MONRO MUFFLER BRAKE INC
Form 10-K
June 12, 2008

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(MARK ONE)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For Fiscal Year Ended March 29, 2008

OR

o **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 LLC

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 o No þ

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 o No þ

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 þ No o

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. o

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 smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of May 30, 2008, the aggregate market value of voting stock held by non-affiliates of the registrant was $377,600,000.

As of May 30, 2008, 21,720,151 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 2008 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 720 Company-operated stores (as of March 29, 2008) and 14 dealer-operated stores providing automotive undercar repair and tire services in the United States. At March 29, 2008, Monro operated Company stores in New York, Pennsylvania, Ohio, Connecticut, Massachusetts, West Virginia, Virginia, Maryland, Vermont, New Hampshire, New Jersey, North Carolina, South Carolina, Indiana, Rhode Island, Delaware and Maine under the names Monro Muffler Brake & Service , Tread Quarters Discount Tire and Mr. Tire (together, the Company Stores). The Company s Stores typically are situated in high-visibility locations in suburban areas and small towns, as well as in major metropolitan areas. The Company Stores serviced approximately 3.4 million vehicles in fiscal 2008. (References herein to fiscal years are to the Company s year ended fiscal March [e.g., references to fiscal 2008 are to the Company s fiscal year ended March 29, 2008].)

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 17 additional states.

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 (estimated at 22% of fiscal 2008 sales); mufflers and exhaust systems (7%); and steering, drive train, suspension and wheel alignment (14%). The Company also provides other products and services including tires (26%) and routine maintenance services including state inspections (31%). 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 provide the services described above. 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 29, 2008, there were 579 stores designated as service stores and 141 as tire stores.

The Company s sales mix for fiscal 2008 and 2007 is as follows:

	Service Stores	Tire Stores	Total Company

	FY08	FY07	FY08	FY07	FY08	FY07
Brakes	28%	28%	12%	11%	22%	23%
Exhaust	11	12	1	1	7	8
Steering	15	15	12	11	14	14
Tires	11	10	53	54	26	24
Maintenance	35	35	22	23	31	31
Total	100%	100%	100%	100%	100%	100%

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

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 New York State and Maryland. The Company believes that this structure has enhanced, and will continue to enhance, operational efficiency and provide 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. 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 the growth in 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. In addition, overall profitability of the Company could be reduced if 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, opening full service Monro stores within host retailers service center locations (e.g. BJ s Wholesale Clubs) 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, and to open stores in host retailers locations.

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

In September 1998, the Company completed the acquisition of 189 company-operated and 14 franchised Speedy stores (the Acquired Speedy stores), from SMK Speedy International Inc. of Toronto, Canada. The Acquired Speedy stores are located primarily in complementary areas in Monro s existing markets in the Northeast, Mid-Atlantic and Midwest regions of the United States. The majority of these stores operate under the Monro brand name.

Effective April 1, 2002, the Company completed the acquisition of Kimmel Automotive, Inc. (the Kimmel Acquisition). Kimmel operated 34 tire and automotive repair stores in Maryland and Virginia, as well as Wholesale and Truck Tire Divisions (including two commercial stores). In June 2002, Monro disposed of Kimmel s Truck Tire Division. The Maryland stores now operate primarily under the Mr. Tire brand name while the Virginia stores continue to operate under the Tread Quarters brand name.

In February 2003, Monro acquired ten company-operated tire and automotive repair store locations in the Charleston and Columbia, South Carolina markets from Frasier Tire Service, Inc. (the Frasier Acquisition). These stores now operate under the Tread Quarters brand name.

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

In fiscal 2005, the Company further expanded its presence in Maryland through the acquisition of certain assets of Rice Tire, Inc. (the Rice Acquisition) and Henderson Holdings, Inc. (the Henderson Acquisition), 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 closed one Rice store in fiscal 2007.

On April 29, 2006, the Company acquired substantially all of the assets of ProCare Automotive Service Solutions LLC (the ProCare Acquisition). 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.

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 (Valley Forge), on July 28, 2007, the Company acquired eight retail tire and automotive repair stores located in the northern Virginia market from Craven Tire & Auto (Craven) and on January 26, 2008, the Company acquired seven retail tire and automotive repair stores located in Buffalo, NY from the Broad Elm Group (Broad Elm). The Company purchased the business and substantially all of the operating assets of these stores, which consist mainly of inventory and equipment, and assumed certain liabilities. These stores all operate under the Mr. Tire brand name.

