented, and the number, size and strength of competitors vary widely from region to region. The Company believes that competition in this industry is based on customer service and reputation, store location, name awareness and price. Monro s primary competitors include national and regional undercar, tire specialty and general automotive service chains, both franchised and company-operated; car dealerships, mass merchandisers operating service centers; and, to a lesser extent, gas stations, independent garages and Internet tire sellers. Monro considers TBC Corporation (operating under the NTB, Merchant s Tire, Midas and Tire Kingdom brands), Firestone Complete Auto Care service stores and Meineke Discount Mufflers Inc. to be direct competitors. In most of the new markets that the Company has entered, at least one competitor was already present. In identifying new markets, the Company analyzes, among other factors, the intensity of competition. (See Expansion Strategy and Management s Discussion and Analysis of Financial Condition and Results of Operations .)

EMPLOYEES

As of March 31, 2012, Monro had 5,113 employees, of whom 4,841 were employed in the field organization, 74 were employed at the warehouses, 172 were employed at the Company s corporate headquarters and 26 were employed in other offices. Monro s employees are not members of any union. The Company believes that its relations with its employees are good.

REGULATION

The Company stores new oil and recycled antifreeze and generates and/or handles used tires and automotive oils, antifreeze and certain solvents, which are disposed of by licensed third-party contractors. In certain states, as required, the Company also recycles oil filters. Thus, the Company is subject to a number of federal, state and local environmental laws including the Comprehensive Environmental Response Compensation and Liability Act (CERCLA). In addition, the United States Environmental Protection Agency (the EPA), under the Resource Conservation and Recovery Act (RCRA), and various state and local environmental protection agencies regulate the Company s handling and disposal of waste. The EPA, under the Clean Air Act, also regulates the installation of catalytic converters by the Company and all other repair stores by periodically spot checking repair jobs, and has the power to fine businesses that use improper procedures or materials. The EPA has the authority to impose sanctions, including civil penalties up to $37,500 per violation (or up to $37,500 per day for certain willful violations or failures to cooperate with authorities), for violations of RCRA and the Clean Air Act.

The Company is subject to various laws and regulations concerning workplace safety, zoning and other matters relating to its business. The Company maintains programs to facilitate compliance with these laws and regulations. The Company believes that it is in substantial compliance with all applicable environmental and other laws and regulations and that the cost of such compliance is not material to the Company.

The Company is environmentally conscious, and takes advantage of recycling opportunities at its offices, warehouses and stores. Cardboard, plastic shrink wrap and parts cores are returned to the warehouse by the stores on the Company stock trucks. There, they are accumulated for sale to recycling companies or returned to parts manufacturers for credit.

SEASONALITY

Although the Company s business is not highly seasonal, customers do purchase more undercar service during the period of March through October than the period of November through February, when miles driven tend to be lower. In the tire stores, the better sales months are typically May through August, and October through December. The slowest months are typically January through April and September. As a result,

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profitability is typically lower during slower sales months, or months where mix is more heavily weighted toward tires, which is a lower margin category. Additionally, since the Company s stores are primarily located in the northeastern United States, profitability tends to be lower in the winter months when certain costs, such as utilities and snow plowing, are typically higher.

COMPANY INFORMATION AND SEC FILINGS

The Company maintains a website at www.monro.com and makes its annual, quarterly and periodic Securities and Exchange Commission (SEC) filings available through the Investor Information section of that website. The Company s SEC filings are available through this website free of charge, via a direct link to the SEC website at www.sec.gov. The Company s filings with the SEC are also available to the public at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling the SEC at 1-800-SEC-0330.

Item 1A. *Risk Factors*

In addition to the risk factors discussed elsewhere in this annual report, the following are the important factors that could cause the Company s actual results to differ materially from those projected in any forward looking statements:

We operate in the highly competitive automotive repair industry.

The automotive repair industry in which we operate is generally highly competitive and fragmented, and the number, size and strength of our competitors varies widely from region to region. We believe that competition in the industry is based primarily on customer service, reputation, store location, name awareness and price. Our primary competitors include national and regional undercar, tire specialty and general automotive service chains, both franchised and company-operated, car dealerships, mass merchandisers operating service centers and, to a lesser extent, gas stations, independent garages and Internet tire sellers. Some of our competitors have greater financial resources, are more geographically diverse and have better name recognition than we do, which might place us at a competitive disadvantage to those competitors. Because we seek to offer competitive prices, if our competitors reduce prices, we may be forced to reduce our prices, which could have a material adverse effect on our business, financial condition and results of operations. Further, our success within this industry also depends upon our ability to respond in a timely manner to changes in customer demands for both products and services. We cannot assure that we, or any of our stores, will be able to compete effectively. If we are unable to compete successfully in new and existing markets, we may not achieve our projected revenue and profitability targets.

We are subject to seasonality and cycles in the general economy that impact demand for our products and services.

Although our business is not highly seasonal, our customers typically purchase more undercar services during the period of March through October than the period of November through February, when miles driven tend to be lower. Further, customers may defer or forego vehicle maintenance at any time during periods of inclement weather. In the tire stores, the better sales months are typically May through August, and October through December. The slowest months are typically January through April and September. As a result, profitability is typically lower during slower sales months, or months where mix is more heavily weighted toward tires, which is a lower margin category.

Additionally, since the Company s stores are primarily located in the northeastern United States, profitability tends to be lower in the winter months when certain costs, such as utilities and snow plowing, are typically higher.

The automotive repair industry is subject to fluctuations in the general economy. During a downturn in the economy, customers may defer or forego vehicle maintenance or repair. During periods of good economic conditions, consumers may decide to purchase new vehicles rather than having their older vehicles serviced. Should a significant reduction in the number of miles driven by automobile owners occur, it would likely have an adverse effect on the demand for our products and services. For example, when the retail cost of gasoline increases, the number of miles driven by automobile owners may decrease, which could result in less frequent service intervals and fewer repairs.

We depend on our relationships with our vendors, including foreign sources, for certain inventory. Our business may be negatively affected by the risks associated with such relationships and international trade.

We depend on close relationships with our vendors for parts, tires and supplies and for our ability to purchase products at competitive prices and terms. Our ability to purchase at competitive prices and terms results from the volume of our purchases from these vendors. We have entered into various contracts with parts suppliers that require us to buy from them (at market prices) up to 100% of our annual purchases of specific products. These agreements expire at various dates through November 2013.

We believe that alternative sources exist for most of the products we sell or use at our stores, and we would not expect the loss of any one supplier to have a material adverse effect on our business, financial condition or results of operations. Our dependence on a small number of suppliers, however, subjects us to the risks of shortages and interruptions. If any of our suppliers do not perform adequately or otherwise fail to distribute parts or other supplies to our stores, our inability to replace the suppliers in a timely manner and on acceptable terms could increase our costs and could cause shortages or interruptions that could have a material adverse effect on our business, financial condition and results of operations.

Further, we depend on a number of products (e.g. brake parts, tires, oil filters) produced in foreign markets. We face risks associated with the delivery of inventory originating outside the United States, including:

- potential economic and political instability in countries where our suppliers are located,
- increases in shipping costs,
- transportation delays and interruptions, and
- changes in U.S. and foreign laws affecting the importation and taxation of goods, including duties, tariffs and quotas, or changes in the enforcement of those laws.

Our industry is subject to environmental, consumer protection and other regulation.

We are subject to various federal, state and local environmental laws, building and zoning requirements, employment laws and other governmental regulations regarding the operation of our business. For example, we are subject to rules governing the handling, storage and disposal of hazardous substances contained in some of the products such as motor oil that we sell and use at our stores, the recycling of batteries, tires and used lubricants, and the ownership and operation of real property. These laws and regulations can impose fines and criminal sanctions for violations and require the installation of pollution control equipment or operational changes to decrease the likelihood of accidental hazardous substance releases. Accordingly, we could become subject to material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as a result of exposure to, or release of, hazardous substances. In addition, stricter interpretation of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require us to incur costs or become the basis of new or increased liabilities that could have a material adverse effect on our business, financial condition and results of operations.

National automotive repair chains have also been the subject of investigations and reports by consumer protection agencies and the Attorneys General of various states. Publicity in connection with these kinds of investigations could have an adverse effect on our sales and, consequently, our business, financial condition and results of operations. State and local governments have also enacted numerous consumer protection laws with which we must comply.

The costs of operating our stores may increase if there are changes in laws governing minimum hourly wages, working conditions, overtime, workers compensation and health insurance rates, unemployment tax rates or other laws and regulations. A material increase in these costs that we were unable to offset by increasing our prices or by other means could have a material adverse effect on our business, financial condition and results of operations.

We are involved in litigation from time to time arising from the operation of our business and, as such, we could incur substantial judgments, fines, legal fees or other costs.

We are sometimes the subject of complaints or litigation from customers, employees or other third parties for various actions. From time to time, we are involved in litigation involving claims related to, among other things, breach of contract, tortious conduct and employment law matters, including payment of wages. The damages sought against us in some of these litigation proceedings could be substantial. Although we maintain liability insurance for some litigation claims, if one or more of the claims were to greatly exceed our insurance coverage limits or if our insurance policies do not cover a claim, this could have a material adverse affect on our business, financial condition, results of operations and cash flows.

We rely extensively on computer systems to process transactions, summarize results and manage our business. Disruptions in these systems could harm our ability to run our business.

Given the number of individual transactions we process each year, it is critical that we maintain uninterrupted operation of our computer and communications hardware and software systems. Our systems could be subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, including breaches of our transaction processing or other systems that result in the compromise of confidential customer data, catastrophic events such as fires, tornadoes and hurricanes, and usage errors by our employees. If our systems are breached, damaged or cease to function properly, we may have to make a significant investment to fix or replace them, we may suffer interruptions in our operations in the interim, we may face costly litigation, and our reputation with our customers may be harmed. Any material interruption in our computer operations may have a material adverse effect on our business or results of operations. The risk of disruption is increased in periods where complex and significant systems changes are undertaken.

If we fail to protect the security of personal information about our customers or employees, we could be subject to costly government enforcement actions or private litigation, and our reputation could suffer.

The nature of our business involves the receipt and storage of personal information about our customers and employees. If we experience a data security breach, we could be exposed to government enforcement actions and private litigation. In addition, our customers could lose confidence in our ability to protect their personal information, which could cause them to discontinue usage of our credit card products or decline to use our services altogether. The loss of confidence from a data security breach involving employees could hurt our reputation and cause employee recruiting and retention challenges.

Our business is affected by advances in automotive technology.

The demand for our products and services could be adversely affected by continuing developments in automotive technology. Automotive manufacturers are producing cars that last longer and require service and maintenance at less frequent intervals in certain cases. Quality improvement of manufacturers original equipment parts has in the past reduced, and may in the future reduce, demand for our products and services, adversely affecting our sales. For example, manufacturers use of stainless steel exhaust components has significantly increased the life of those parts, thereby decreasing the demand for exhaust repairs and replacements. Longer and more comprehensive warranty or service programs offered by automobile manufacturers and other third parties also could adversely affect the demand for our products and services. We believe that a majority of new automobile owners have their cars serviced by a dealer during the period that the car is under warranty. In addition, advances in automotive technology continue to require us to incur additional costs to update our diagnostic capabilities and technical training programs.

We may not be successful in integrating new and acquired stores.

Management believes that our continued growth in sales and profit is dependent, in large part, upon our ability to open/acquire and operate new stores on a profitable basis. In order to do so, we must find reasonably priced new store locations and acquisition candidates that meet our criteria and we must integrate any new stores (opened or acquired) into our system. Our growth and profitability could be adversely affected if we are unable to open or acquire new stores or if new or existing stores do not operate at a sufficient level of profitability. If new stores do not achieve expected levels of profitability, this may adversely impact our ability to remain in compliance with our debt covenants or to make required payments under our credit facility.

Store closings result in acceleration of costs.

From time to time, in the ordinary course of our business, we close certain stores, generally based on considerations of store profitability, competition, strategic factors and other considerations. Closing a store could subject us to costs including the write-down of leasehold improvements, equipment, furniture and fixtures. In addition, we could remain liable for future lease obligations.

We rely on an adequate supply of skilled field personnel.

In order to continue to provide high quality services, we require an adequate supply of skilled field managers and technicians. Trained and experienced automotive field personnel are in high demand, and may be in short supply in some areas. We cannot assure that we will be able to attract, motivate and maintain an adequate skilled workforce necessary to operate our existing and future stores efficiently, or that labor expenses will not increase as a result of a shortage in the supply of skilled field personnel, thereby adversely impacting our financial performance. While the automotive repair industry generally operates with high field employee turnover, any material increases in employee turnover rates in our stores or any widespread employee dissatisfaction could also have a material adverse effect on our business, financial condition and results of operations.

If we are unable to generate sufficient cash flows from our operations, our liquidity will suffer and we may be unable to satisfy our obligations.

We currently rely on cash flow from operations and our revolving credit facility to fund our business. Amounts outstanding on the revolving credit facility are reported as debt on our balance sheet. While we believe that we have the ability to sufficiently fund our planned operations and capital expenditures for the foreseeable future, various risks to our business could result in circumstances that would materially affect our liquidity. For example, cash flows from our operations could be affected by changes in consumer spending habits, the failure to maintain favorable vendor payment terms or our inability to successfully implement sales growth initiatives, among other factors. We may be unsuccessful in securing alternative financing when needed on terms that we consider acceptable.

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In addition, a significant increase in our leverage could have the following risks:

- our ability to obtain additional financing for working capital, capital expenditures, store renovations, acquisitions or general corporate purposes may be impaired in the future;

- our failure to comply with the financial and other restrictive covenants governing our debt, which, among other things, require us to comply with certain financial ratios and limit our ability to incur additional debt and sell assets, could result in an event of default that, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations; and

- our exposure to certain financial market risks, including fluctuations in interest rates associated with bank borrowings could become more significant.

If we do not perform in accordance with our debt covenants, our lenders may restrict our ability to draw on our revolving credit facility. We cannot assure that we will remain in compliance with our debt covenants in the future.

We depend on the services of key executives.

Our senior executives are important to our success because they have been instrumental in setting our strategic direction, operating our business, identifying, recruiting and training key personnel, identifying expansion opportunities and arranging necessary financing. Losing the services of any of these individuals could adversely affect our business until a suitable replacement could be found. It may be difficult to replace them quickly with executives of equal experience and capabilities. Although we have employment agreements with selected executives, we cannot prevent them from terminating their employment with us. Other executives are not bound by their employment agreements with us.

New accounting guidance or changes in the interpretation or application of existing accounting guidance could affect our financial performance adversely.

New accounting guidance may require systems and other changes that could increase our operating costs and/or change our financial statements. For example, implementing future accounting guidance related to leases, contingencies, and other areas impacted by the current convergence project between the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) could require us to make significant changes to our lease management system or other accounting systems, and could result in changes to our financial statements. Additionally, implementing future accounting guidance related to leases or other items could potentially impact certain performance metrics and financial ratios, and potentially require the renegotiation of debt covenants.

Unanticipated changes in the interpretation or application of existing accounting guidance could result in material charges or restatements of our financial statements, which may further result in litigation or regulatory actions which could have an adverse effect on our financial condition and results of operations.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

The Company, through Monro Service Corporation, owns its office/warehouse facility of approximately 165,000 square feet (including 70,000 square feet from its recent expansion), which is located on 12.7 acres of land in Holleder Technology Park, in Rochester, New York. Monro Service Corporation also owns a second office/warehouse facility of approximately 28,000 square feet, which is located on 11.8 acres of land in Swanzey, New Hampshire. Additionally, the Company leases warehouse space in Maryland, Virginia and Illinois.

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Of Monro s 803 Company-operated stores at March 31, 2012, 233 were owned, 461 were leased and for 109 stores, only the land was leased. In general, the Company leases store sites for a ten-year period with several five-year renewal options. Giving effect to all renewal options, approximately 57% of the leases (321 stores) expire after 2022. Certain of the leases provide for contingent rental payments if a percentage of annual gross sales exceeds the base fixed rental amount. The highest contingent percentage rent of any lease is 6.75%, and no such lease has adversely affected profitability of the store subject thereto. An officer of the Company or members of his family are the lessors, or have interests in entities that are the lessors, with respect to six of the leases. No related party leases, other than the six assumed as part of the Mr. Tire Acquisition in March 2004, have been entered into, and no new related party leases are contemplated.

As of March 31, 2012, there was $.7 million outstanding under a mortgage held by the City of Rochester, New York, secured by the land on which the headquarters office and warehouse is located.

Item 3. *Legal Proceedings*

The Company currently and from time to time is involved in litigation incidental to the conduct of its business, including employment-related litigation arising from claims by current and former employees. Although the Company diligently defends against these claims, it may enter into discussions regarding settlement of these and other lawsuits, and may enter into settlement agreements, if management believes settlement is in the best interests of the Company and its shareholders. Although the amount of liability that may result from these matters cannot be ascertained, management does not currently believe that, in the aggregate, they will result in liabilities material to the Company s financial condition or results of operations.

Item 4. *Mine Safety Disclosures*

Not Applicable.

Item 5. *Market for the Company s Common Equity and Related Stockholder Matters*

MARKET INFORMATION

The Company s common stock, par value $.01 per share, (the Common Stock) is traded on the NASDAQ Stock Market under the symbol MNRO . The following table sets forth, for the Company s last two fiscal years, the range of high and low sales prices on the NASDAQ Stock Market for the Common Stock (1):

	Fiscal 2012		Fiscal 2011	
Quarter Ended	**High**	**Low**	**High**	**Low**
June	$ 34.20	$ 28.70	$ 26.57	$ 23.29
September	$ 41.39	$ 32.81	$ 31.37	$ 24.33
December	$ 41.45	$ 31.51	$ 36.49	$ 29.88
March	$ 47.62	$ 36.99	$ 35.97	$ 30.55

(1) Adjusted for the three-for-two stock split that became effective on December 23, 2010.