The total number of stores that the Company operates in BJ s Wholesale Clubs is 37 at March 29, 2008.

As of March 29, 2008, Monro had 720 Company-operated stores and 14 dealer locations located in 18 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				
	2008	**2007**	**2006**	**2005**	**2004**
Stores open at beginning of year	698	625	626	595	560
Stores added during year	31(f)	84(e)	10(d)	35(c)	40(b)
Stores closed during year(a)	(9)	(11)	(11)	(4)	(5)
Stores open at end of year	720	698	625	626	595
Service (including BJ s) stores	579	584	544	546	525
Tire stores	141	114	81	80	70

(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.

(b) Includes 26 stores acquired in the Mr. Tire Acquisition and 12 stores opened in BJ s Wholesale Club locations.

(c) Includes 15 stores acquired in the Henderson and Rice Acquisitions and 16 stores opened in BJ s Wholesale Club locations.

(d) Includes four stores opened in BJ s Wholesale Club locations.

(e) Includes 75 stores acquired in the ProCare Acquisition and three stores opened in BJ s Wholesale Club locations.

(f) 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.

The Company plans to add approximately nine new stores in fiscal 2009, and to continue to pursue appropriate acquisition candidates or opportunities to operate stores within host retailers locations. In future years, should the

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Company find that there are no suitable acquisition or retail partnership candidates, it might increase its new store (greenfield) openings.

The Company has developed a systematic method for selecting new 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 2008, all of the 31 stores added were in existing or mature markets.

The Company believes that management and operating improvements implemented over the last several fiscal years has 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. 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 automobile. 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 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 has helped 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 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 $120,000 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 $300,000 to $900,000 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. 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. Total capital required to open a store within a BJ s Wholesale Club is substantially less than opening a greenfield store.

At March 29, 2008, the Company leased the land and/or the building at approximately 73% 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 stores, excluding acquired stores and BJ s locations, have average sales of approximately $384,000 in their first 12 months of operation, or $64,000 per bay.

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OPERATING STRATEGY

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

Products and Services

All stores provide 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. The service stores provide significantly more brakes and exhaust service than tire stores, and tire stores provide substantially more tire replacement and related services than service stores.

All stores 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 all of 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, all 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 and Vermont also perform annual state inspections. Approximately 46% 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 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 145 of the Company s service stores.

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

Additionally, each Company-operated store displays and operates under the following set of customer satisfaction principles: free inspection of brakes, tires, shocks, front end and exhaust systems; 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 electronic mail to increase consumer awareness of the services offered. The Company also maintains websites for the Monro and Mr. Tire/Tread Quarters 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 employs co-branding initiatives to more quickly increase consumer awareness in certain markets. The Company believes that, especially in newer markets, customers may more readily be drawn into its stores because of their familiarity with national brand names. As part of its BJ s Wholesale Club program, the Company has implemented a series of co-branded initiatives to market the Company s services to the large number of BJ s Wholesale Club members where a new Monro store has opened within the BJ s Wholesale Club service center.

Centralized Control

Unlike many of its competitors, the Company operates, rather than franchises, all of its stores (except for the 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 technical competence is maintained throughout the Company, as Monro requires, as a condition of employment, that employees participate in comprehensive training programs to keep pace with changes in 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 .)

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 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	$ 89,000	2,800
Tire stores	7	5,800	$ 128,000	1,600

(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.)

The 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 5:00 p.m. on Saturday. Selected 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 the 14 stores 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. It also improves profitability because it reduces the amount of parts 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. In fiscal 2008, this program included a monthly telephone survey contacting customers of all stores. (Fifteen customers were contacted for each store during each fiscal quarter.) Customer concerns are addressed via letter and personal follow-up 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 Motorist Assurance Program (MAP). MAP 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. 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 is staffed by a Store Manager, an Assistant Manager and/or Service Manager, and four to eight technicians. Larger volume 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. All Store Managers receive a base salary, and Assistant Managers receive hourly 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.

Monro 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. Monro 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 online 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 quarterly 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 that more frequent training covering all managers each year will improve overall performance and staff retention.

The Company s training department develops and coordinates technical training courses on critical areas of automotive repair to Company technicians (e.g. ABS brake repair, drivability, TPMS, etc.) and also conducts required technical training to maintain compliance with inspection licenses, where applicable, and MAP accreditation. Additionally, the Company s training department holds in-house technical clinics for store personnel and coordinates technician attendance at technical clinics offered by the Company s vendors. The Company 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 hotline 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.

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 used in fiscal 2008.

The Company s ten largest vendors accounted for approximately 76% of its parts and tire purchases, with the largest vendor accounting for approximately 18% of total stocking purchases in fiscal 2008. 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 through the Company-operated tractor/trailer fleet. Stores are replenished either on a weekly or bi-weekly basis from this warehouse, and such replenishment fills, on the average, 97% of all items ordered by the stores automatic POS-driven replenishment system. The Rochester warehouse stocks approximately 6,600 SKUs. The Company also operates warehouses in Baltimore and Virginia that service the tire and service stores in those markets. These warehouses carry, on average, 4,800 and 1,800 SKUs, respectively.

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The Company has entered into various contracts with parts and tire suppliers, certain of which require the Company to buy up to 100% of its annual purchases of specific products including brakes, exhaust, oil and ride control at market prices. These agreements expire at various dates through January 2012. The Company believes these agreements provide it with high quality, branded merchandise at preferred pricing, along with strong marketing and training support.

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 and independent garages. Monro considers Midas, Inc. 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 29, 2008, Monro had 4,066 employees, of whom 3,812 were employed in the field organization, 72 were employed at the warehouses, 159 were employed at the Company s corporate headquarters and 23 were employed in its Baltimore office and warehouse. 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 $25,000 per violation (or up to $25,000 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 both at its headquarters and at its stores. Cardboard, plastic shrink wrap and parts cores are returned to the warehouse by the stores on the weekly stock truck. 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. As a result, sales and profitability are typically lower during the latter period. In the tire stores, the better sales

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months are typically May through August, and October through December. The slowest months are typically January through April and September.

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***

RISKS RELATED TO OUR BUSINESS

In addition to the risk factors discussed elsewhere in this annual report, the following are some of 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 and independent garages. 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 service during the period of March through October than the period of November through February, when miles driven tend to be lower. As a result, our sales and profitability tend to be lower during the latter period. In our tire stores, the slowest months are typically January through April and September. Further, customers may defer or forego vehicle maintenance at any time during periods of inclement weather.

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. While the number of automobiles registered in the United States has steadily increased, this trend may not continue. In any event, 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.

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We depend on our relationships with our vendors.

We depend on close relationships with our vendors for parts 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 including brakes, exhaust, oil and ride control products. These agreements expire at various dates through January 2012. If we fail to purchase sufficient volumes from our vendors, we may obtain parts and supplies on less competitive terms.

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.

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

We are subject to various federal, state and local environmental 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 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 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.

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.

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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. In addition, we generally fund our acquisitions through our existing bank credit facility. 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 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.

In addition, a significant increase in our leverage could have important consequences to an investment in our common stock, including 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 maintain a minimum net worth, 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, the institutions providing the funds have the option to withdraw their funding support. We cannot assure that we will remain in compliance with our debt covenants in the future. In addition, our current financing agreement expires in January 2012, and we cannot assure that we will be able to refinance our existing credit facility when it expires.

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 could not prevent them from terminating their employment with us. Other executives are not bound by employment agreements with us.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

The Company, through Monro Service Corporation, owns its office/warehouse facility of approximately 95,000 square feet, which is located on 12.7 acres of land in Holleder Technology Park, in Rochester, New York.

Of Monro s 720 Company-operated stores at March 29, 2008, 195 were owned, 396 were leased and for 129, the land only 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 54% of the operating leases (226 stores) expire after 2018. 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 29, 2008, 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 is the defendant in a lawsuit filed in December 2007, in the Supreme Court of the State of New York, claiming that the Company violated federal and state laws relating to the calculation and payment of overtime to certain headquarters employees. In May 2008, subject to Court approval, the Company and the plaintiffs agreed upon the financial terms of a settlement of all claims in the lawsuit (the Settlement). In doing so, the Company has not admitted any wrongdoing with respect to the matters involved in the lawsuit. The Company anticipates obtaining final court approval of the Settlement in August 2008. The Company has recorded a reserve for the Settlement, including an estimate of all costs to bring the matter to a close, in the amount of $.9 million in fiscal year 2008.

The Company is not a party or subject to any other legal proceedings other than certain routine claims and lawsuits that arise in the normal course of its business. The Company does not believe that such routine claims or lawsuits, individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2008.