HOLDERS

At May 11, 2012, the Company s Common Stock was held by approximately 4,800 shareholders of record or through nominee or street name accounts with brokers.

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EQUITY COMPENSATION PLAN INFORMATION

As of March 31, 2012, the Company s maintained stock option plans under which employees and non-employee directors could be granted Common Stock options to purchase shares of the Company s Common Stock. The following table contains information relating to such plans as of March 31, 2012.

Plan Category	Number of Securities To Be Issued Upon Exercise of Outstanding Options (a)	Weighted Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	1,851,588	$ 22.75	783,465
Equity compensation plans not approved by security holders			
Total	1,851,588	$ 22.75	783,465

DIVIDENDS

On November 15, 2010, the Company s Board of Directors declared a three-for-two stock split to be effected in the form of a 50% stock dividend (the December 2010 stock split). The stock split was distributed on December 23, 2010 to shareholders of record as of December 13, 2010. Information regarding the number of shares of Common Stock outstanding, as set forth in the Form 10-K, reflect the impact of this stock split.

In April 2010, the Company s Board of Directors declared its intention to pay a regular quarterly cash dividend of $.06 per common share or common share equivalent, as retroactively adjusted for the December 2010 stock split, beginning with the first quarter of fiscal 2011.

In November 2010, the Company s Board of Directors declared its intention to pay a regular quarterly cash dividend during the remainder of fiscal 2011 of $.08 per common share or common share equivalent, as retroactively adjusted for the December 2010 stock split, beginning with the third quarter of fiscal 2011.

In May 2011, the Company s Board of Directors declared its intention to pay a regular quarterly cash dividend of $.08 per common share or common share equivalent in the first quarter of fiscal 2012.

In July 2011, the Company s Board of Directors declared its intention to pay a regular quarterly cash dividend of $.09 per common share or common share equivalent beginning with the second quarter of fiscal 2012.

In May 2012, the Company s Board of Directors declared a regular quarterly cash dividend of $.10 per common share or common share equivalent to be paid to shareholders of record as of June 4, 2012. The dividend will be paid on June 14, 2012.

However, the declaration of and determination as to the payment of future dividends will be at the discretion of the Board of Directors and will depend on the Company s financial condition, results of operations, capital requirements, compliance with charter and contractual restrictions, and such other factors as the Board of Directors deems relevant. Under the Company s Revolving Credit Facility, the Company is not permitted to pay cash dividends in excess of 50% of the Company s preceding year s net income. For additional information regarding the Company s Revolving Credit Facility, see Note 7 to Company s Consolidated Financial Statements.

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Item 6. ***Selected Financial Data***

The following table sets forth selected financial and operating data of the Company for each year in the five-year period ended March 31, 2012. The financial data and certain operating data have been derived from the Company s audited financial statements. This data should be read in conjunction with the financial statements and related notes included under Item 8 of this report and in conjunction with other financial information included elsewhere in this Form 10-K.

		Year Ended Fiscal March				
		2012	2011	2010	2009	2008
		(Amounts in thousands, except per share data)				
Income Statement Data:						
Sales		$ 686,552	$ 636,678	$ 564,639	$ 476,106	$ 439,389
Cost of sales, including distribution and occupancy costs		410,155	379,166	333,465	284,640	264,783
Gross profit		276,397	257,512	231,174	191,466	174,606
Operating, selling, general and administrative expenses		184,981	179,127	171,938	147,803	136,232
Operating income		91,416	78,385	59,236	43,663	38,374
Interest expense, net		5,220	5,095	6,090	5,979	5,753
Other income, net		(490)	(647)	(279)	(430)	(799)
Income before provision for income taxes		86,686	73,937	53,425	38,114	33,420
Provision for income taxes		32,074	28,096	20,234	14,026	11,499
Net income		$ 54,612	$ 45,841	$ 33,191	$ 24,088	$ 21,921
Earnings per share	Basic(a)	$ 1.77	$ 1.52	$ 1.12	$ 0.85	$ 0.73
	Diluted(a)	$ 1.69	$ 1.44	$ 1.07	$ 0.80	$ 0.67
Weighted average number of Common Stocks and equivalents						
	Basic(b)	30,716	30,200	29,508	28,255	30,036
	Diluted(b)	32,237	31,807	30,978	30,149	32,806
Cash dividends per common share or common share equivalent(b)(c)		$ 0.35	$ 0.28	$ 0.23	$ 0.16	$ 0.15
Selected Operating Data:(d)						
Sales growth:						
Total		7.8%	12.8%	18.6%	8.4%	5.3%
Comparable store(e)		2.0%	4.2%	7.2%	6.7%	1.2%
Stores open at beginning of year		781	777	710	720	698
Stores open at end of year		803	781	777	710	720
Capital Expenditures(f)		$ 28,556	$ 17,507	$ 21,333	$ 23,637	$ 20,574
Balance Sheet Data (at period end):						
Net working capital		$ 24,506	$ 19,343	$ 24,715	$ 30,389	$ 34,562
Total assets		510,092	451,840	444,143	376,866	370,469
Long-term obligations		51,164	41,990	96,427	97,098	122,585

Shareholders equity	327,499	280,249	232,670	194,291	174,848

(a) See Note 11 for calculation of basic and diluted earnings per share.

(b) Adjusted in fiscal years 2008-2010 for the effect of the Company s December 2010 three-for-two stock split.

(c) All years include four dividend payments other than fiscal year 2010 which has five payments/accruals due to timing.

(d) Includes Company-operated stores only no dealer or franchise locations.

(e) Comparable store sales data (not adjusted for days) is calculated based on the change in sales of only those stores open as of the beginning of the preceding fiscal year.

(f) Amount does not include the funding of the purchase price related to acquisitions.

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Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The following table sets forth income statement data of the Company expressed as a percentage of sales for the fiscal years indicated:

	Year Ended Fiscal March		
	2012	**2011**	**2010**
Sales	100.0%	100.0%	100.0%
Cost of sales, including distribution and occupancy costs	59.7	59.6	59.1
Gross profit	40.3	40.4	40.9
Operating, selling, general and administrative expenses	26.9	28.1	30.5
Operating income	13.3	12.3	10.5
Interest expense, net	0.8	0.8	1.1
Other income, net	(0.1)	(0.1)	
Income before provision for income taxes	12.6	11.6	9.5
Provision for income taxes	4.7	4.4	3.6
Net income	8.0%	7.2%	5.9%

FORWARD-LOOKING STATEMENTS

The statements contained in this Annual Report on Form 10-K that are not historical facts, including (without limitation) statements made in this Item and in Item 1 Business , may contain statements of future expectations and other forward-looking statements made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed. These factors include, but are not necessarily limited to, product demand, dependence on and competition within the primary markets in which the Company s stores are located, the need for and costs associated with store renovations and other capital expenditures, the effect of economic conditions, the impact of competitive services and pricing, product development, parts supply restraints or difficulties, industry regulation, risks relating to leverage and debt service (including sensitivity to fluctuations in interest rates), continued availability of capital resources and financing, disruption or unauthorized access to our computer systems, risks relating to protection of customer and employee personal data, risks relating to litigation, risks relating to integration of acquired businesses and the risks set forth in Item 1A. Risk Factors . Except as required by law, the Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

CRITICAL ACCOUNTING POLICIES

The Company believes that the accounting policies listed below are those that are most critical to the portrayal of the Company s financial condition and results of operations, and that required management s most difficult, subjective and complex judgments in estimating the effect of inherent uncertainties. This section should be read in conjunction with Note 1 to the consolidated financial statements which includes other significant accounting policies.

Inventory

The Company evaluates whether inventory is stated at the lower of cost or market based on historical experience with the carrying value and life of inventory. The assumptions used in this evaluation are based on current market conditions and the Company believes inventory is stated at the lower of cost or market in the consolidated financial statements. In addition, historically the Company has been able to return excess items to vendors for credit or sell such inventory to wholesalers. Future changes by vendors in their policies or willingness to accept returns of excess inventory could require a revision in the estimates.

Carrying Values of Goodwill and Long-Lived Assets

The Company has a history of growth through acquisitions. Assets and liabilities of acquired businesses are recorded at their estimated fair values as of the date of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. The carrying values of goodwill, customer list and trade name assets are subject to annual impairment reviews in accordance with accounting guidance on goodwill and other intangible assets, which the Company typically performs in the third quarter of the fiscal year. Impairment reviews may also be triggered by any significant events or changes in circumstances affecting the Company s business.

The Company has one reporting unit that is not at risk. The goodwill impairment test consists of a two-step process, if necessary. The Company performs a qualitative assessment to determine if it is more likely than not that the fair value is less than the carrying value of goodwill. If the qualitative factors are triggered, the Company performs the two-step process. The first step is to compare the fair value of the Company s invested capital to the book value of its invested capital. If the fair value is less than its carrying value, the second step of the impairment test must be performed in order to determine the amount of impairment loss, if any. The second step compares the implied fair value of goodwill with the carrying amount of that goodwill. If the carrying amount of goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill.

A deterioration of macroeconomic conditions may not only negatively impact the estimated operating cash flows used in the Company s cash flow models, but may also negatively impact other assumptions used in the Company s analyses, including, but not limited to, the estimated cost of capital and/or discount rates. Additionally, as discussed above, in accordance with accounting guidance, the Company is required to ensure that assumptions used to determine fair value in the Company s analyses are consistent with the assumptions a hypothetical marketplace participant would use. As a result, the cost of capital and/or discount rates used in the Company s analyses may increase or decrease based on market conditions and trends, regardless of whether the Company s actual cost of capital has changed. Therefore, the Company may recognize an impairment of an intangible asset or assets even though realized actual cash flows are approximately equal to or greater than its previously forecasted amounts.

Self-Insurance Reserves

The Company is largely self-insured with respect to workers compensation, general liability and employee medical claims. In order to reduce its risk and better manage its overall loss exposure, the Company purchases stop-loss insurance that covers individual claims in excess of the deductible amounts, and caps total losses in a fiscal year. The Company maintains an accrual for the estimated cost to settle open claims as well as an estimate of the cost of claims that have been incurred but not reported. These estimates take into consideration the historical average claim volume, the average cost for settled claims, current trends in claim costs, changes in the Company s business and workforce, and general economic factors. These accruals are reviewed on a quarterly basis, or more frequently if factors dictate a more frequent review is warranted. For more complex reserve calculations, such as workers compensation, the Company uses the services of an actuary on an annual basis to assist in determining the required reserve for open claims.

Stock-Based Compensation

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model that uses the following assumptions. Expected volatilities are based on historical changes in the market price of the Company s Common Stock. The expected term of options granted is derived from the terms and conditions of the award, as well as historical exercise behavior, and represents the period of time that options granted are expected to be outstanding. The risk-free rate is calculated using the implied yield on zero-coupon U.S. Treasury bonds with a remaining maturity equal to the expected term of the awards. The Company uses historical data to estimate forfeitures. The dividend yield is based on historical experience and expected future changes.

Income Taxes

The Company s provision for income taxes and effective tax rates are calculated by legal entity and jurisdiction and are based on a number of factors, including the Company s income, tax planning strategies, differences between tax laws and accounting rules, statutory tax rates and credits, uncertain tax positions and valuation allowances. The Company uses significant judgment and estimates in evaluating its tax positions.

Tax law and accounting rules often differ as to the timing and treatment of certain items of income and expense. As a result, the tax rate reflected in the Company s tax return (the current or cash tax rate) is different from the tax rate reflected in the Company s Consolidated Financial Statements. Some of the differences are permanent, while other differences are temporary as they reverse over time. The Company records deferred tax assets and liabilities for any temporary differences between the tax reflected in the Company Consolidated Financial Statements and tax bases. The Company establishes valuation allowances when it believes it is more-likely-than-not that some portion of its deferred tax assets will not be realized.

At any one time, the Company s tax returns for several tax years are subject to examination by U.S. federal and state taxing jurisdictions. The Company establishes tax liabilities in accordance with the accounting guidance on income taxes. The accounting guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements and prescribes a recognition threshold and measurement attributes of income tax positions taken or expected to be taken on a tax return. Under the accounting guidance, the impact of an uncertain tax position taken or expected to be taken on an income tax return must be recognized in the financial statements at the largest amount that is more-likely-than-not to be sustained. An uncertain income tax position will not be recognized in the financial statements unless it is more-likely-than-not to be sustained. The Company adjusts these tax liabilities, as well as the related interest and penalties, based on the latest facts and circumstances, including recently published rulings, court cases and outcomes of tax audits. To the extent the Company s actual tax liability differs from its established tax liabilities for unrecognized tax benefits, the Company s effective tax rate may be materially impacted. While it is often difficult to predict the final outcome of, the timing of, or the tax treatment of any particular tax position or deduction, the Company believes that its tax balances reflect the more-likely-than-not outcome of known tax contingencies.

RESULTS OF OPERATIONS

Fiscal 2012 As Compared To Fiscal 2011

Sales for fiscal 2012 increased $49.9 million or 7.8% to $686.6 million as compared to $636.7 million in fiscal 2011. The increase was partially due to a comparable store sales increase of 2.0%. Additionally, there was an increase of $38.4 million related to new stores, of which $3.1 million and $31.3 million came from the fiscal 2011 and fiscal 2012 acquisitions, respectively. Partially offsetting this was a decrease in sales from closed stores amounting to $4.5 million. Fiscal 2012 was a 53-week year, and therefore, there were 368 selling days as compared to 361 selling days in fiscal year 2011. Adjusting for days, comparable store sales were flat.

As occurred in previous years, during fiscal 2012, the Company completed the bulk sale of approximately $3.2 million of slower moving inventory to Icon International, a barter company, in exchange for barter credits. The margin recognized in these transactions is typically less than the Company s normal profit margin. However, the barter transactions for fiscal 2012 had no impact on gross profit, but decreased operating expenses by .2% of sales as compared to fiscal 2011. There were no barter transactions in fiscal 2011.

During the year, 36 stores were added and 14 were closed. At March 31, 2012, the Company had 803 Company-operated stores in operation.

Management believes that the flat comparable store sales for fiscal 2012 resulted mainly from the continued weak U.S. economy. With the continuation of higher gasoline prices and lack of consumer confidence, management believes that customers are continuing to defer tire purchases and service repairs, especially on higher ticket items. As evidence, tire sales, which have increased every year on a comparable store basis during the past three years, decreased slightly for fiscal 2012 when adjusted for days as compared to the prior year. During the year, the Company, like most all other tire retailers, experienced a decline in the sale of tire units, which is believed to be attributable to consumer resistance to steeply rising prices. Additionally, management believes that the milder winter weather this year led to consumers deferring tire purchases. Related tire categories such as alignment sales declined for fiscal 2012 as well. The Company did have comparable store exhaust and brake sales increases for fiscal 2012, supporting management s belief that consumers are keeping their cars longer and repairing them instead of trading them in for new cars. While it appears that some repairs and tire purchases are being deferred, most can only be deferred for a period of time due to safety issues or state inspection requirements. When customers do come in to have their vehicles repaired, it is management s belief that they spend more on average because the problem with their vehicle has worsened due to additional wear, as evidenced by an increase in the average sales per invoice for fiscal 2012 as compared to the prior year.

Gross profit for fiscal 2012 was $276.4 million or 40.3% of sales as compared with $257.5 million or 40.4% of sales for fiscal 2011. The decrease in gross profit for fiscal 2012, as a percentage of sales, is due to several factors. Total material costs increased as a percentage of sales as compared to the prior year. The Company experienced significant increases in oil and tire costs as compared to the prior year and, for competitive reasons, did not increase selling prices to the degree that would have preserved gross margin percentages at prior year levels. Higher margin categories, such as brakes and exhaust, which had comparable store increases in the fiscal year, helped to slightly offset the effect of tire and oil cost increases, as did cost reductions obtained through the use of direct import products.

Distribution and occupancy costs decreased as a percentage of sales from the prior year as the Company, with higher overall sales, was able to better leverage these largely fixed costs.

Labor costs decreased as a percentage of sales as compared to the prior year, mainly due to better control of payroll and improved labor efficiency as measured by sales per man hour.

Operating expenses for fiscal 2012 were $185.0 million or 26.9% of sales compared with $179.1 million or 28.1% of sales for fiscal 2011. When removing the extra week in fiscal 2012, operating expenses were 27.2% of sales for fiscal 2012. The improvement in operating expenses as a percent of sales is largely due to focused cost control on higher sales.

Within operating expenses, over $8.3 million in selling, general and administrative (SG&A) expenses are directly attributed to increased direct store expenses such as manager pay, advertising and supplies related to the fiscal 2012 acquisition stores and a full year of expenses for the fiscal 2011 acquisition stores. On a comparable store basis, direct store expenses decreased $4.2 million (net of an increase of $2.2 million in expense related to the 53rd week) as compared to the prior year, demonstrating that the Company experienced leverage in this line through focused cost control. The Company incurred $1.9 million in costs related to acquisitions including $1.3 million in due diligence expenses related to the unsuccessful acquisition of Midas, Inc. Other drivers of the dollar increases in SG&A expenses were store support costs that increased by approximately $1.9 million including increased workers compensation and health care costs, partially offset by decreased management bonus expense of $1.6 million due to the Company not attaining certain profit goals for fiscal 2012. Additionally during the year, the Company sold seven stores for which a gain of $1.7 million was recognized.