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PART II

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

MARKET INFORMATION

The Common Stock is traded on the NASDAQ Stock Market LLC 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 LLC for the Common Stock:

	Fiscal 2008		Fiscal 2007	
Quarter Ended	**High**	**Low**	**High**	**Low**
June	$ 26.00	$ 22.79	$ 26.40	$ 21.35
September	$ 26.14	$ 21.83	$ 23.16	$ 19.72
December	$ 23.54	$ 18.94	$ 25.54	$ 21.44
March	$ 19.88	$ 14.70	$ 25.51	$ 22.00

HOLDERS

At May 30, 2008, the Company s Common Stock was held by approximately 3,500 shareholders of record or through nominee or street name accounts with brokers.

DIVIDENDS

On August 22, 2007, 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 stock split was distributed on October 1, 2007 to shareholders of record as of September 21, 2007. The stock split was subject to shareholder approval of an increase in the number of authorized common shares from 20,000,000 to 45,000,000. Shareholders voted in favor of this increase at the Company s regularly scheduled Annual Shareholders Meeting on August 21, 2007. Information regarding the number of shares of Common Stock outstanding, as set forth in this Form 10-K, reflect the impact of this stock split.

In May 2006 and 2007, the Company s Board of Directors declared its intention to pay a regular quarterly cash dividend beginning with the first quarter of fiscal 2007 and 2008 of $.05 and $.06, respectively. However, the declaration of and any 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. The terms of the Company s Credit Facility permit the payment of cash dividends not to exceed 25% of the preceding year s net income.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table provides information about the Company purchases of the Company s common stock during the fiscal fourth quarter of 2008:

	Total Number of	Approximate

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Program(3)	Dollar Value of Shares that May Yet be Purchased Under the Program(3)
December 30, 2007 January 26, 2008	369,143	$ 17.97	369,143	$ 1,798,000
January 27, 2008 March 1, 2008	102,500	$ 17.77	102,500	
March 2, 2008 March 29, 2008				
Total	471,643	$ 17.93	471,643	

(1) Shares purchased during the quarter include purchases pursuant to a publicly announced repurchase program (see footnotes 2 and 3 below).

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(2) In January 2007, the Board of Directors approved a share repurchase program authorizing the Company to purchase up to $30 million of its common stock at market prices. The share repurchase program had a term of 12 months.

(3) In November 2007, the Board of Directors approved a share repurchase program authorizing the Company to purchase up to an additional $30 million of its common stock at market prices. The share repurchase program has a term of 12 months.

Treasury stock is accounted for using the par value method. During the years ended March 29, 2008 and March 31, 2007, the Company repurchased 2.8 million shares and 3,750 shares, respectively of its common stock for $60.0 million and $.1 million including commissions, respectively at an average price of $21.27 and $23.02, respectively. The Company s purchases of common stock are recorded as Treasury Stock and result in a reduction of Shareholders Equity .

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PERFORMANCE GRAPH

Set forth below is a line-graph presentation comparing the cumulative shareholder return on the Company s Common Stock, on an indexed basis, against the cumulative total returns of the S & P Industrials and the S & P Retail Stores-Specialty Index for the sixty month period from March 29, 2003 to March 29, 2008 (March 29, 2003 = 100):

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
AMONG MONRO MUFFLER BRAKE, INC., THE S&P INDUSTRIALS INDEX
AND THE S&P SPECIALTY STORES INDEX

* **$100 invested on 3/31/03 in stock or index-including reinvestment of dividends. Fiscal year ending March 31.**

	3/03	3/04	3/05	3/06	3/07	3/08
Monro Muffler Brake, Inc.	100.00	178.50	184.36	266.63	253.88	185.30
S & P Industrials	100.00	137.77	161.65	179.91	192.50	204.92
S & P Specialty Stores	100.00	138.29	150.07	197.38	211.98	145.39