Operating income in fiscal 2012 of $91.4 million increased 16.6% compared to operating income in fiscal 2011, and increased as a percentage of sales from 12.3% to 13.3%.

Net interest expense for fiscal 2012 increased by approximately $.1 million as compared to the same period in the prior year, and remained flat at .8% of sales for the same periods. The weighted average debt outstanding for the year ended March 31, 2012 decreased by approximately $12 million from fiscal 2011, primarily related to a decrease in debt outstanding under the Company s Revolving Credit Facility. The weighted average interest rate increased by approximately 180 basis points in fiscal 2012 due to a shift to a larger percentage of debt (capital lease vs. revolver) outstanding at a higher rate.

The Company s effective tax rate was 37.0% and 38.0%, respectively, of pre-tax income in fiscal 2012 and 2011. The difference primarily relates to the accounting for uncertain tax positions which may vary from year to year.

Net income for fiscal 2012 increased by $8.8 million, or 19.1%, from $45.8 million in fiscal 2011, to $54.6 million in fiscal 2012, and earnings per diluted share increased by 17.4% from $1.44 to $1.69 due to the factors discussed above.

Fiscal 2011 As Compared To Fiscal 2010

Sales for fiscal 2011 increased $72.1 million or 12.8% to $636.7 million as compared to $564.6 million in fiscal 2010. The increase was partially due to a comparable store sales increase of 4.2%. Additionally, there was an increase of $54.6 million related to new stores, of which $41.2 million and $10.3 million came from the fiscal 2010 and fiscal 2011 acquisitions, respectively. Partially offsetting this was a decrease in sales from closed stores amounting to $3.5 million. There were 361 selling days in both fiscal 2011 and 2010.

The Company slightly modified its methodology for calculating the number of selling days in each month and quarter during fiscal 2011. Previously, in computing its comparable store sales percentage increases (adjusted for days), the Company did not include Sundays or open holidays in the number of selling days, but included all sales in each comparable period. This was because only a small number of stores were open Sundays, and some were not open holidays. Also, these days were generally much shorter selling days. Now that over 50% of the Company s stores are open Sundays, almost all stores are open holidays, and the selling days are longer, the Company concluded that counting Sundays and open holidays as selling days is now appropriate. Accordingly, selling days now include each day other than Easter, Thanksgiving and Christmas. This change was made beginning in fiscal year 2011 (April 2010) and retroactively applied to prior months and quarters. There is no impact on reported actual comparable store sales increases for any prior periods. Nor will the change impact calculated comparable store sales increases in future periods. However, this change may result in a change in the calculated comparable store sales percent increase in certain prior periods when adjusted for days.

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For the fiscal year 2010 fiscal quarters and full year, the results were as follows:

	Reported Comparable Store Sales Increase	Originally Reported Comparable Store Sales Increase, Adjusted For Days	Restated Comparable Store Sales Increase, Adjusted For Days
Q1 FY10	6.20%	6.20%	7.40%(1)
Q2 FY10	7.40%	7.40%	7.40%
Q3 FY10	7.20%	7.20%	7.20%
Q4 FY10	8.00%	8.00%	6.80%(2)
Full year FY10	7.20%	7.20%	7.20%

(1) This adjustment for days relates to the fact that the Easter holiday fell in April 2009, reducing the number of selling days as compared to the prior year quarter.

(2) This adjustment for days relates to the fact that the Company was open for business for the first time on New Year s Day on January 1, 2010, increasing the number of selling days as compared to the prior year quarter.

During the year, 12 stores were added and eight were closed. At March 26, 2011, the Company had 781 Company-operated stores in operation.

Management believes that the improvement in comparable store sales resulted from several factors, including an increase in sales across most product categories. It is management s belief that strong in-store sales execution, highly effective advertising campaigns and price increases in all product categories also contributed to the sales improvement in fiscal 2011. Comparable store traffic as well as average ticket increased over the prior year as well. Soft economic conditions and the related decrease in consumer spending and tightening of credit, resulting in declining automobile sales (as compared to historical levels), helped to contribute to the improved sales. Management believes that consumers are keeping their cars longer and repairing them instead of trading them in for new cars. Additionally, while consumers can and often defer repairs when the economy is weak, most repairs can only be deferred for a period of time. When customers do come in to have their vehicles repaired, it is management s belief that they spend more on average because the problem with their vehicle has worsened due to additional wear.

Management also believes that the closings of dealerships by Chrysler and General Motors are driving more business to the Company s stores as consumers look for alternative, proven, economical and more geographically convenient locations to service their automobiles.

Gross profit for fiscal 2011 was $257.5 million or 40.4% of sales as compared with $231.2 million or 40.9% of sales for fiscal 2010. The decline in gross profit as a percent of sales is largely due to the shift in mix to the lower margin tire sales category, resulting from a full year of sales from the fiscal 2010 acquired stores, including Tire Warehouse whose sales mix is almost 100% tires.

Labor costs decreased slightly as a percentage of sales as compared to the prior year, largely due to a shift in mix to increased tire sales as well as improved labor efficiency as measured by sales per man hour.

Distribution and occupancy costs also decreased slightly as a percentage of sales from the prior year as the Company, with improved sales, was able to better leverage these largely fixed costs.

Total material costs, including outside purchases, increased as a percentage of sales as compared to the prior fiscal year, largely due to the shift in mix to increased tire sales, as well as cost increases in various items such as oil and tires. These increases were partially offset by selling price increases across the chain and increased vendor rebates recognized as compared to the prior year.

Operating expenses for fiscal 2011 were $179.1 million or 28.1% of sales compared with $171.9 million or 30.5% of sales for fiscal 2010. Within operating expenses, selling, general and administrative (SG&A) expenses for fiscal 2011 increased by $7.1 million to $177.0 million from fiscal 2010, and were 27.8% of sales, compared with 30.1% in the prior year. The Company experienced meaningful leverage in this line through focused cost control on increased sales.

Over $7.3 million in SG&A expense is directly attributed to increased direct store expenses such as manager pay, advertising and supplies related to the fiscal 2011 acquisition stores and a full year of expenses for the fiscal 2010 acquisition stores. In addition, advertising expense, in connection with the Company s focused efforts to drive traffic, gain market share and improve comparable store sales, and other direct store expenses increased by $2.7 million in fiscal 2011. Other drivers of the dollar increases in SG&A expenses in fiscal 2011 in both store direct and store support costs were: store manager pay and related benefits increased by approximately $1.0 million, attributable to raises and increased incentives in fiscal 2011 due to improved store performance as compared to the prior year. Store support costs decreased by approximately $3.9 million including decreased workers compensation and health care costs, partially offset by increased management compensation expense as compared to the prior year. Management bonus expense was up due to the Company attaining higher profit goals for fiscal 2011 and thus earning higher bonuses.

Operating income in fiscal 2011 of $78.4 million increased 32.3% compared to operating income in fiscal 2010, and increased as a percentage of sales from 10.5% to 12.3%.

Net interest expense for fiscal 2011 decreased by approximately $1.0 million as compared to the same period in the prior year, and decreased from 1.1% to 0.8% as a percentage of sales for the same periods. The weighted average debt outstanding for the year ended March 26, 2011 decreased by approximately $32.9 million from fiscal 2010, primarily related to a decrease in debt outstanding under the Company s Revolving Credit Facility agreement. The weighted average interest rate increased by approximately 130 basis points in fiscal 2011 due to a shift to a larger percentage of debt (capital lease vs. revolver) outstanding at a higher rate.

The Company s effective tax rate was 38.0% and 37.9%, respectively, of pre-tax income in fiscal 2011 and 2010.

Net income for fiscal 2011 increased by $12.7 million, or 38.1%, from $33.2 million in fiscal 2010, to $45.8 million in fiscal 2011, and earnings per diluted share increased by 34.6% from $1.07 to $1.44 due to the factors discussed above.

CAPITAL RESOURCES, CONTRACTUAL OBLIGATIONS AND LIQUIDITY

Capital Resources

The Company s primary capital requirements for fiscal 2012 were divided among the funding of acquisitions for $39.2 million, as well as the upgrading of facilities, including $3.3 million of construction in process for the expansion of the Rochester, New York office and warehouse facility, and systems and funding of its store expansion program, all totaling $28.6 million. In fiscal 2011, the Company s primary capital requirements involved the funding of acquisitions for $10.2 million, as well as the upgrading of facilities and systems and the funding of its store expansion program totaling $17.5 million. In both fiscal years 2012 and 2011, capital requirements were primarily met by cash flow from operations and from the Company s revolving credit facility.

In fiscal 2013 the Company intends to open approximately six new stores. Total capital required to open a new service store ranges, on average (excluding the acquired stores and BJ s locations), from $350,000 to $950,000 depending on whether the store is leased, owned or land leased. Total capital required to open a new greenfield tire (leased) location costs, on average, approximately $600,000, including $220,000 for equipment and $150,000 for inventory.

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The Company paid dividends of $11.0 million in fiscal 2012. In May 2012, the Company s Board of Directors declared its intention to pay a regular quarterly cash dividend of $.10 per common share or common share equivalent beginning with the first quarter of fiscal year 2013.

On April 1, 2012, the Company acquired 20 retail tire and automotive repair stores and two heavy truck tire and truck repair stores located in Virginia from Kramer Tire Co. (Kramer). As part of the Kramer acquisition, two wholesale operations and a retread facility also located in Virginia were acquired. These retail tire and automotive repair stores will operate primarily under the Tread Quarters name. The acquisition was financed through the Company s existing bank facility. Subsequent to year end, the Company disposed of the non-retail facilities and heavy truck tire stores.

Additionally, the Company has signed a definitive asset purchase agreement to acquire certain retail tire and automotive repair stores. This transaction is expected to close prior to the end of the first quarter of fiscal year 2013. The acquisition will be financed through the Company s existing bank facility.

The total purchase price of these acquisitions (including Kramer) is approximately $50 million.

The Company also plans to continue to seek suitable acquisition candidates. Management believes that the Company has sufficient resources available (including cash flow from operations and bank financing) to expand its business as currently planned for the next several years.

Contractual Obligations

Payments due by period under long-term debt, other financing instruments and commitments are as follows:

	Total	Within 1 Year	Within 2 to 3 Years	Within 4 to 5 Years	After 5 Years
			(Dollars in thousands)		
Principal payments on long-term debt	$ 5,660	$	$ 660	$ 5,000	$
Capital lease commitments	49,412	3,908	8,315	7,166	30,023
Operating lease commitments	97,950	26,782	40,640	20,567	9,961
Total	$ 153,022	$ 30,690	$ 49,615	$ 32,733	$ 39,984

Management believes that the Company can fulfill its contractual commitments utilizing its cash flow from operations and, if necessary, bank financing.

Liquidity

In June 2011, the Company entered into a five-year, $175 million Revolving Credit Facility agreement with seven banks. The Credit Facility amends and restates, in its entirety, the Credit Facility agreement previously entered into by the Company as of July 2005 and amended from time to time. The Credit Facility also provides an accordion feature permitting the Company to request an increase in availability of up to an additional $75 million. There was $5.0 million outstanding at March 31, 2012. The facility expires in June 2016. The Company was in compliance with all debt covenants at March 31, 2012.

The interest rate on the facility fluctuated between 50 (prior to amendment) and 100 basis points over LIBOR during fiscal year 2012. At March 31, 2012, the interest rate was 100 basis points over LIBOR.

Specific terms of the new Credit Facility permit the payment of cash dividends not to exceed 50% of the preceding year s net income, and increase and liberalize certain thresholds, while the net worth financial covenant existent under the 2005 Credit Facility has been removed. Other terms of the Credit Facility are generally consistent with the 2005 Credit Facility including requiring the maintenance of specified interest and rent coverage ratios and permitting mortgages and specific lease financing arrangements with other parties with certain limitations.

The Credit Facility is not secured by the Company s real property, although the Company has agreed not to encumber its real property, with certain permissible exceptions.

Within the aforementioned $175 million Revolving Credit Facility, the Company has available a sub-facility of $40 million for the purpose of issuing standby letters of credit. The line requires fees aggregating 1.125% annually of the face amount of each standby letter of credit, payable quarterly in arrears. There was $18.0 million in an outstanding letter of credit at March 31, 2012.

In addition, the Company has financed certain store properties and vehicles with capital leases, which amount to $49.4 million and are due in installments through 2042.

INFLATION

The Company does not believe its operations have been materially affected by inflation. The Company has been successful, in many cases, in mitigating the effects of merchandise cost increases principally through the use of volume discounts and alternative vendors, as well as selling price increases. See additional discussion under Risk Factors.

FINANCIAL ACCOUNTING STANDARDS

See Recent Accounting Pronouncements in Note 1 to the consolidated financial statements for a discussion of the impact of recently issued accounting standards on the Company s consolidated financial statements as of March 31, 2012 and for the year then ended, as well as the expected impact on the Company s consolidated financial statements for future periods.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

The Company is exposed to market risk from potential changes in interest rates. At year end March 2012 and 2011, approximately 12% and 6%, respectively, of the Company s debt financing, excluding capital leases, was at fixed interest rates and therefore, the fair value of such debt financing is affected by changes in market interest rates. The Company s cash flow exposure on floating rate debt interest expense would not have materially fluctuated based upon the Company s debt position for the fiscal years ended March 31, 2012 and March 26, 2011, given a 1% change in LIBOR.

Debt financing, including current portion, had a carrying amount of $5.7 million and a fair value of $5.6 million as of March 31, 2012, as compared to a carrying amount of $10.7 million and a fair value of $10.7 million as of March 26, 2011.

Item 8. *Financial Statements and Supplementary Data*

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Monro Muffler Brake, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Monro Muffler Brake, Inc. and its subsidiary at March 31, 2012 and March 26, 2011, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Rochester, New York

May 30, 2012

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 31, 2012	March 26, 2011
	(Dollars in thousands)	
Assets		
Current assets:		
Cash and equivalents	$ 3,257	$ 2,670
Trade receivables	1,828	1,821
Federal and state income taxes receivable	605	
Inventories	97,356	98,964
Deferred income tax asset	10,687	8,667
Other current assets	20,567	16,661
Total current assets	134,300	128,783
Property, plant and equipment	424,425	398,524
Less Accumulated depreciation and amortization	(211,431)	(197,928)
Net property, plant and equipment	212,994	200,596
Goodwill	132,656	98,535
Intangible assets	15,172	13,506
Other non-current assets	14,970	10,420
Total assets	$ 510,092	$ 451,840
Liabilities and Shareholders Equity		
Current liabilities:		
Current portion of long-term debt	$ 3,908	$ 13,033
Trade payables	45,349	41,301
Federal and state income taxes payable		1,132
Accrued payroll, payroll taxes and other payroll benefits	17,919	16,825
Accrued insurance	23,645	21,095
Warranty reserves	7,035	6,496
Other current liabilities	11,938	9,558
Total current liabilities	109,794	109,440
Long-term debt	51,164	41,990
Accrued rent expense	6,133	6,476
Other long-term liabilities	5,143	4,617
Deferred income tax liability	6,424	4,353
Long-term income taxes payable	3,935	4,715
Total liabilities	182,593	171,591
Commitments		
Shareholders equity:		
Class C Convertible Preferred Stock, $1.50 par value, $.064 conversion value; 150,000 shares authorized; 32,500 shares issued and outstanding	49	49
Common Stock, $.01 par value, 45,000,000 shares authorized; 36,855,258 and 36,038,664 shares issued at March 31, 2012 and March 26, 2011, respectively	368	360

Treasury Stock, 5,967,991 and 5,577,984 shares at March 31, 2012 and March 26, 2011, respectively, at cost	(86,493)	(72,317)
Additional paid-in capital	119,690	99,871
Accumulated other comprehensive loss	(3,555)	(1,578)
Retained earnings	297,440	253,864
Total shareholders equity	327,499	280,249
Total liabilities and shareholders equity	$ 510,092	$ 451,840

The accompanying notes are an integral part of these financial statements.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended Fiscal March 2012	2011	2010
	(Amounts in thousands, except per share data)		
Sales	$ 686,552	$ 636,678	$ 564,639
Cost of sales, including distribution and occupancy costs	410,155	379,166	333,465
Gross profit	276,397	257,512	231,174
Operating, selling, general and administrative expenses	184,981	179,127	171,938
Operating income	91,416	78,385	59,236
Interest expense, net of interest income of $8 in 2012, $39 in 2011 and $68 in 2010	5,220	5,095	6,090
Other income, net	(490)	(647)	(279)
Income before provision for income taxes	86,686	73,937	53,425
Provision for income taxes	32,074	28,096	20,234
Net income	$ 54,612	$ 45,841	$ 33,191
Earnings per share:			
Basic	$ 1.77	$ 1.52	$ 1.12
Diluted	$ 1.69	$ 1.44	$ 1.07
Weighted average number of common shares outstanding used in computing earnings per share:			
Basic	30,716	30,200	29,508
Diluted	32,237	31,807	30,978

The accompanying notes are an integral part of these financial statements.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

	Class C Convertible Preferred Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
				(Dollars in thousands)			
Balance at March 28, 2009	$ 49	$ 230	$ (67,454)	$ 74,443	$ 190,508	$ (3,485)	$ 194,291
Net income					33,191		33,191
Other comprehensive income:							
Unrealized gain on derivatives contracts ($702 pre-tax)(2)						435	435
Pension liability adjustment ($1,311 pre-tax)(1)						813	813
Total comprehensive income							34,439
Dividends(3):							
Preferred					(172)		(172)
Common					(6,692)		(6,692)
Tax benefit from exercise of stock options				2,990			2,990
Exercise of stock options(4)		6	(3,136)	8,967			5,837
Stock option compensation				1,977			1,977
Balance at March 27, 2010	49	236	(70,590)	88,377	216,835	(2,237)	232,670
Net income					45,841		45,841
Other comprehensive income							
Unrealized gain on derivatives contracts ($306 pre-tax)(2)						190	190
Pension liability adjustment ($756 pre-tax)(1)						469	469
Total comprehensive income							46,500
Dividends(3):							
Preferred					(213)		(213)
Common					(8,477)		(8,477)
Tax benefit from exercise of stock options				3,531			3,531
Exercise of stock options(4)		4	(1,727)	5,670			3,947
Shares issued in connection with three-for-two stock split (See Note 1)		120		(6)	(122)		(8)
Stock option compensation				2,299			2,299
Balance at March 26, 2011	49	360	(72,317)	99,871	253,864	(1,578)	280,249
Net income					54,612		54,612
Other comprehensive loss							
Pension liability adjustment (($3,188) pre-tax)(1)						(1,977)	(1,977)
Total comprehensive income							52,635
Dividends(3):							
Preferred					(266)		(266)
Common					(10,770)		(10,770)
Tax benefit from exercise of stock options				5,314			5,314
Exercise of stock options(4)		8	(14,176)	11,810			(2,358)
Stock option compensation				2,695			2,695
Balance at March 31, 2012	$ 49	$ 368	$ (86,493)	$ 119,690	$ 297,440	$ (3,555)	$ 327,499

(1) The balance related to the pension liability was $(3,555), $(1,578) and $(2,047), respectively, at March 31, 2012, March 26, 2011 and March 27, 2010.
(2) The balance related to the derivatives contracts was $(190) at March 27, 2010.
(3) Dividends paid per common share or common share equivalent were $.35, $.28 and $.23, respectively, for the years ended March 31, 2012, March 26, 2011 and March 27, 2010. The March 27, 2010 amount included five payments/accruals due to timing.
(4) Includes the receipt of treasury stock in connection with the exercise of stock options and to partially satisfy tax withholding obligations.

The accompanying notes are an integral part of these financial statements.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended Fiscal March		
	2012	2011	2010
	(Dollars in thousands) Increase (Decrease) in Cash		
Cash flows from operating activities:			
Net income	$ 54,612	$ 45,841	$ 33,191
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	23,583	22,380	22,505
Stock-based compensation expense	2,695	2,299	1,977
Excess tax benefits from share-based payment arrangements	(294)	(2,040)	(2,367)
Net change in deferred income taxes	3,162	2,551	1,004
(Gain) loss on disposal of assets	(1,247)	291	1,148
Change in operating assets and liabilities			
Trade receivables	153	101	671
Inventories	4,589	(12,887)	(655)
Other current assets	(3,668)	975	3,538
Other non-current assets	(6,942)	3,329	404
Trade payables	4,048	(2,095)	8,348
Accrued expenses	(323)	3,545	7,266
Federal and state income taxes payable	3,577	501	8,457
Other long-term liabilities	(539)	99	36
Long-term income taxes payable	(780)	630	1,004
Total adjustments	28,014	19,679	53,336
Net cash provided by operating activities	82,626	65,520	86,527
Cash flows from investing activities:			
Capital expenditures	(28,556)	(17,507)	(21,333)
Acquisitions, net of cash acquired	(39,243)	(10,193)	(46,103)
Proceeds from the disposal of assets	2,102	143	780
Net cash used for investing activities	(65,697)	(27,557)	(66,656)
Cash flows from financing activities:			
Proceeds from borrowings	189,502	173,998	166,301
Principal payments on long-term debt and capital lease obligations	(198,236)	(218,888)	(181,894)
Exercise of stock options	3,134	5,067	6,629
Excess tax benefits from share-based payment arrangements	294	2,040	2,367
Dividends paid	(11,036)	(8,690)	(5,430)
Net cash used for financing activities	(16,342)	(46,473)	(12,027)
Increase (decrease) in cash	587	(8,510)	7,844
Cash at beginning of year	2,670	11,180	3,336
Cash at end of year	$ 3,257	$ 2,670	$ 11,180

The accompanying notes are an integral part of these financial statements.

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Background

Monro Muffler Brake, Inc. and its wholly owned subsidiary, Monro Service Corporation (together, the Company), is engaged principally in providing automotive undercar repair and tire services in the United States. The Company had 803 Company-operated stores, three franchised locations and 14 dealer-operated automotive repair centers located primarily in the northeast region of the United States as of March 31, 2012. The Company s operations are organized and managed in one operating segment.

Accounting estimates

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with such principles requires the use of estimates by management during the reporting period. Actual results could differ from those estimates.

Fiscal year

The Company reports its results on a 52/53 week fiscal year ending on the last Saturday of March of each year. The following are the dates represented by each fiscal period:

Year ended Fiscal March 2012 : March 27, 2011 March 31, 2012 (53 weeks)

Year ended Fiscal March 2011 : March 28, 2010 March 26, 2011 (52 weeks)

Year ended Fiscal March 2010 : March 29, 2009 March 27, 2010 (52 weeks)

Consolidation

The consolidated financial statements include the Company and its wholly owned subsidiary, Monro Service Corporation, after the elimination of intercompany transactions and balances.

Revenue recognition

Sales are recorded upon completion of automotive undercar repair and tire services provided to customers. The following was the Company s sales mix for fiscal 2012, 2011 and 2010:

	Year Ended Fiscal March		
	2012	**2011**	**2010**
Brakes	18%	18%	19%
Exhaust	5	5	6
Steering	10	11	11
Tires	39	38	34
Maintenance	28	28	30

Total	100%	100%	100%

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue from the sale of tire road hazard warranty agreements is recognized on a straight-line basis over the contract period or other method where costs are not incurred ratably.

Cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Inventories

The Company s inventories consist of automotive parts and tires. Inventories are valued at the lower of cost or market value using the first-in, first-out (FIFO) method.

Barter credits

In accordance with the guidance on nonmonetary transactions, the Company values barter credits at the fair market value of the inventory exchanged, as determined by reference to price lists for buying groups and jobber pricing. The Company uses these credits primarily to pay vendors for purchases (mainly inventory vendors for the purchase of parts and tires) or to purchase other goods or services from the barter company such as advertising and travel.

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is provided on a straight-line basis. Buildings and improvements related to owned locations are depreciated over lives varying from 10 to 39 years; machinery, fixtures and equipment over lives varying from 5 to 15 years; and vehicles over lives varying from 5 to 10 years. Computer software is depreciated over lives varying from 3 to 7 years. Buildings and improvements related to leased locations are depreciated over the shorter of the asset s useful life or the reasonably assured lease term, as defined in the accounting guidance on leases. When property is sold or retired, the cost and accumulated depreciation are eliminated from the accounts and a gain or loss is recorded in the Consolidated Statements of Income. Expenditures for maintenance and repairs are expensed as incurred.

Certain leases have been capitalized and are classified on the balance sheet as fixed assets. These assets are being amortized on a straight-line basis over their estimated lives, which coincide with the terms of the leases. (See Note 4.)

Long-lived assets

The Company evaluates the ability to recover long-lived assets whenever events or circumstances indicate that the carrying value of the asset may not be recoverable. In the event assets are impaired, losses are recognized to the extent the carrying value exceeds the fair value. In addition, the Company reports assets to be disposed of at the lower of the carrying amount or the fair market value.

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Store opening and closing costs

New store opening costs are charged to expense in the fiscal year when incurred. When the Company closes a store, the estimated unrecoverable costs, including the remaining lease obligation net of sublease income, if any, are charged to expense.

Leases

The Company recognizes rent expense, including rent escalations, on a straight-line basis over the reasonably assured lease term, as defined in the accounting guidance on leases. Generally, the lease term is the base lease term plus certain renewal option periods for which renewal is reasonably assured.

Goodwill and intangible assets

The Company has a history of growth through acquisitions. Assets and liabilities of acquired businesses are recorded at their estimated fair values as of the date of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. The carrying values of goodwill, customer list and trade name assets are subject to annual impairment reviews in accordance with accounting guidance on goodwill and other intangible assets, which the Company typically performs in the third quarter of the fiscal year. Impairment reviews may also be triggered by any significant events or changes in circumstances affecting the Company s business.

The Company has one reporting unit. The goodwill impairment test consists of a two-step process, if necessary. The Company performs a qualitative assessment to determine if it is more likely than not that the fair value is less than the carrying value of goodwill. If the qualitative factors are triggered, the Company performs the two-step process. The first step is to compare the fair value of the Company s invested capital to the book value of its invested capital. If the fair value is less than its carrying value, the second step of the impairment test must be performed in order to determine the amount of impairment loss, if any. The second step compares the implied fair value of goodwill with the carrying amount of that goodwill. If the carrying amount of goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill.

A deterioration of macroeconomic conditions may not only negatively impact the estimated operating cash flows used in the Company s cash flow models, but may also negatively impact other assumptions used in the Company s analyses, including, but not limited to, the estimated cost of capital and/or discount rates. Additionally, as discussed above, in accordance with accounting guidance, the Company is required to ensure that assumptions used to determine fair value in the Company s analyses are consistent with the assumptions a market participant would use. As a result, the cost of capital and/or discount rates used in the Company s analyses may increase or decrease based on market conditions and trends, regardless of whether the Company s actual cost of capital has changed. Therefore, the Company may recognize an impairment of an intangible asset or assets even though realized actual cash flows are approximately equal to or greater than its previously forecasted amounts.

There were no impairments as a result of the Company s annual impairment tests in the third quarter of fiscal year 2012 and there have been no triggering events as of the fourth quarter of fiscal year 2012.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Self-insurance reserves

The Company is largely self-insured with respect to workers compensation, general liability and employee medical claims. In order to reduce its risk and better manage its overall loss exposure, the Company purchases stop-loss insurance that covers individual claims in excess of the deductible amounts. The Company maintains an accrual for the estimated cost to settle open claims as well as an estimate of the cost of claims that have been incurred but not reported. These estimates take into consideration the historical average claim volume, the average cost for settled claims, current trends in claim costs, changes in the Company s business and workforce, and general economic factors. These accruals are reviewed on a quarterly basis, or more frequently if factors dictate a more frequent review is warranted. For more complex reserve calculations, such as workers compensation, the Company uses the services of an actuary on an annual basis to assist in determining the required reserve for open claims.

Warranty

The Company provides an accrual for estimated future warranty costs based upon the historical relationship of warranty costs to sales. Warranty expense related to all product warranties at and for the fiscal years ended March 2012, 2011 and 2010 was not material to the Company s financial position or results of operations.

Comprehensive income

As it relates to the Company, comprehensive income is defined as net earnings as adjusted for pension liability adjustments and unrealized gains or losses on financial instruments qualifying for cash flow hedge accounting, and is reported net of related taxes in the Consolidated Statements of Changes in Shareholders Equity.

Income taxes

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using tax rates based on currently enacted rules and legislation and anticipated rates that will be in effect when the differences are expected to reverse.

Treasury stock

Treasury stock is accounted for using the par value method. During the years ended March 31, 2012, March 26, 2011 and March 27, 2010, the Company s Chief Executive Officer surrendered 386,000, 50,000 and 138,000 shares, respectively, of the Company s Common Stock at fair market value to pay the exercise price and to partially satisfy tax withholding obligations on the exercise of 563,000, 90,000 and 180,000 stock options, respectively.

Stock-based compensation

In accordance with the guidance on accounting for stock options issued to employees, the Company measures compensation cost arising from the grant of share-based payments to an employee at fair value, and recognizes such cost in income over the period during which the employee is required to provide service in exchange for the award, usually the vesting period. Forfeitures are estimated on the grant date and revised in subsequent periods if actual forfeitures differ from those estimates.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company recognizes compensation expense related to stock options using the straight-line approach. Option awards generally vest equally over the service period established in the award, typically four years. The Company estimates fair value using the Black-Scholes valuation model. Assumptions used to estimate the compensation expense are determined as follows:

Expected life of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees;

Expected volatility is measured using historical changes in the market price of the Company s Common Stock;

Risk-free interest rate is equivalent to the implied yield on zero-coupon U.S. Treasury bonds with a remaining maturity equal to the expected term of the awards;

Forfeitures are based substantially on the history of cancellations of similar awards granted by the Company in prior years; and

Dividend yield is based on historical experience and expected future changes.

The weighted average fair value of options granted during fiscal 2012, 2011 and 2010 was $8.41, $8.58 and $5.38, respectively. The fair values of the options granted were estimated on the date of their grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended Fiscal March		
	2012	**2011**	**2010**
Risk-free interest rate	1.11 %	1.52 %	2.24 %
Expected life, in years	4	4	5
Expected volatility	33.9 %	35.1 %	32.8 %
Expected dividend yield	1.03 %	.93%	1.04 %

Total stock-based compensation expense included in selling, general and administrative and distribution expenses in the Company s Consolidated Statements of Income for the years ended March 31, 2012, March 26, 2011 and March 27, 2010 was $2.7 million, $2.3 million and $2.0 million, respectively. The related income tax benefit was $1.0 million, $.9 million and $.8 million, respectively.

Stock split effected in the form of a stock dividend

On November 15, 2010, the Company s Board of Directors declared a three-for-two stock split to be effected in the form of a 50% stock dividend (the December 2010 stock split). The stock split was distributed on December 23, 2010 to shareholders of record as of December 13, 2010. All basic and diluted earnings per share, average shares outstanding information and all applicable footnotes have been adjusted to reflect the aforementioned stock split.

Earnings per share

Basic earnings per share is calculated by dividing net income less preferred stock dividends by the weighted average number of shares of Common Stock outstanding during the year. Diluted earnings per share is calculated

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

by dividing net income by the weighted average number of shares of Common Stock and equivalents outstanding during the year. Common Stock equivalents represent shares issuable upon the assumed exercise of stock options. (See Note 11.)

Advertising

The Company expenses the production costs of advertising the first time the advertising takes place, except for direct response advertising which is capitalized and amortized over its expected period of future benefits.

Direct response advertising consists primarily of coupons for the Company s services. The capitalized costs of this advertising are amortized over the period of the coupon s validity, which ranges from six weeks to one year.

Prepaid advertising at fiscal year end March 2012 and 2011, and advertising expense for the fiscal years ended March 2012, 2011 and 2010, were not material to these financial statements.

Vendor rebates and cooperative advertising credits

The Company accounts for vendor rebates and cooperative advertising credits as a reduction of the cost of products purchased, except where the rebate or credit is a reimbursement of costs incurred to sell the vendor s product, in which case it is offset against the costs incurred.

Guarantees

At the time the Company issues a guarantee, it recognizes an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee.

Reclassifications

Certain amounts in these financial statements have been reclassified to maintain comparability among the periods presented.

Recent accounting pronouncements

In December 2010, the Financial Accounting Standards Board issued new accounting guidance on when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The guidance requires reporting entities with zero or negative carrying amounts of goodwill to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This guidance is effective for impairment tests performed during an entity s fiscal year and interim reporting periods within those years beginning after December 15, 2010 (March 27, 2011 for the Company). The adoption of this guidance in the first quarter of fiscal year 2012 had no impact on the Company s Consolidated Financial Statements.

In December 2010, the Financial Accounting Standards Board issued new accounting guidance on disclosures of supplementary pro forma information for business combinations. The guidance requires reporting entities that present comparative financial statements to present the pro forma disclosures as if the business combination occurred at the beginning of the prior annual period. The guidance also expands the supplementary pro forma disclosures to include additional disclosures describing the nature and amount of material, nonrecurring pro forma adjustments. This guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010 (March 27, 2011 for the Company). The adoption of this guidance in the first quarter of fiscal year 2012 did not have an impact on the Company s Consolidated Financial Statements.

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In May 2011, the Financial Accounting Standards Board issued guidance to amend certain measurement and disclosure requirements related to fair value measurements. The guidance updates existing fair value measurement guidance and is intended to clarify how fair value should be measured and expand the disclosures required. This guidance is effective for interim reporting periods and fiscal years beginning after December 15, 2011, with early adoption prohibited. The adoption of this guidance in the fourth quarter of fiscal year 2012 had no impact on the Company s Consolidated Financial Statements.

In June 2011, the Financial Accounting Standards Board issued new accounting guidance that revises the manner in which entities present comprehensive income in their financial statements. The guidance removes the presentation options in previously issued accounting guidance on comprehensive income, and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The guidance does not change the items that must be reported in other comprehensive income. This guidance is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2011 (April 1, 2012 for the Company). This guidance requires new disclosures only, and will have no impact on the Company s Consolidated Financial Statements.

In September 2011, the Financial Accounting Standards Board issued updated guidance on the periodic testing of goodwill for impairment. This guidance will allow companies to assess qualitative factors to determine if it is more-likely-than-not that goodwill might be impaired and whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. This guidance is applicable for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of this guidance in the third quarter of fiscal 2012 had no impact on the Company s Consolidated Financial Statements.

NOTE 2 ACQUISITIONS

The Company s acquisitions are strategic moves in its plan to fill in and expand its presence in its existing and contiguous markets, and leverage fixed operating costs such as distribution and advertising.

Subsequent Events

The Company has signed a definitive asset purchase agreement to complete the acquisition of 18 retail tire and automotive repair stores located in North Carolina from Colony Tire Corporation (Colony) on June 2, 2012. These stores produced approximately $25 million in net sales for their previous full fiscal year based on unaudited pre-acquisition historical information.