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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 29, 2008. 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				
	2008	2007	2006	2005	2004
	(Amounts in thousands, except per share data)				
Income Statement Data:					
Sales	$ 439,389	$ 417,226	$ 368,727	$ 337,409	$ 279,457
Cost of sales, including distribution and occupancy costs	264,783	250,804	220,915	200,616	165,412
Gross profit	174,606	166,422	147,812	136,793	114,045
Operating, selling, general and administrative expenses	137,145	126,439	108,030	102,379	84,708
Intangible amortization	563	1,051	925	765	304
(Gain) loss on disposal of assets	(1,670)	(2,846)	(973)	221	39
Total operating expenses	136,038	124,644	107,982	103,365	85,051
Operating income	38,568	41,778	39,830	33,428	28,994
Interest expense, net	5,753	4,564	3,478	2,549	2,613
Other (income) expense, net	(798)	2,529	(454)	(523)	(295)
Income before provision for income taxes	33,613	34,685	36,806	31,402	26,676
Provision for income taxes	11,692	12,414	14,140	11,733	10,136
Net income	$ 21,921	$ 22,271	$ 22,666	$ 19,669	$ 16,540
Earnings per share Basic(a)	$ 1.08	$ 1.07	$ 1.12	$ 1.00	$ .85
Diluted(a)	$ 1.00	$ .97	$ 1.01	$ .90	$ .77
Weighted average number of Common Stock and equivalents Basic(b)	20,024	20,818	20,296	19,654	19,431
Diluted(b)	21,871	22,878	22,533	21,843	21,599
Cash dividends per common share or common share equivalent	$ .23	$ .17	$ .10		
Selected Operating Data(c):					

Sales growth:					
Total	5.3%	13.2%	9.3%	20.7%	8.3%
Comparable store(d)	1.2%	3.2%	1.7%	2.0%	4.7%
Stores open at beginning of year	698	625	626	595	560
Stores open at end of year	720	698	625	626	595
Capital expenditures(e)	$ 20,574	$ 22,319	$ 16,005	$ 18,586	$ 14,327
Balance Sheet Data (at period end):					
Net working capital	$ 34,562	$ 29,338	$ 31,949	$ 27,719	$ 30,144
Total assets	370,469	339,758	303,395	284,985	259,343
Long-term obligations	122,585	52,525	46,327	55,438	68,763
Shareholders equity	174,848	215,119	192,990	167,489	138,993

(a) See Note 10 for calculation of basic and diluted earnings per share.

(b) Adjusted in fiscal year 2004 2007 for the effect of the Company s October 2007 three-for-two stock split.

(c) Includes Company-operated stores only no dealer locations.

(d) Comparable store sales data is calculated based on the change in sales of only those stores open as of the beginning of the preceding fiscal year.

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(e) Amount does not include the funding of the purchase price related to the Mr. Tire Acquisition in fiscal 2004, the Rice and Henderson Acquisitions in fiscal 2005, the ProCare Acquisition in fiscal 2007 or the Valley Forge, Craven or Broad Elm Acquisitions in fiscal 2008.

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		
	2008	**2007**	**2006**
Sales	100.0%	100.0%	100.0%
Cost of sales, including distribution and occupancy costs	60.3	60.1	59.9
Gross profit	39.7	39.9	40.1
Operating, selling, general and administrative expenses	31.2	30.3	29.3
Intangible amortization	.1	.3	.3
Gain on disposal of assets	(.4)	(.7)	(.3)
Operating income	8.8	10.0	10.8
Interest expense, net	1.3	1.1	.9
Other (income) expense, net	(.2)	.6	(.1)
Income before provision for income taxes	7.7	8.3	10.0
Provision for income taxes	2.7	3.0	3.8
Net income	5.0%	5.3%	6.2%

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, risks relating to integration of acquired businesses, the risks set forth in Item 1A. Risk Factors and other factors set forth or incorporated elsewhere herein and in the Company s other SEC filings. 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.

OTHER MATTERS

On November 1, 2005, the Company acquired a 13% interest in R&S Parts and Service, Inc. (R&S), a privately owned automotive aftermarket parts and service chain, for $2.0 million from GDJ Retail LLC. As part of the transaction, the Company also loaned R&S $5.0 million under a secured subordinated debt agreement that had a five-year term and carried an 8% interest rate. The loan was repaid in full in December 2006.

On August 11, 2006, the Company announced that it would not exercise its option to purchase the remaining 87% of R&S, originally negotiated for an additional $12.0 million in cash and $1.0 million of Monro stock. In addition, the Company recorded an after-tax impairment charge of $1.7 million with respect to the original 13% equity investment, as well as due diligence costs related to R&S. Management reached this conclusion after learning that R&S had filed petitions for relief under Chapter 11 of the U.S. Bankruptcy Code.

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Under the terms of the R&S debtor-in-possession financing, the Bankruptcy Court ordered the payment to Monro of the $5 million secured loan, plus a portion of legal and other fees incurred by Monro in connection with the issuance and repayment of the loan. In February 2007, the Creditors Committee appointed in R&S s bankruptcy commenced an action seeking repayment of the $5 million. In response, the Company filed a complaint against GDJ Retail, LLC and its principal, Glen Langberg, for breach of contract, contractual indemnification and negligent misrepresentation arising from the Company s purchase of a 13% interest in R&S in November 2005.

In May 2007, the Bankruptcy Court approved a global settlement of both actions. As a result of the settlement, the Company received $325,000 from R&S. All claims against the Company, GDJ Retail, LLC, Glen Langberg and R&S have been dismissed.

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

Goodwill represents the amount paid in consideration for an acquisition in excess of the net assets acquired. In accordance with Statement of Financial Accounting Standards No. 142 (SFAS 142), Goodwill and Other Intangible Assets , the Company does not amortize goodwill for acquisitions made after June 30, 2001. The Company conducts tests for impairment of goodwill annually, typically during the third quarter of the fiscal year, or more frequently if circumstances indicate that the asset might be impaired. These impairment tests include management estimates of future cash flows that are dependent upon subjective assumptions regarding future operating results including growth rates, discount rates, capital requirements and other factors that impact the estimated fair value. An impairment loss is recognized to the extent that an asset s carrying amount exceeds its fair value.

The Company evaluates the carrying values of its long-lived assets to be held and used in the business by reviewing undiscounted cash flows by operating unit. Such evaluations are performed whenever events and circumstances indicate that the carrying amount of an asset may not be recoverable. In such instances, the carrying values are adjusted for the differences between the fair values and the carrying values. Additionally, in the case of fixed assets related to locations that will be closed or sold, the Company shortens the depreciable life of the related assets to coincide with the planned sale or closing date.

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.

Warranty

The Company provides an accrual for estimated future warranty costs based upon the historical relationship of warranty costs to sales, except for tire road hazard warranties which are accounted for in accordance with Financial Accounting Standards Board (FASB) Technical Bulletin 90-1 Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts . Warranty expense related to all product warranties at and for the fiscal years ended March 2008, 2007 and 2006 was not material to the Company s financial position or results of operations.

Stock-Based Compensation

The Company accounts for its stock options in accordance with Statement of Financial Accounting Standards No. 123R (SFAS 123R), Share-Based Payment , as interpreted by FASB Staff Positions No. 123R-1, 123R-2, 123R-3, 123R-4, 123R-5, and 123R-6, using the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation , effective March 26, 2006.

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 vesting period 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 accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). 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 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 FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 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 FIN 48, 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 2008 AS COMPARED TO FISCAL 2007

Sales for fiscal 2008 increased $22.2 million, or 5.3% to $439.4 million as compared to $417.2 million in fiscal 2007. The increase was due to an increase of approximately $21.2 million from new stores (which are defined as stores added since March 25, 2006), including $3.5 million from the acquired ProCare stores and $14.5 million from the former Craven, Valley Forge and Broad Elm stores acquired in fiscal 2008. Comparable store sales increased 1.2%. Adjusting for days, comparable store sales increased 3.1%. Partially offsetting this was a decrease in sales from closed stores amounting to $4.1 million. Fiscal 2008 was a 52-week year, and therefore, there were 306 selling days as compared to 312 selling days in fiscal year 2007.

During the year, 31 stores were added and nine were closed. At March 29, 2008, the Company had 720 stores in operation.

Management believes that the improvement in comparable store sales resulted from several factors, including an increase in brake sales, tire sales, maintenance services and alignments. Price increases in several product categories also contributed to the sales improvement. Comparable store traffic declined but average ticket increased. Management believes that soft economic conditions resulted in consumers deferring repairs to their vehicles. However, most repairs can only be deferred for a period of time. When customers did come in to have their vehicles repaired, it is management s belief that they spent more on average because the problem with their vehicle had worsened due to additional wear.

The Company introduced Scheduled Maintenance services in all of its stores late in fiscal 2001. These services are required by vehicle manufacturers to comply with warranty schedules, and are offered by Monro in a more convenient and cost competitive fashion than auto dealers typically provide. Management believes that these services, which are offered both in bundled packages and individually, will continue to contribute positively to comparable store sales in future years, and have helped to mitigate the decline in exhaust which negatively impacted recent fiscal years. The exhaust decline resulted primarily from manufacturers use of non-corrosive stainless steel exhaust systems on most new cars beginning in the mid-1980s and completed in the mid-1990s.