On April 1, 2012, the Company acquired 20 retail tire and automotive repair stores located in Virginia from Kramer Tire Co. (Kramer). These stores produced approximately $25 million in net sales for their previous full fiscal year based on audited pre-acquisition historical information. As part of the Kramer acquisition, two heavy truck tire and truck repair stores, two wholesale operations and a retread facility also located in Virginia were acquired. These retail tire and automotive repair stores will operate primarily under the Tread Quarters name. The acquisition was financed through the Company s existing bank facility. The non-retail facilities and the two heavy truck tire and truck repair stores were disposed of subsequent to year end.

The total purchase price of these acquisitions is approximately $50 million.

Fiscal 2012

In the third quarter of fiscal year 2012, the Company acquired eight retail tire stores located in Ohio, Pennsylvania and Maine through two acquisitions. Collectively, these stores produced approximately $11 million

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

in net sales for their previous full fiscal year based on unaudited, pre-acquisition historical information. These acquisitions were financed through the Company s existing credit facility. The results of operations for these acquired stores are included in the Company s financial results from their respective acquisition dates.

In the first quarter of fiscal year 2012, the Company acquired 24 retail tire and automotive repair stores located in Pennsylvania and New Jersey from Vespia Tire Centers, Inc. These stores produced approximately $36 million in net sales for their previous full fiscal year based on unaudited pre-acquisition historical information provided by Vespia Tire Centers, Inc. The acquisition was financed through the Company s existing credit facility. The results of operations of these acquired stores are included in the Company s financial results from June 5, 2011.

The Company has recorded its initial accounting for these acquisitions in accordance with accounting guidance on business combinations. The acquisitions resulted in goodwill related to, among other things, growth opportunities and unidentified intangible assets. All of the goodwill is expected to be deductible for tax purposes. The Company has recorded finite-lived intangible assets at their estimated fair value related to customer relationships and favorable leases.

The purchase price allocation remains preliminary for some of the acquired stores due to the finalization of the valuation of some intangible assets, real estate and real property leases. The Company believes that this will be finalized in the third quarter of fiscal 2013 and that any adjustments to the purchase price allocation will not be material.

In accordance with accounting guidance on business combinations, the Company expensed all costs related to these acquisitions during fiscal 2012. The total costs related to these acquisitions were not material to the Consolidated Statement of Income. These costs are included in the Consolidated Statement of Income primarily under operating, selling, general and administrative expenses.

Sales and net income for the fiscal 2012 acquired entities totaled $31.3 million and $1.0 million, respectively for the period from acquisition date through March 31, 2012.

Fiscal 2011

During the year, the Company acquired 10 retail tire and automotive repair stores (including a former Tire Warehouse franchisee and an adjacent automotive repair store) located in Maine, Pennsylvania and Virginia through three acquisition transactions. Collectively, these fiscal 2011 acquisition stores produced approximately $16.3 million in sales annually based on unaudited pre-acquisition historical information. The total purchase price of these stores was approximately $10.2 million in cash and the assumption of certain liabilities. The acquisitions were financed through the Company s existing bank facility and cash flow from operations. The results of operations of these acquired stores are included in the Company s results from their respective acquisition dates. Eight of the fiscal 2011 acquisition stores operate as retail tire and automotive repair stores under the Mr. Tire brand name and the former Tire Warehouse franchisee and adjacent automotive repair store operate under the Tire Warehouse and Monro brand name, respectively.

The Company has recorded its initial accounting for these acquisitions in accordance with accounting guidance on business combinations. The acquisitions resulted in goodwill related to, among other things, growth opportunities and unidentified intangible assets. All of the goodwill is expected to be deductible for tax purposes. The Company has recorded finite-lived intangible assets at their estimated fair value related to customer relationships, non-compete agreement, refuse disposal agreement and favorable leases.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In accordance with accounting guidance on business combinations, the Company expensed all costs related to these acquisitions during fiscal 2011. The total costs related to these acquisitions were not material to the Consolidated Statement of Income. These costs are included in the Consolidated Statement of Income primarily under operating, selling, general and administrative expenses.

The purchase price of the acquisitions have been allocated to the net tangible and intangible assets acquired, with the remainder recorded as goodwill on the basis of estimated fair values, as follows:

	Final (Dollars in thousands)
Other current assets	$ 685
Intangible assets	1,777
Other noncurrent assets	2,164
Current liabilities	(571)
Long-term liabilities	(2,355)
Total net identifiable assets acquired	$ 1,700
Total consideration transferred	$ 10,194
Less: total net identifiable assets acquired	1,700
Goodwill	$ 8,494

Intangible assets consist of customer lists ($648,000), a non-compete agreement ($345,000), a refuse disposal agreement ($130,000) and favorable leases ($654,000). Customer lists, the non-compete agreement and the refuse disposal agreement are being amortized over their estimated useful lives. The weighted average useful lives are approximately four, four and five years, respectively. Favorable lease intangible assets are being amortized over their respective lease terms, ranging from five to 20 years. The weighted average useful life of all intangible assets is approximately seven years.

The allocation above was finalized during fiscal 2012. The resulting adjustments were not material to the consolidated financial statements.

Sales and net income for the fiscal 2011 acquired entities totaled $10.3 million and $.6 million, respectively for the period from acquisition date through March 26, 2011.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 OTHER CURRENT ASSETS

The composition of other current assets is as follows:

	Year Ended Fiscal March 2012	2011
	(Dollars in thousands)	
Vendor rebates receivable	$ 5,081	$ 6,742
Prepaid rent	3,198	30
Barter credit receivable	2,850	2,950
Other receivables	2,269	1,755
Due from vendors	1,986	218
Prepaid insurance	1,811	1,818
Prepaid advertising	1,762	1,443
Prepaid real estate taxes	1,155	923
Other	455	782
	$ 20,567	$ 16,661

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

The major classifications of property, plant and equipment are as follows:

	March 31, 2012			March 26, 2011		
	Assets Owned	Assets Under Capital Lease	Total	Assets Owned	Assets Under Capital Lease	Total
	(Dollars in thousands)					
Land	$ 56,570		$ 56,570	$ 54,708		$ 54,708
Buildings and improvements	153,835	$ 42,846	196,681	148,715	$ 38,236	186,951
Equipment, signage and fixtures	149,388		149,388	139,552		139,552
Vehicles	15,717	67	15,784	14,493	67	14,560
Construction-in- progress	6,002		6,002	2,753		2,753
	381,512	42,913	424,425	360,221	38,303	398,524
Less Accummulated depreciation and amortization	196,886	14,545	211,431	185,868	12,060	197,928
	$ 184,626	$ 28,368	$ 212,994	$ 174,353	$ 26,243	$ 200,596

Amortization expense recorded under capital leases totaled $3,235,000, $2,901,000 and $2,912,000 for the fiscal years ended March 2012, 2011 and 2010, respectively.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 GOODWILL AND INTANGIBLE ASSETS

The changes in goodwill during fiscal 2012 and 2011 were as follows:

	(Dollars in thousands)
Balance at March 27, 2010	$ 90,372
Acquisitions or other adjustments	8,163
Balance at March 26, 2011	98,535
Acquisitions or other adjustments	34,121
Balance at March 31, 2012	$ 132,656

In fiscal 2012 and 2011, the other adjustments relates to purchase accounting adjustments for the fiscal 2011 and 2010 acquisitions, respectively.

The composition of other intangible assets is as follows:

	Year Ended Fiscal March			
	2012		2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(Dollars in thousands)			
Customer lists	$ 9,539	$ 4,217	$ 7,629	$ 3,112
Trade names	6,932	3,286	6,932	2,921
Favorable leases	7,269	1,314	5,390	788
Other intangible assets	645	396	645	269
Total intangible assets	$ 24,385	$ 9,213	$ 20,596	$ 7,090

The Company s intangible assets are being amortized over their estimated useful lives. The weighted average useful lives of the Company s intangible assets are approximately 10 years for customer lists, 12 years for trade names, 15 years for favorable leases and five years for other intangible assets.

Amortization of intangible assets during fiscal 2012, 2011 and 2010 totaled $1.6 million, $1.4 million and $.9 million, respectively.

Estimated future amortization of intangible assets is as follows:

Year Ending Fiscal March	(Dollars in thousands)
2013	$ 1,534
2014	1,441
2015	1,248
2016	1,113
2017	675

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6 OTHER NON-CURRENT ASSETS

The composition of other non-current assets is as follows:

	March 31, 2012	March 26, 2011
	(Dollars in thousands)	
Barter receivable	$ 7,523	$ 6,255
Notes receivable	3,691	
Deposit	1,600	
Prepaid pension asset		2,723
Other non-current assets	2,156	1,442
Total non-current assets	$ 14,970	$ 10,420

NOTE 7 LONG-TERM DEBT

Long-term debt consists of the following:

	March 31, 2012	March 26, 2011
	(Dollars in thousands)	
Revolving Credit Facility, LIBOR-based(a)	$ 5,000	$ 10,062
Mortgage Note Payable, non-interest bearing, secured by warehouse and office land, due in one installment in 2015	660	660
Obligations under capital leases at various interest rates, secured by store properties and certain equipment, due in installments through 2042	49,412	44,301
	55,072	55,023
Less Current portion	3,908	13,033
	$ 51,164	$ 41,990

(a) The London Interbank Offered Rate (LIBOR) at March 31, 2012 was .24%.

In June 2011, the Company entered into a five-year, $175 million Revolving Credit Facility agreement with seven banks. The Credit Facility amends and restates, in its entirety, the Credit Facility agreement previously entered into by the Company as of July 2005 and amended from time to time. The Credit Facility also provides an accordion feature permitting the Company to request an increase in availability of up to an additional $75 million. There was $5.0 million outstanding at March 31, 2012. The facility expires in June 2016. The Company was in compliance with all debt covenants at March 31, 2012.

The interest rate on the facility fluctuated between 50 (prior to amendment) and 100 basis points over LIBOR during fiscal year 2012. At March 31, 2012, the interest rate was 100 basis points over LIBOR.

Specific terms of the new Credit Facility permit the payment of cash dividends not to exceed 50% of the preceding year s net income, and increase and liberalize certain thresholds, while the net worth financial covenant existent under the 2005 Credit Facility has been removed. Other terms of the Credit Facility are generally consistent with the 2005 Credit Facility including requiring the maintenance of specified interest and rent coverage ratios and permitting mortgages and specific lease financing arrangements with other parties with certain limitations.

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Credit Facility is not secured by the Company s real property, although the Company has agreed not to encumber its real property, with certain permissible exceptions.

Within the aforementioned $175 million Revolving Credit Facility, the Company has available a sub-facility of $40 million for the purpose of issuing standby letters of credit. The line requires fees aggregating 1.125% annually of the face amount of each standby letter of credit, payable quarterly in arrears. There was $18.0 million in an outstanding letter of credit at March 31, 2012.

Long-term debt, including current portion, had a carrying amount of $5.7 million and a fair value of $5.6 million as of March 31, 2012, as compared to a carrying amount of $10.7 million and a fair value of $10.7 million as of March 26, 2011. The fair value of long-term debt was estimated based on discounted cash flow analyses using either quoted market prices for the same or similar issues, or the current interest rates offered to the Company for debt with similar maturities.

In addition, the Company has financed certain store properties and vehicles with capital leases, which amount to $49.4 million and are due in installments through 2042.

During fiscal 1995, the Company purchased 12.7 acres of land for $.7 million from the City of Rochester, New York, on which its office/warehouse facility is located. The City has provided financing for 100% of the cost of the land via a 20-year non-interest bearing mortgage, all due and payable in 2015.

Aggregate debt maturities over the next five years are as follows:

	Capital Leases			
Year Ending Fiscal March	Aggregate Amount	Imputed Interest	All Other Debt	Total
		(Dollars in thousands)		
2013	$ 8,192	$ (4,284)		$ 3,908
2014	8,191	(3,975)		4,216
2015	7,737	(3,638)	$ 660	4,759
2016	6,988	(3,295)		3,693
2017	6,445	(2,972)	5,000	8,473

NOTE 8 INCOME TAXES

The components of the provision for income taxes are as follows:

	Year Ended Fiscal March		
	2012	2011	2010
		(Dollars in thousands)	
Current			
Federal	$ 26,002	$ 22,094	$ 17,202
State	2,910	3,451	2,028

	28,912	25,545	19,230
Deferred			
Federal	3,273	3,121	1,206
State	(111)	(570)	(202)
	3,162	2,551	1,004
Total	$ 32,074	$ 28,096	$ 20,234

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred tax (liabilities) assets consist of the following:

	March 31, 2012	March 26, 2011
	(Dollars in thousands)	
Goodwill	$ (9,525)	$ (7,211)
Property and equipment	(5,367)	(4,602)
Prepaid expenses	(569)	(544)
Pension		(995)
Other	(343)	(341)
Total deferred tax liabilities	(15,804)	(13,693)
Insurance reserves	7,561	6,016
Stock options	2,429	2,671
Warranty and other reserves	2,389	2,106
Deferred rent	2,064	2,244
Accrued compensation	1,373	1,301
Indirect effect of unrecognized tax benefits in other jurisdictions	1,163	1,180
Pension	99	
Other	2,989	2,489
Total deferred tax assets	20,067	18,007
Net deferred tax assets	$ 4,263	$ 4,314

The Company has $2.3 million of state net operating loss carryforwards available as of March 31, 2012. The carryforwards expire in varying amounts through 2032. Based on all available evidence, the Company has determined that it is more likely than not that sufficient taxable income of the appropriate character within the carryforward period will exist for the realization of the tax benefits on existing state net operating loss carryforwards.

The Company believes it is more likely than not that all other future tax benefits will be realized as a result of current and future income.

A reconciliation between the U.S. federal statutory tax rate and the effective tax rate reflected in the accompanying financial statements is as follows:

	Year Ended Fiscal March					
	2012		2011		2010	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)					
	$ 30,340	35.0	$ 25,878	35.0	$ 18,699	35.0

Federal income tax based on statutory tax rate applied to income before taxes						
State income tax, net of federal income tax benefit	2,231	2.6	2,291	3.1	1,155	2.2
Other	(497)	(0.6)	(73)	(0.1)	380	0.7
	$ 32,074	37.0	$ 28,096	38.0	$ 20,234	37.9

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following is a rollforward of the Company s liability for income taxes associated with unrecognized tax benefits:

	(Dollars in thousands)
Balance at March 28, 2009	$ 4,493
Tax positions related to current year:	
Additions	1,415
Reductions	
Tax positions related to prior years:	
Additions	
Reductions	(16)
Settlements	
Lapses in statutes of limitations	(306)
Balance at March 27, 2010	5,586
Tax positions related to current year:	
Additions	799
Reductions	
Tax positions related to prior years:	
Additions	335
Reductions	(612)
Settlements	
Lapses in statutes of limitations	(144)
Balance at March 26, 2011	5,964
Tax positions related to current year:	
Additions	1,000
Reductions	
Tax positions related to prior years:	
Additions	230
Reductions	(904)
Settlements	(166)
Lapses in statutes of limitations	(640)
Balance at March 31, 2012	$ 5,484

The total amount of unrecognized tax benefits was $5.5 million at March 31, 2012, the majority of which, if recognized, would affect the effective tax rate.

In the normal course of business, the Company provides for uncertain tax positions and the related interest and penalties, and adjusts its unrecognized tax benefits and accrued interest and penalties accordingly. During the year ended March 31, 2012, the Company recorded a benefit from the reversal of accrued interest and penalties of approximately $.3 million, in income tax expense; and during the years ended March 26, 2011 and March 27, 2010, the Company recognized interest and penalties of approximately $.3 million and $.1 million, respectively, in income tax expense. Additionally, the Company had approximately $.7 million and $.9 million of interest and penalties associated with uncertain tax benefits accrued as of March 31, 2012 and March 26, 2011, respectively.

The Company is currently under state audit for, with few exceptions, fiscal 2001 to 2010 tax years. It is reasonably possible that the examination phase of the audits for these years may conclude in the next 12 months, and that the related unrecognized tax benefits for tax positions taken regarding previously filed tax returns may

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

change from those recorded as liabilities for uncertain tax positions in the Company s financial statements as of March 31, 2012. However, based on the status of the examinations, it is not possible to estimate the effect of any amount of such change to previously recorded uncertain tax positions.

The Company files U.S. federal income tax returns and income tax returns in various state jurisdictions. The Company s fiscal 2009 and fiscal 2011 U.S. federal tax years and various state tax years remain subject to income tax examinations by tax authorities.

NOTE 9 STOCK OWNERSHIP

A summary of the changes in the number of shares of Common Stock, Class C preferred stock and treasury stock is as follows:

	Common Stock Shares Issued	Class C Convertible Preferred Stock Shares Issued	Treasury Stock Shares
Balance at March 28, 2009	22,999,313	32,500	3,580,829
Stock options exercised	647,147		101,600
Balance at March 27, 2010	23,646,460	32,500	3,682,429
Shares issued in connection with three-for-two stock split	11,983,603		1,859,328
Stock options exercised	408,601		36,227
Balance at March 26, 2011	36,038,664	32,500	5,577,984
Stock options exercised	816,594		390,007
Balance at March 31, 2012	36,855,258	32,500	5,967,991

In November 2010, the Board of Directors authorized a three-for-two stock split that was paid on December 23, 2010 to shareholders of record as of December 13, 2010. All share amounts have been adjusted for this stock split.

Holders of at least 60% of the Class C preferred stock must approve any action authorized by the holders of Common Stock. In addition, there are certain restrictions on the transferability of shares of Class C preferred stock. In the event of a liquidation, dissolution or winding-up of the Company, the holders of the Class C preferred stock would be entitled to receive $1.50 per share out of the assets of the Company before any amount would be paid to holders of Common Stock. The conversion value of the Class C convertible preferred stock is $.064 per share at March 31, 2012 and March 26, 2011.

NOTE 10 SHARE BASED COMPENSATION

The Company currently grants stock option awards under the 2007 Incentive Stock Option Plan (the 2007 Plan). This Plan was authorized by the Board of Directors in June 2007, initially reserving 873,000 shares (as retroactively adjusted for stock splits) of Common Stock for issuance to eligible employees and all non-employee directors. The 2007 Plan was approved by shareholders in August 2007. Prior to fiscal 2008, the Company had options outstanding under three other stock option plans: the 1994 Non-Employee Directors Stock Option Plan (the 1994 Plan) (which was approved by shareholders in August 1995); the 1998 Incentive Stock Option Plan (the 1998 Plan) (which was approved by shareholders in August 1999); and the 2003 Non-Employee Directors Stock Option Plan (the 2003 Plan) (which was approved by shareholders in August 2003), collectively the

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior Plans. Upon shareholder approval of the 2007 Plan, all shares of Common Stock available for award under the 1998 and 2003 Plans were transferred to, and made available for award under the 2007 Plan. The 1994 Plan had no options available for grant upon adoption of the 2007 Plan. No further option grants may be made under the Prior Plans, although outstanding awards under the Prior Plans will remain outstanding in accordance with the terms of those plans and the stock option agreements entered into under those plans.

The 1994 Plan had a total of 675,345 common shares authorized for issuance; the 1998 Plan had a total of 4,016,250 shares authorized for issuance; and the 2003 Plan had a total of 315,000 shares authorized for issuance (all as retroactively adjusted for stock splits). Upon authorization of the 2007 Plan by shareholders, 628,662 shares (as retroactively adjusted for stock splits) transferred from the 1998 and 2003 Plans into the 2007 Plan, bringing the total authorized shares to 1,501,662 (as retroactively adjusted for stock splits). In addition, in May 2010, the Compensation Committee of the Board of Directors authorized an additional 1,500,000 shares (as retroactively adjusted for stock splits), which were approved by shareholders in August 2010.

Generally, employee options vest within the first five years of their term, and have a duration of six to ten years. Outstanding options are exercisable for various periods through October 2019.

A summary of changes in outstanding stock options is as follows:

	Weighted Average Exercise Price	Options Outstanding
At March 28, 2009	$ 11.41	3,085,590
Granted	$ 17.89	255,420
Exercised	$ 9.25	(970,721)
Canceled	$ 14.99	(27,841)
At March 27, 2010	$ 12.96	2,342,448
Granted	$ 31.51	788,027
Exercised	$ 9.97	(569,063)
Canceled	$ 18.22	(35,734)
At March 26, 2011	$ 19.35	2,525,678
Granted	$ 32.86	173,075
Exercised	$ 14.47	(816,594)
Canceled	$ 21.10	(30,571)
At March 31, 2012	$ 22.75	1,851,588

The total shares exercisable at March 31, 2012, March 26, 2011 and March 27, 2010 was 1,129,513, 1,595,639 and 1,671,950, respectively. There were 783,465 shares available for grant at March 31, 2012.

The weighted average contractual term of all options outstanding at March 31, 2012 and March 26, 2011 was 3.6 years and 3.9 years, respectively. The aggregate intrinsic value of all options (the amount by which the market price of the stock on the date of exercise exceeded the exercise price of the option) outstanding at March 31, 2012 and March 26, 2011 was $34.7 million and $32.9 million, respectively.

The weighted average contractual term of all options exercisable at March 31, 2012 and March 26, 2011 was 3.1 years and 3.0 years, respectively. The aggregate intrinsic value of all options exercisable at March 31, 2012 and March 26, 2011 was $26.3 million and $28.1

million, respectively.

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of the status of and changes in nonvested stock options granted is as follows:

	Options	Weighted Average Grant-Date Fair Value (per Option)
Non-vested at March 28, 2009	841,638	$ 4.21
Granted	255,420	$ 5.38
Vested	(406,872)	$ 4.37
Canceled	(19,688)	$ 4.78
Non-vested at March 27, 2010	670,498	$ 4.49
Granted	788,027	$ 8.58
Vested	(497,655)	$ 4.73
Canceled	(30,831)	$ 5.57
Non-vested at March 26, 2011	930,039	$ 7.83
Granted	173,075	$ 8.41
Vested	(357,697)	$ 7.54
Canceled	(23,342)	$ 6.62
Non-vested at March 31, 2012	722,075	$ 8.16

The following table summarizes information about fixed stock options outstanding at March 31, 2012:

Range of Exercise Prices	Options Outstanding: Shares Under Option	Options Outstanding: Weighted Average Remaining Life	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Shares Under Option	Options Exercisable: Weighted Average Exercise Price
$ 5.29 - $12.11	456,558	1.95	$ 10.73	430,703	$ 10.67
$12.12 - $18.05	475,515	4.44	$ 16.36	399,618	$ 16.04
$18.06 - $33.62	483,015	4.15	$ 28.97	138,817	$ 28.06
$33.63 - $44.59	436,500	3.89	$ 35.39	160,375	$ 35.42

During the fiscal years ended March 31, 2012, March 26, 2011 and March 27, 2010, the fair value of awards vested under the Company s stock plans was $2.7 million, $2.4 million and $1.8 million, respectively.

The aggregate intrinsic value in the preceding tables is based on the Company s closing stock price of $41.49, $31.78 and $23.99 as of the last trading day of the periods ended March 31, 2012, March 26, 2011 and March 27, 2010, respectively. The aggregate intrinsic value of options exercised during the fiscal years ended March 31, 2012, March 26, 2011 and March 27, 2010 was $17.6 million, $9.4 million and $10.1 million, respectively. As of March 31, 2012, March 26, 2011 and March 27, 2010, there was $4.9 million, $6.4 million and $1.8 million, respectively, of unrecognized compensation expense related to non-vested fixed stock options that is expected to be recognized over a weighted average period of approximately three years, four years and two years, respectively.

Cash received from option exercises under all stock option plans was $3.1 million, $5.1 million and $6.6 million for the fiscal years ended March 31, 2012, March 26, 2011 and March 27, 2010, respectively. The actual tax benefit realized for the tax deductions from option exercises was $5.3 million, $3.5 million and $3.0 million for the fiscal years ended March 31, 2012, March 26, 2011 and March 27, 2010, respectively.

The Company issues new shares of Common Stock upon the exercise of stock options.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11 EARNINGS PER COMMON SHARE

The following is a reconciliation of basic and diluted earnings per common share for the respective years:

	Year Ended Fiscal March		
	2012	**2011**	**2010**
Numerator for earnings per common share calculation:			
Net Income	$ 54,612	$ 45,841	$ 33,191
Less: Preferred stock dividends	(266)	(213)	(172)
Income available to common stockholders	$ 54,346	$ 45,628	$ 33,019
Denominator for earnings per common share calculation:			
Weighted average common shares, basic	30,716	30,200	29,508
Effect of dilutive securities:			
Preferred stock	760	760	760
Stock options	761	847	710
Weighted average common shares, diluted	32,237	31,807	30,978
Basic earnings per common share:	$ 1.77	$ 1.52	$ 1.12
Diluted earnings per common share:	$ 1.69	$ 1.44	$ 1.07

The computation of diluted earnings per common share for fiscal years 2012, 2011 and 2010 excludes the effect of assumed exercise of approximately 682,000, 705,000 and 150,000, respectively, of stock options, as the exercise price of these options was greater than the average market value of the Company s Common Stock for those periods, resulting in an anti-dilutive effect on diluted earnings per share.

NOTE 12 OPERATING LEASES AND OTHER COMMITMENTS

The Company leases retail facilities under noncancellable lease agreements which expire at various dates through fiscal year 2032. In addition to stated minimum payments, certain real estate leases have provisions for contingent rentals when retail sales exceed specified levels. Generally, the leases provide for renewal for various periods at stipulated rates. Most of the facilities leases require payment of property taxes, insurance and maintenance costs in addition to rental payments, and several provide an option to purchase the property at the end of the lease term.

In recent years, the Company has entered into agreements for the sale/leaseback of certain stores. Realized gains are deferred and are credited to income as rent expense adjustments over the lease terms. The Company has lease renewal options under the real estate agreements at projected future fair market values.

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Future minimum payments required under noncancellable leases (including closed stores) are as follows:

Year Ending Fiscal March	Leases	Less Sublease Income	Net
		(Dollars in thousands)	
2013	$ 27,112	$ (330)	$ 26,782
2014	22,869	(238)	22,631
2015	18,205	(196)	18,009
2016	12,583	(152)	12,431
2017	8,231	(95)	8,136
Thereafter	10,040	(79)	9,961
Total	$ 99,040	$ (1,090)	$ 97,950

Rent expense under operating leases, net of sublease income, totaled $28,490,000, $27,994,000 and $25,586,000 in fiscal 2012, 2011 and 2010, respectively, including contingent rentals of $93,000, $110,000 and $117,000 in each respective fiscal year. Sublease income totaled $386,000, $371,000 and $442,000, respectively, in fiscal 2012, 2011 and 2010.

The Company enters into contracts with parts and tire suppliers, certain of which require the Company to buy (at market prices) up to 100% of its annual purchases of specific products. The agreements expire at various dates through November 2013. The Company believes these agreements provide it with high quality, branded merchandise at preferred pricing, along with strong marketing and training support.

On October 1, 2007, the Company entered into a new Employment Agreement with its Chief Executive Officer. The Agreement became effective on October 1, 2007 and has a five-year term. Under the Agreement, Mr. Gross (i) is paid a base salary of $840,000; (ii) is eligible to earn a target annual bonus, pursuant to the terms of the Company s Management Incentive Compensation Plan, of up to 150% of his base salary upon the achievement of certain predetermined corporate objectives and (iii) participates in the Company s other incentive and welfare and benefit plans made available to executives. Mr. Gross also received a special bonus of $750,000, paid in five annual installments of $150,000, which began on October 1, 2007 (the Special Bonus). If the Agreement terminates before October 1, 2012 either for Cause (as defined therein) or as the result of Mr. Gross s resignation without Good Reason (as defined therein), then Mr. Gross will be required to repay a portion of the last-received annual installment of the Special Bonus, pro-rata to the date of termination. In consideration for Mr. Gross s covenant not-to-compete with the Company or to solicit its employees, the Company will pay him an additional $750,000, payable in five equal installments of $150,000, beginning on October 1, 2012 or the earlier termination of the Agreement (the Non-Compete Payment). Finally, Mr. Gross is entitled to certain payments upon death, disability, a termination without Cause (as defined therein), a resignation by Mr. Gross for Good Reason (as defined therein) or a termination in the event of a Change in Control of the Company (as defined therein), all as set forth in detail in the Agreement. The Company is in the process of negotiating the extension of Mr. Gross s contract as Executive Chairman for three years.

On October 2, 2007, and in consideration for Mr. Gross s execution of the Agreement, the Company s Compensation Committee awarded to Mr. Gross an option to purchase 562,500 shares of Common Stock at an exercise price equal to the closing price of the Company s stock on the date of the award of $15.20 per share, pursuant to the Company s 2007 Stock Incentive Plan. As of October 1, 2010, these options were fully vested. (Both the number of shares and share price reflect the impact of the December 2010 stock split.)

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On December 30, 2010, the Company entered into Employment Agreements with John W. Van Heel, its President; Joseph Tomarchio Jr., its Executive Vice President-Store Operations; and Catherine D Amico, its Executive Vice President and Chief Financial Officer (collectively, the Agreements). All three Agreements became effective on January 1, 2011 and have a four-year term.

Under the Agreements, Messrs. Van Heel and Tomarchio and Ms. D Amico (i) will be paid an annual base salary; (ii) will be eligible to earn a target bonus, pursuant to the terms of the Company s bonus plan, up to, in the case of Mr. Van Heel, 100% of his base salary, and, in the case of Mr. Tomarchio and Ms. D Amico, 87.5% of the executive s base salary, upon the achievement of certain predetermined corporate objectives and (iii) will participate in the Company s other incentive and welfare and benefit plans made available to executives. The base salary of each executive will be reviewed annually by the Compensation Committee and may be increased to reflect performance and responsibilities of each such executive.

Finally, each executive is entitled to certain payments upon death, disability, and termination without Cause (as defined in the Agreements), a resignation by the executive for Good Reason (as defined in the Agreements) or a termination in the event of a Change in Control of the Company (as defined in the Agreements), all set forth in detail in the Agreements. In accordance with the policy adopted by the Compensation Committee in May 2009, the executives contracts do not include any provision for the payment of what is commonly referred to as an excise tax gross-up with respect to payments received by an executive upon Change in Control (as defined in the Agreements).

Also, on December 30, 2010 and in consideration of the executives execution of the Agreements, the Company s Compensation Committee awarded to Messrs. Van Heel and Tomarchio and Ms. D Amico an option to purchase 150,000, 120,000 and 90,000 shares of Common Stock, respectively, at an exercise price of $35.31 per share (the closing price of the Company s stock on the date of the award), pursuant to the Company s 2007 Stock Incentive Plan (together, the Executive Options). Each of the Executive Options will vest equally over four years, beginning December 30, 2011.

NOTE 13 EMPLOYEE RETIREMENT AND PROFIT SHARING PLANS

The Company sponsors a noncontributory defined benefit pension plan for Monro employees and the former Kimmel Automotive, Inc. employees. In fiscal 2005, the previously separate Monro and Kimmel pension plans were merged. The plan provides benefits to certain full-time employees who were employed with Monro and with Kimmel prior to April 2, 1998 and May 15, 2001, respectively.

Effective as of those dates, each company s Board of Directors approved plan amendments whereby the benefits of each of the defined benefit plans would be frozen and the plans would be closed to new participants. Prior to these amendments, coverage under the plans began after employees completed one year of service and attainment of age 21. Benefits under both plans, and now the merged plan, are based primarily on years of service and employees pay near retirement. The funding policy for the Company s merged plan is consistent with the funding requirements of Federal law and regulations. The measurement date used to determine the pension plan measurements disclosed herein is March 31 for both 2012 and 2011.

The (underfunded) overfunded status of the Company s defined benefit plan is recognized as an other long-term liability/other non-current asset in the Consolidated Balance Sheets as of March 31, 2012 and March 26, 2011, respectively.

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The funded status of the plan is set forth below:

	Fiscal March 2012	Fiscal March 2011
	(Dollars in thousands)	
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ 17,274	$ 15,361
Actual return on plan assets	612	2,444
Employer contribution	0	0
Benefits paid	(542)	(531)
Fair value of plan assets at end of year	17,344	17,274
Change in Projected Benefit Obligation:		
Benefit obligation at beginning of year	14,551	13,473
Interest cost	809	814
Actuarial loss	2,682	795
Benefits paid	(542)	(531)
Benefit obligation at end of year	17,500	14,551
Funded status of plan	$ (156)	$ 2,723

The projected and accumulated benefit obligations were equivalent at March 26, 2011 and March 31, 2012.

Amounts recognized in accumulated other comprehensive loss consist of:

	Year Ended Fiscal March 2012	Year Ended Fiscal March 2011
	(Dollars in thousands)	
Unamortized transition obligation	$ 0	$ 0
Unamortized prior service cost	0	0
Unamortized net loss	5,733	2,545
Total	$ 5,733	$ 2,545

Changes in plan assets and benefit obligations recognized in other comprehensive income consist of:

	Year Ended Fiscal March 2012	2011
	(Dollars in thousands)	
Net transition obligation	$ 0	$ 0
Prior service cost	0	0
Net actuarial (loss) gain	(3,188)	756
Total	$ (3,188)	$ 756

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pension (income) expense included the following components:

	Year Ended Fiscal March		
	2012	2011	2010
	(Dollars in thousands)		
Interest cost on projected benefit obligation	$ 809	$ 814	$ 769
Expected return on plan assets	(1,189)	(1,094)	(824)
Amortization of unrecognized actuarial loss	71	201	384
Net pension (income) expense	$ (309)	$ (79)	$ 329

The weighted-average assumptions used to determine benefit obligations are as follows:

	Year Ended Fiscal March	
	2012	2011
Discount rate	4.49%	5.75%

The weighted-average assumptions used to determine net periodic pension costs are as follows:

	Year Ended Fiscal March		
	2012	2011	2010
Discount rate	5.75%	6.14%	7.36%
Expected long-term return on assets	7.00%	7.25%	7.25%

The expected long-term rate of return on plan assets is established based upon assumptions related to historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

The investment strategy of the plan is to conservatively manage the assets in order to meet the plan s long-term obligations while maintaining sufficient liquidity to pay current benefits. This is achieved by holding equity investments while investing a portion of assets in long duration bonds to match the long-term nature of the liabilities. The Company s general target allocation for the plan is 40% fixed income and 60% equity securities.

The Company s asset allocations, by asset category, are as follows at the end of each year:

	March 31, 2012	March 26, 2011
Cash and cash equivalents	3.2%	2.5%
Fixed income	36.7%	32.2%
Equity securities	60.1%	65.3%
Total	100.0%	100.0%

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following table provides fair value measurement information for the Company s major categories of defined benefit plan assets at March 31, 2012 and March 26, 2011, respectively:

		Fair Value Measurements at March 31, 2012 Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Dollars in thousands)		
Equity securities:				
U.S. companies	$ 7,450	$ 7,450		
International companies	2,972	2,972		
Fixed income:				
U.S. corporate bonds	6,058		$ 6,058	
International bonds	309		309	
Cash equivalents	555		555	
Total	$ 17,344	$ 10,422	$ 6,922	

		Fair Value Measurements at March 26, 2011 Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Dollars in thousands)		
Equity securities:				
U.S. companies	$ 8,235	$ 8,235		
International companies	3,053	3,053		
Fixed income:				
U.S. treasuries/agencies	947		$ 947	
U.S. corporate bonds	4,294		4,294	
International bonds	315		315	
Cash equivalents	430		430	
Total	$ 17,274	$ 11,288	$ 5,986	

There are no required or expected contributions in fiscal 2013 to the plan.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following pension benefit payments are expected to be paid:

	Year Ended Fiscal March (Dollars in thousands)
2013	$ 589
2014	584
2015	604
2016	644
2017	685
2018 - 2022	4,202

The Company has a 401(k)/Profit Sharing Plan that covers full-time employees who meet the age and service requirements of the plan. The 401(k) salary deferral option was added to the plan during fiscal 2000. The first employee deferral occurred in March 2000. The Company makes matching contributions consistent with the provisions of the plan. Charges to expense for the Company s matching contributions for fiscal 2012, 2011 and 2010 amounted to approximately $631,000, $517,000 and $597,000, respectively. The Company may also make annual profit sharing contributions to the plan at the discretion of the Company s Compensation Committee.

The Company has a deferred compensation plan (the Deferred Compensation Plan) to provide an opportunity for additional tax-deferred savings to a select group of management or highly compensated employees. The Deferred Compensation Plan permits participants to defer all or any portion of the compensation that would otherwise be payable to them for the calendar year. In addition, the Company will credit to the participants accounts such amounts as would have been contributed to the Company s 401(k)/Profit Sharing Plan but for the limitations that are imposed under the Internal Revenue Code based upon the participants status as highly compensated employees. The Company may also make such additional discretionary allocations as are determined by the Compensation Committee. The Plan is an unfunded arrangement and the participants or their beneficiaries have an unsecured claim against the general assets of the Company to the extent of their Plan benefits. The Company maintains accounts to reflect the amounts owed to each participant. At least annually, the accounts are credited with earnings or losses calculated on the basis of an interest rate or other formula as determined by the Company s Compensation Committee. The total liability recorded in the Company s financial statements at March 31, 2012 and March 26, 2011 related to the Deferred Compensation Plan was $1,085,000 and $974,000, respectively.

The Company s management bonus plan provides for the payment of annual cash bonus awards to participating employees, as selected by the Board of Directors, based primarily on the Company s attaining pre-tax income targets established by the Board of Directors.

Charges to expense applicable to the management bonus plan totaled $1,730,000, $3,338,000 and $2,660,000 for the fiscal years ended March 2012, 2011 and 2010, respectively.

NOTE 14 RELATED PARTY TRANSACTIONS

The Company is currently a party to leases for certain facilities where the lessor is an officer of the Company, or family members of such officer. Six leases were assumed in March 2004 in connection with the Mr. Tire Acquisition. These payments under such operating and capital leases amounted to $669,000, $653,000 and $624,000 for the fiscal years ended March 2012, 2011 and 2010, respectively. These payments are comparable to rents paid to unrelated parties. No amounts were payable at March 31, 2012 or March 26, 2011. No related party leases, other than the six assumed as part of the Mr. Tire Acquisition in March 2004, have been entered into, and no new leases are contemplated.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company has a management agreement with an investment banking firm associated with a principal shareholder/director of the Company to provide financial advice. The agreement provides for an annual fee of $300,000, plus reimbursement of out-of-pocket expenses. During each of the fiscal years 2012, 2011 and 2010, the Company incurred fees of $300,000, under this agreement. No amounts were payable at March 31, 2012 or March 26, 2011. In addition, this investment banking firm, from time to time, provides additional investment banking services to the Company for customary fees. Approximately half of all payments made to the investment banking firm under the management agreement are paid to another principal shareholder/director of the Company.

NOTE 15 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The following transactions represent non-cash investing and financing activities during the periods indicated:

Year ended March 31, 2012

In connection with the fiscal year 2012 acquisitions (see Note 2), liabilities were assumed as follows:

Fair value of assets acquired	$ 13,155,000
Goodwill	33,800,000
Cash paid, net of cash acquired	(39,243,000)
Liabilities assumed	$ 7,712,000

In connection with the recording of capital leases, the Company increased both property, plant and equipment and long-term debt by $1,400,000.

In connection with the recording of the pension liability adjustment, the Company decreased other non-current assets, other comprehensive income and long-term deferred tax liabilities by $3,033,000, $1,977,000 and $1,212,000, respectively and increased other long-term liabilities by $156,000.

In connection with the accounting for income tax benefits related to the exercise of stock options, the Company decreased current liabilities and increased paid-in capital by $5,314,000.

In connection with the exercise of stock options and the satisfaction of tax withholding obligations by the Company s Chief Executive Officer (see Note 1) and one member of the Company s Board of Directors, the Company increased current liabilities, Common Stock, paid-in capital and treasury stock by $5,485,000, $6,000, $8,685,000 and $14,176,000, respectively.

Year ended March 26, 2011

In connection with the fiscal year 2011 acquisitions (see Note 2), liabilities were assumed as follows:

Fair value of assets acquired	$ 2,616,000
Goodwill	8,169,000
Cash paid, net of cash acquired	(10,193,000)

Liabilities assumed	$ 592,000

In connection with the recording of capital leases, the Company increased both property, plant and equipment and long-term debt by $1,065,000.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with the accounting for income tax benefits related to the exercise of stock options, the Company decreased current liabilities and increased paid-in capital and long-term deferred tax liabilities by $3,538,000, $3,531,000 and $7,000, respectively.

In connection with the exercise of stock options and the satisfaction of tax withholding obligations by the Company s Chief Executive Officer (see Note 1) and one member of the Company s Board of Directors, the Company increased current liabilities, Common Stock, paid-in capital and treasury stock by $1,120,000, $1,000, $606,000 and $1,727,000, respectively.

Year ended March 27, 2010

In connection with the fiscal year 2010 acquisitions, liabilities were assumed as follows:

Fair value of assets acquired	$ 45,352,000
Goodwill	18,556,000
Cash paid, net of cash acquired	(46,103,000)
Liabilities assumed	$ 17,805,000

In connection with recording the value of the Company s interest rate swap contracts, other comprehensive income and other current liabilities increased by $435,000 and $307,000, respectively, and other long-term liabilities and long-term deferred tax assets decreased by $1,008,000 and $266,000, respectively.

In connection with the recording of capital leases, the Company increased both property, plant and equipment and long-term debt by $3,500,000.

In connection with the recording of the pension liability adjustment, the Company increased other non-current assets by $1,311,000 and decreased other comprehensive income and long-term deferred tax liabilities by $813,000 and $498,000, respectively.

In connection with the accounting for income tax benefits related to the exercise of stock options, the Company decreased current liabilities and increased paid-in capital by $2,990,000.

In connection with the exercise of stock options and the satisfaction of tax withholding obligations by the Company s Chief Executive Officer (see Note 1) and other members of the Company s Board of Directors, the Company increased current liabilities, Common Stock, paid-in capital and treasury stock by $792,000, $1,000, $2,343,000 and $3,136,000, respectively.

In connection with the declaration of cash dividends, the Company increased other current liabilities and decreased retained earnings by $1,434,000.

	Year Ended Fiscal March		
	2012	2011	2010
	(Dollars in thousands)		
Cash paid during the year:			
Interest, net	$ 4,924	$ 5,006	$ 5,880
Income taxes, net	$ 25,813	$ 24,464	$ 9,584

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16 LITIGATION

The Company is currently a party to various claims and legal proceedings incidental to the conduct of its business. If management believes that a loss arising from any of these matters is probable and can reasonably be estimated, the Company will record the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Litigation is subject to inherent uncertainties, and unfavorable rulings could occur and may include monetary damages. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the financial position and results of operations of the period in which any such ruling occurs, or in future periods. However, based on currently available information, management believes that the ultimate outcome of any of these matters, individually and in the aggregate, will not have a material adverse effect on its financial position or overall trends in results of operations.

NOTE 17 SUBSEQUENT EVENTS

In May 2012, the Company s Board of Directors declared a regular quarterly cash dividend of $.10 per common share or common share equivalent to be paid to shareholders of record as of June 4, 2012. The dividend will be paid on June 14, 2012.

See Note 2 for a discussion of acquisitions subsequent to March 31, 2012.

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth consolidated statement of income data by quarter for the fiscal years ended March 2012 and 2011. Earnings per share and weighted average share information has been adjusted for the Company s three-for-two stock split. Individual line items summed by quarters may not agree to the annual amounts reported due to rounding.

	Fiscal Quarter Ended			
	June 2011	Sept. 2011	Dec. 2011	March 2012
	(Amounts in thousands, except per share data)			
Sales	$ 164,817	$ 173,256	$ 176,733	$ 171,745
Cost of sales	94,006	101,942	108,954	105,252
Gross profit	70,811	71,314	67,779	66,493
Operating, selling, general and administrative expenses	44,669	46,123	45,146	49,043
Operating income	26,142	25,191	22,633	17,450
Interest expense, net	1,124	1,332	1,208	1,557
Other income, net	(100)	(123)	(34)	(234)
Income before provision for income taxes	25,118	23,982	21,459	16,127
Provision for income taxes	9,676	8,865	7,907	5,626
Net income	$ 15,442	$ 15,117	$ 13,552	$ 10,501
Basic earnings per share	$ 0.50	$ 0.49	$ 0.44	$ 0.34
Diluted earnings per share(a)	$ 0.48	$ 0.47	$ 0.42	$ 0.32
Weighted average number of common shares used in computing earnings per share				
Basic	30,497	30,656	30,823	30,877
Diluted	31,986	32,273	32,096	32,196

	Fiscal Quarter Ended			
	June 2010	Sept. 2010	Dec. 2010	March 2011
	(Amounts in thousands, except per share data)			
Sales	$ 158,240	$ 162,102	$ 165,528	$ 150,808
Cost of sales	92,241	95,736	100,812	90,378
Gross profit	65,999	66,366	64,716	60,430
Operating, selling, general and administrative expenses	43,375	43,665	46,050	46,036
Operating income	22,624	22,701	18,666	14,394
Interest expense, net	1,471	1,208	1,183	1,233
Other income, net	(67)	(73)	(427)	(80)
Income before provision for income taxes	21,220	21,566	17,910	13,241

Provision for income taxes	8,009	8,242	6,852	4,993
Net income	$ 13,211	$ 13,324	$ 11,058	$ 8,248
Basic earnings per share	$ 0.44	$ 0.44	$ 0.37	$ 0.27
Diluted earnings per share(a)	$ 0.42	$ 0.42	$ 0.35	$ 0.26
Weighted average number of common shares used in computing earnings per share				
Basic	29,993	30,124	30,275	30,409
Diluted	31,554	31,716	31,915	31,970

(a) Earnings per share for each period was computed by dividing net income by the weighted average number of shares of Common Stock and Common Stock Equivalents outstanding during the respective quarters.

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Significant fourth quarter adjustments

There were no material, extraordinary, unusual or infrequently occurring items recognized in the fourth quarter of fiscal 2012 or fiscal 2011.

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Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports that the Company files or submits pursuant to the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s (SEC) rules and forms, and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In conjunction with the close of each fiscal quarter and under the supervision of the Chief Executive Officer and Chief Financial Officer, the Company conducts an evaluation of the effectiveness of the Company s disclosure controls and procedures. It is the conclusion of the Company s Chief Executive Officer and Chief Financial Officer, based upon an evaluation completed as of the end of the most recent fiscal quarter reported on herein, and subject to the limitations discussed below, that the Company s disclosure controls and procedures were sufficiently effective in ensuring that any material information relating to the Company was recorded, processed, summarized and reported to its principal officers to allow timely decisions regarding required disclosures.

Management s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

The Company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the financial statements.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company s internal control over financial reporting was effective as of March 31, 2012, the end of our fiscal year. Management has reviewed the results of its assessment with the Audit Committee of the Board of Directors. The effectiveness of the Company s internal control over financial reporting as of March 31, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Inherent Limitations on Effectiveness of Controls

The Company s management, including the Chief Executive Officer and Chief Financial Officer, does not expect that its disclosure controls and procedures or its internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company s internal control over financial reporting during the quarter ended March 31, 2012 that materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART III

Item 10. *Directors and Executive Officers of the Company and Corporate Governance*

Information concerning the directors and executive officers of the Company is incorporated herein by reference to the section captioned Election of Directors and Executive Officers , respectively, in the Proxy Statement.

Information concerning required Section 16(a) disclosure is incorporated herein by reference to the section captioned Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement.

Information concerning the Company s corporate governance policies and procedures is incorporated herein by reference to the section captioned Corporate Governance in the Proxy Statement.

The Company s directors and executive officers are subject to the provisions of the Company s Code of Ethics for Management Employees, Officers and Directors (the Code), which is available in the Investor Information section of the Company s web site, www.monro.com. Changes to the Code and any waivers are also posted on the Company s web site in the Investor Information section.

Item 11. *Executive Compensation*

Information concerning executive compensation is incorporated herein by reference to the section captioned Executive Compensation in the Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information concerning the Company s shares authorized for issuance under its equity compensation plans at March 31, 2012 and security ownership of certain beneficial owners and management is incorporated herein by reference to the sections captioned Security Ownership of Principal Shareholders, Directors and Executive Officers and Equity Compensation Plan Information in the Proxy Statement.

Item 13. *Certain Relationships and Related Transactions and Director Independence*

Information concerning certain relationships and related transactions is incorporated herein by reference to the sections captioned Compensation Committee Interlocks and Insider Participation and Certain Transactions in the Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

Information concerning the Company s principal accounting fees and services is incorporated herein by reference to the section captioned Approval of Independent Accountants in the Proxy Statement.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

Financial Statements

Reference is made to Item 8 of Part II hereof.

Financial Statement Schedules

Schedules have been omitted because they are inapplicable, not required, the information is included elsewhere in the Financial Statements or the notes thereto or is immaterial. Specific to warranty reserves and related activity, as stated in the Financial Statements, these amounts are immaterial.

Exhibits

Reference is made to the Index to Exhibits accompanying this Form 10-K as filed with the Securities and Exchange Commission. The agreements accompanying this Form 10-K or incorporated herein by reference may contain representations, warranties and other provisions that were made, among other things, to provide the parties thereto with specified rights and obligations and to allocate risk among them, and such agreements should not be relied upon by buyers, sellers or holders of the Company s securities.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MONRO MUFFLER BRAKE, INC.
(Registrant)

By: /s/ ROBERT G. GROSS
Robert G. Gross
Chief Executive Officer and Chairman of the Board

Date: May 30, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ CATHERINE D AMICO	Executive Vice President-Finance	May 30, 2012
Catherine D Amico	Chief Financial Officer and Treasurer	
	(Principal Financial and Accounting Officer)	
/s/ RICHARD A. BERENSON	Director	May 30, 2012
Richard A. Berenson		
/s/ FREDERICK M. DANZIGER	Director	May 30, 2012
Frederick M. Danziger		
/s/ DONALD GLICKMAN	Director	May 30, 2012
Donald Glickman		
/s/ PETER J. SOLOMON	Director	May 30, 2012
Peter J. Solomon		
/s/ JAMES R. WILEN	Director	May 30, 2012
James R. Wilen		
/s/ ROBERT E. MELLOR	Director	May 30, 2012
Robert E. Mellor		
/s/ ELIZABETH A. WOLSZON	Director	May 30, 2012

Elizabeth A. Wolszon

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INDEX TO EXHIBITS

The following is a list of all exhibits filed herewith or incorporated by reference herein:

Exhibit No.	Document
3.01*	Restated Certificate of Incorporation of the Company, dated July 23, 1991, with Certificate of Amendment, dated November 1, 1991. (SEC File No:0-19357, 1992 Form 10-K, Exhibit No. 3.01)
3.01a*	Certificate of Change of the Certificate of Incorporation of the Company, dated January 26, 1996. (August 2004 Form S-3, Exhibit 4.1(b))
3.01b*	Certificate of Amendment to Restated Certificate of Incorporation, dated April 15, 2004. (August 2004 Form S-3, Exhibit No. 4.1(c))
3.01c*	Certificate of Amendment to Restated Certificate of Incorporation, dated October 10, 2007. (2008 Form 10-K, Exhibit 3.01c)
3.02*	Restated By-Laws of the Company, dated July 23, 1991. (Amendment No. 1, Exhibit No. 3.04)
10.01*	2007 Stock Incentive Plan, effective as of June 29, 2007. (May 2008 Form S-8, Exhibit No. 4)**
10.01a*	Amendment No. 1 to the 2007 Stock Incentive Plan, dated August 9, 2007. (May 2008 Form S-8, Exhibit No. 4.1)**
10.01b*	Amendment No. 2 to the 2007 Stock Incentive Plan, dated September 27, 2007. (May 2008 Form S-8, Exhibit No. 4.2)**
10.01c*	Amendment No. 3 to the 2007 Stock Incentive Plan, dated August 10, 2010. (August 2010 Form 8-K, Exhibit No. 10.1)**
10.01d	Amendment No. 4 to the 2007 Stock Incentive Plan, dated, May 16, 2012.**
10.02*	1994 Non-Employee Directors Stock Option Plan. (March 2001 Form S-8, Exhibit No. 4.1)**
10.02a*	Amendment, dated as of May 12, 1997, to the 1994 Non-Employee Directors Stock Option Plan. (March 2001 Form S-8, Exhibit No. 4.2)**
10.02b*	Amendment, dated as of May 18, 1999, to the 1994 Non-Employee Directors Stock Option Plan. (March 2001 Form S-8, Exhibit No. 4.3)**
10.02c*	Amendment, dated as of August 2, 1999, to the 1994 Non-Employee Directors Stock Option Plan. (2002 Form 10-K, Exhibit No. 10.02c)**
10.02d*	Amendment, dated as of June 12, 2002, to the 1994 Non-Employee Directors Stock Option Plan. (2002 Form 10-K, Exhibit No. 10.02d)**
10.03*	Monro Muffler Brake, Inc. Deferred Compensation Plan, dated January 1, 2005 and last amended and restated as of January 1, 2011. (2011 Form 10-K, Exhibit No. 10.03)**
10.04*	GUST Amendment and Restatement of the Monro Muffler Brake, Inc. Retirement Plan, dated April 1, 2002. (2007 Form 10-K, Exhibit No. 10.04)**
10.04a*	Amendment No. 1 to GUST Restatement, dated as of July 31, 2002. (2007 Form 10-K, Exhibit No. 10.04a)**
10.04b*	Amendment No. 2 to GUST Restatement, dated July 31, 2002. (2007 Form 10-K, Exhibit No. 10.04b)**

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Exhibit No.	Document
10.04c*	Amendment No. 3 to GUST Restatement, dated March 29, 2005. (2007 Form 10-K, Exhibit No. 10.04c)**
10.04d*	Amendment No. 4 to GUST Restatement, dated December 21, 2006. (2007 Form 10-K, Exhibit No. 10.04d)**
10.05*	Profit Sharing Plan, amended and restated as of April 1, 1993. (SEC File No.: 0-19357, 1995 Form 10-K, Exhibit No. 10.05)**
10.05a*	Amendment, dated as of March 1, 2000, to the Profit Sharing Plan. (June 2001 Form S-8, Exhibit No. 4)**
10.06*	Employment Agreement, dated October 1, 2007, between the Company and Robert G. Gross. (October 2007 Form 8-K, Exhibit No. 99.1)**
10.07*	Employment Agreement, dated December 30, 2010 and effective January 1, 2011, between the Company and Joseph Tomarchio, Jr. (January 2011 Form 8-K, Exhibit No. 99.2)**
10.08*	1998 Employee Stock Option Plan, effective November 18, 1998. (December 1998 Form 10-Q, Exhibit No. 10.3 and March 2001 Form S-8, Exhibit No. 4)**
10.08a*	Amendment, dated May 20, 2003, to the 1998 Employee Stock Option Plan. (2004 Form 10-K, Exhibit No. 10.08a)**
10.08b*	Amendment, dated June 8, 2005, to the 1998 Employee Stock Option Plan. (April 2006 Form S-8 for the 1998 Plan, Exhibit No. 4.2)**
10.08c*	Amendment, dated September 26, 2007, to the 1998 Employee Stock Option Plan. (2008 Form 10-K, Exhibit 10.08c)**
10.09*	Kimmel Automotive, Inc. Pension Plan, as amended and restated effective January 1, 1989, adopted December 29, 1994. (2003 Form 10-K, Exhibit No. 10.09)**
10.09a*	First amendment, dated January 1, 1989, to the Kimmel Automotive, Inc. Pension Plan. (2003 Form 10-K, Exhibit No. 10.09a)**
10.09b*	Second amendment, dated January 1, 1989, to the Kimmel Automotive, Inc. Pension Plan. (2003 Form 10-K, Exhibit No. 10.09b)**
10.09c*	Third amendment, dated May 2001, to the Kimmel Automotive, Inc. Pension Plan. (2003 Form 10-K, Exhibit No. 10.09c)**
10.09d	Fourth Amendment, dated as of December 31, 2011, to the Kimmel Automotive, Inc. Pension Plan.**
10.10*	2003 Non-Employee Directors Stock Option Plan, effective August 5, 2003. (2004 Form 10-K, Exhibit No. 10.10)**
10.10a*	Amendment, dated June 8, 2005, to the 2003 Non-Employee Directors Stock Option Plan. (April 2006 Form S-8 for the 2003 Plan, Exhibit No. 4.1)**
10.11*	Amended and Restated Credit Agreement, dated as of June 13, 2011, by and among the Company, RBS Citizens, N.A., as Administrative Agent, and certain lenders party thereto. (June 2011 Form 8-K, Exhibit 10.11)

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Exhibit No.	Document
10.12*	Security Agreement, dated as of July 13, 2005, by and among the Company, Monro Service Corporation, Monro Leasing, LLC and Charter One Bank, N.A., as Administrative Agent for the lenders party to the Credit Agreement. (June 2005 Form 10-Q, Exhibit No. 10.2)
10.13*	Guaranty, dated as of July 13, 2005, of Monro Service Corporation. (June 2005 Form 10-Q, Exhibit No. 10.3)
10.15*	Negative Pledge Agreement, dated as of July 13, 2005, by and among the Company, Monro Service Corporation, Monro Leasing, LLC and Charter One Bank, N.A., as Administrative Agent for the lenders party to the Credit Agreement. (June 2005 Form 10-Q, Exhibit No. 10.5)
10.16	Reaffirmation of Loan Papers, dated as of June 13, 2011, by Company (reaffirming, among other things, Company s agreement, obligation and continuing liability under the Security Agreement and Negative Pledge Agreement, all dated as of July 13, 2005).
10.17	Reaffirmation of Loan Papers, dated as of June 13, 2011, by Monro Service Corporation (reaffirming, among other things, Monro Service Corporation s agreement, obligation and continuing liability under the Security Agreement, Guaranty and Negative Pledge Agreement, all dated as of July 13, 2005).
10.18*	Resale Restriction Agreement by and between the Company and each of its executive officers and certain senior-level managers, effective as of March 24, 2006. (March 2006 Form 8-K/A, Exhibit No. 10.1)
10.60	Lease Agreement, dated as of February 1, 2012, between Monro Service Corporation and the County of Monroe Industrial Development Agency.
10.61	Leaseback Agreement, dated February 1, 2012 between the County of Monroe Industrial Development Agency and Monro Service Corporation.
10.62*	Mortgage Agreement, dated September 28, 1994, between the Company and the City of Rochester, New York. (1995 Form 10-K, Exhibit No. 10.60)
10.63*	Lease Agreement, dated October 11, 1994, between the Company and the City of Rochester, New York. (1995 Form 10-K, Exhibit No. 10.61)
10.66*	Amendment to Lease Agreement, dated September 19, 1995, between the Company and the County of Monroe Industrial Development Agency. (September 1995 Form 10-Q, Exhibit No. 10.00)
10.67*	Employment Agreement, dated December 30, 2010 and effective as of January 1, 2011, between the Company and John W. Van Heel. (January 2011 Form 8-K, Exhibit No. 99.1)**
10.68*	Employment Agreement, dated December 30, 2010 and effective as of January 1, 2011, between the Company and Catherine D Amico. (January 2011 Form 8-K, Exhibit No. 99.3)**
10.69*	Supply Agreement, dated as of December 1, 2010, by and between Ashland Consumer Markets (f/k/a The Valvoline Company, a division of Ashland, Inc.) and Monro Service Corporation (December 2010 Form 10-Q, Exhibit No. 10.72*)

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Exhibit No.	Document
10.70*	Agreement of Purchase and Sale, by and among the Company, as Buyer, and BSA II LLC, CJA I LLC, Lane Dworkin Properties, LLC, AA&L II LLC, Seven Cousins of Rochester, LLC, Forus Properties LLC, Stoneridge 7 Partnership, 35 Howard Road Joint Venture, August, August, Lane of Rochester, LLC, The Charles J. and Burton S. August Family Foundation, Barbara S. Lane and Wendy Dworkin as Trustees under the Will of Sheldon A. Lane f/b/o Barbara A. Lane, Charles J. August and Burton S. August, as Sellers, dated as of March 14, 2008, with respect to Store Nos. 3, 7, 9, 10, 12, 14, 15, 17, 23, 25, 28, 29, 30, 31, 33, 34, 35, 36, 43, 44, 48, 49, 51, 52, 53, 54, 55, 57, 58 and 60. (2009 Form 10-K, Exhibit No. 10.70)
10.70a*	Amendment to Purchase and Sale, by and among the Company, as Buyer, and BSA II LLC, CJA I LLC, Lane Dworkin Properties, LLC, AA&L II LLC, Seven Cousins of Rochester, LLC, Forus Properties LLC, Stoneridge 7 Partnership, 35 Howard Road Joint Venture, August, August, Lane of Rochester, LLC, The Charles J. and Burton S. August Family Foundation, Barbara S. Lane and Wendy Dworkin as Trustees under the Will of Sheldon A. Lane f/b/o Barbara A. Lane, Charles J. August and Burton S. August, as Sellers, dated as of March 14, 2008, with respect to Store Nos. 3, 7, 9, 10, 12, 14, 15, 17, 23, 25, 28, 29, 30, 31, 33, 34, 35, 36, 43, 44, 48, 49, 51, 52, 53, 54, 55, 57, 58 and 60. (2010 Form 10-K, Exhibit No. 10.70a)
10.71*	Supply Agreement, dated April 11, 2007 and effective as of February 1, 2007, by and between Monro Service Corporation and AP Exhaust Products, Inc. (2007 Form 10-K, Exhibit No. 10.71)
10.71a*	Amendment to Supply Agreement, dated as of February 20, 2009. (2009 Form 10-K, Exhibit No. 10.71a)
10.77*	Management Incentive Compensation Plan, effective as of June 1, 2002. (2002 Form 10-K, Exhibit No. 10.77)**
10.79*	Agreement, dated January 1, 1998, between F&J Properties, Inc. and Mr. Tire, Inc., as predecessor-in-interest to the Company, effective January 1, 1998, with respect to Store No. 750. (2004 Form 10-K, Exhibit No. 10.79)
10.79a*	Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 750. (2004 Form 10-K, Exhibit No. 10.79a)
10.79b*	Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by F&J Properties, Inc., with respect to Store No. 750. (2004 Form 10-K, Exhibit No. 10.79b)
10.79c*	Renewal letter, dated April 16, 2007, from the Company to F&J Properties, Inc. with respect to Store No. 750. (2007 Form 10-K, Exhibit No. 10.79c)
10.80*	Agreement, dated January 1, 1997, between The Three Marquees and Mr. Tire, Inc., as predecessor-in-interest to the Company, with respect to Store No. 753. (2004 Form 10-K, Exhibit No. 10.80)
10.80a*	Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 753. (2004 Form 10-K, Exhibit No. 10.80a)
10.80b*	Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by The Three Marquees, with respect to Store No. 753. (2004 Form 10-K, Exhibit No. 10.80b)
10.80c*	Renewal Letter, dated March 6, 2006, from the Company to The Three Marquees, with respect to Store No. 753. (2006 Form 10-K, Exhibit No. 10.80c)
10.81*	Agreement, dated April 1, 1998, between 425 Manchester Road, LLC and Mr. Tire, Inc., as predecessor-in-interest to the Company, with respect to Store No. 754. (2004 Form 10-K, Exhibit No. 10.81)

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Exhibit No.	Document
10.81a*	Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 754. (2004 Form 10-K, Exhibit No. 10.81a)
10.81b*	Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by 425 Manchester Road, LLC, with respect to Store No. 754. (2004 Form 10-K, Exhibit No. 10.81b)
10.81c*	Renewal Letter, dated June 8, 2007, from the Company to 425 Manchester Road LLC, with respect to Store No. 754. (2008 Form 10-K, Exhibit No. 10.81c)
10.82*	Agreement, dated January 1, 1997, between The Three Marquees and Mr. Tire, Inc., as predecessor-in-interest to the Company, with respect to Store No. 756. (2004 Form 10-K, Exhibit No. 10.82)
10.82a*	Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 756. (2004 Form 10-K, Exhibit No. 10.82a)
10.82b*	Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by The Three Marquees, with respect to Store No. 756. (2004 Form 10-K, Exhibit No. 10.82b)
10.82c*	Renewal Letter, dated March 6, 2006, from the Company to The Three Marquees, with respect to Store No. 756. (2006 Form 10-K, Exhibit No. 10.82c)
10.83*	Agreement, dated January 1, 1997, between The Three Marquees and Mr. Tire, Inc., as predecessor-in-interest to the Company, with respect to Store No. 758. (2004 Form 10-K, Exhibit No. 10.83)
10.83a*	Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 758. (2004 Form 10-K, Exhibit No. 10.83a)
10.83b*	Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by The Three Marquees, with respect to Store No. 758. (2004 Form 10-K, Exhibit No. 10.83b)
10.83c*	Renewal Letter, dated March 6, 2006, from the Company to The Three Marquees, with respect to Store No. 758. (2006 Form 10-K, Exhibit No. 10.83c)
10.84*	Agreement, dated September 2, 1999, between LPR Associates and Mr. Tire, Inc., as predecessor-in-interest to the Company, with respect to Store No. 765. (2004 Form 10-K, Exhibit No. 10.84)
10.84a*	Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 765. (2004 Form 10-K, Exhibit No. 10.84a)
10.84b*	Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by LPR Associates, with respect to Store No. 765. (2004 Form 10-K, Exhibit No. 10.84b)
10.84c*	Renewal Letter, dated October 29, 2008, from the Company to LPR Associates with respect to Store No. 765. (2009 Form 10-K, Exhibit No. 10.84c)
21.01	Subsidiaries of the Company.
23.01	Consent of PricewaterhouseCoopers LLP.
24.01	Powers of Attorney.

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31.1	Certification of Robert G. Gross, Chief Executive Officer.
31.2	Certification of Catherine D Amico, Executive Vice President Finance and Chief Financial Officer.
32.1	Certification Pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).

101.INS*** XBRL Instance Document

101.LAB*** XBRL Taxonomy Extension Label Linkbase

101.PRE*** XBRL Taxonomy Extension Presentation Linkbase

101.SCH*** XBRL Taxonomy Extension Schema Linkbase

101.DEF*** XBRL Taxonomy Extension Definition Linkbase

** Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 14(c) hereof.

*** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement of prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or deemed filed for purpose of Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under those sections.

An asterisk * following an exhibit number indicates that the exhibit is incorporated herein by reference to an exhibit to one of the following documents: (1) the Company s Registration Statement on Form S-1 (Registration No. 33-41290), filed with the Securities and Exchange Commission on June 19, 1991 (Form S-1); (2) Amendment No. 1 thereto, filed July 22, 1991 (Amendment No. 1); (3) the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 1992 (1992 Form 10-K); (4) the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 1995 (1995 Form 10-K); (5) the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1995 (September 1995 Form 10-Q); (6) the Company s Registration Statements on Forms S-8, filed with the Securities and Exchange Commission on March 22, 2001 (each a March 2001 Form S-8); (7) the Company s Registration Statement on Form S-8, filed with the Securities and Exchange Commission on June 26, 2001 (June 2001 Form S-8); (8) the Company s Annual Report on Form 10-K for the fiscal year ended March 30, 2002 (2002 Form 10-K); (9) the Company s Annual Report on Form 10-K for the fiscal year ended March 28, 2003 (2003 Form 10-K); (10) the Company s Annual Report on Form 10-K for the fiscal year ended March 27, 2004 (2004 Form 10-K); (11) the Company s Registration Statement on Form S-3 (Registration No. 333-118176), filed with the Securities and Exchange Commission on August 12, 2004 (August 2004 Form S-3); (12) the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2005 (June 2005 Form 10-Q); (13) the Company s Current Report on Form 8-K, filed March 31, 2006 (March 2006 Form 8-K/A); (14) the Company s Registration Statement on Form S-8 (Registration No. 333-133044) filed with the Securities and Exchange Commission on April 6, 2006. (April 2006 Form S-8 for 2003 Plan); (15) the Company s Registration Statement on Form S-8 (Registration No. 333-133045) filed with the Securities and Exchange Commission on April 6, 2006. (April 2006 Form S-8 for 1998 Plan); (16) the Company s Annual Report on Form 10-K for the fiscal year ended March 25, 2006 (2006 Form 10-K); (17) the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2007 (2007 Form 10-K); (18) the Company s Current Report on Form 8-K, filed October 4, 2007 (October 2007 Form 8-K); (19) the Company s Annual Report on Form 10-K for fiscal year ended March 29, 2008 (2008 Form 10-K); (20) the Company s Registration Statement on Form S-8 (Registration No. 333-151196) filed with the Securities and Exchange Commission on May 27, 2008 (May 2008 Form S-8); (21) the Company s Annual Report on Form 10-K for the fiscal year ended March 28, 2009 (2009 Form 10-K); (22) the Company s Annual Report on Form 10-K for the fiscal year ended March 27, 2010 (2010 Form 10-K); (23) the Company s Current Report on Form 8-K, filed on August 12, 2010 (August 2010 Form 8- K);

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(24) the Company s Current Report on Form 8-K, filed on January 4, 2011 (January 2011 Form 8-K); (25) the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended December 25, 2010 (December 2010 Form 10-Q) (26) the Company s Annual Report on Form 10-K, filed on May 25, 2011 (2011 Form 10-K) and (27) the Company s Current Report on Form 8-K, filed on June 16, 2011 (June 2011 Form 8-K). The appropriate document and exhibit number are indicated in parentheses.