As occurred in fiscal 2006 and 2007, the Company completed the bulk sale of approximately $4.6 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. The barter transactions that occurred in fiscal 2008 decreased gross profit by .3% of sales as compared to fiscal 2007. The bulk sales of inventory to Icon are important transactions for the Company. The sales help to improve inventory turns. As more vendor agreements fall under the newer vendor rebate rules, which require that vendor rebates be recognized in concert with the related inventory turns, inventory turns have a more direct impact on cost of goods sold and gross profit than in the past.

The Company has demonstrated its ability to consistently use the credits. Since it began doing barter transactions in the late 1990 s, the Company has used over $6.9 million of credits with vendors and the barter company. Barter credits are recorded at their net realizable value.

Additionally, the Company continued to reward store employees with pay programs focused on high customer service scores. Management believes that, in spite of the sluggish economic environment, it is continuing to build the trust of its customers, through quality, integrity and fair pricing, and is gaining an advantage over some of its competitors.

The new ProCare stores acquired on April 29, 2006 were purchased out of bankruptcy. These stores suffered significant declines in recent years and did not perform at a profitable level in fiscal 2008 or 2007. As a result, these stores lost approximately $.04 per share in fiscal 2008, as compared to $.05 per share in fiscal 2007. However, sales have improved and continue to improve since the acquisition, and efforts continue which focus on increasing sales volumes, reducing costs and improving margins. Comparable store sales for the ProCare stores in fiscal 2008

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increased 1.8%, or 3.8% adjusted for selling days. Gross profit improved by 110 basis points, operating income improved by $.9 million to $1.4 million and the pretax loss declined by $.6 million to $1.2 million from $1.8 million in the prior fiscal year.

For the Company, gross profit for fiscal 2008 was $174.6 million or 39.7% of sales as compared with $166.4 million or 39.9% of sales for fiscal 2007. The decrease in gross profit for the year ended March 29, 2008, as a percentage of sales, is due to several factors. A primary reason for the decrease was decreased leverage in distribution and occupancy costs related to the loss of six selling days between the two fiscal years. Without the extra selling week, gross profit for fiscal 2007 would have been 39.7% or flat with fiscal 2008. Barter sales transactions also decreased gross profit by .3 of a percent of sales for the full fiscal year 2008 as compared to .1 for fiscal 2007. Additionally, the Valley Forge, Craven and Broad Elm stores acquired in fiscal 2008 increased consolidated cost of sales and decreased gross profit by .2% of sales. In addition, chainwide, there was a slight shift in mix to the lower margin tire category away from higher margin categories. There were cost increases, as well, in oil and tires. For tires, the Company was able to effectively offset these increases with increases in selling prices, thereby preserving margins.

Partially offsetting these increases was a decrease in labor costs as a percent of sales, primarily due to the significant improvement in productivity of the technicians at the ProCare stores, achieved through improved sales and right-sizing of crews. Additionally, selling price increases for product categories other than oil and tires helped partially offset the aforementioned items which increased material costs.

Selling, general and administrative (SG&A) expenses for fiscal 2008 increased by $10.7 million to $137.1 million from fiscal 2007, and were 31.2% of sales as compared to 30.3% in the prior year. The increase in SG&A consisted of several items. First, there was decreased leverage in SG&A due to one less selling week in fiscal 2008 as compared to fiscal 2007. Additionally, the expense related to stock options increased by $1.2 million in fiscal 2008 over fiscal 2007. Of this increase, $.9 million, or .2 of a percent, related to the award of vested options to the Company s Chief Executive Officer in connection with the renewal of his employment contract. The Company recorded a $.9 million charge related to the settlement of a wage and labor class action lawsuit involving headquarters employees filed against the Company in fiscal year 2008. There was also a shift in cooperative advertising credits from SG&A to cost of sales in connection with the accounting for new vendor agreements under EITF 02-16 which caused SG&A expenses to increase approximately .3 of a percentage point as compared to the prior year. In addition, the Company experienced increases in health and workers compensation insurance expense as compared to the prior year, accounting for .6 of the increase as a percent of sales.

The largest drivers of the dollar increases in SG&A expenses in fiscal 2008 were as follows: direct store expenses such as manager pay, advertising, supplies, etc. increased $4.6 million over the prior year related to the Broad Elm, Valley Forge, Craven and a full year of the ProCare stores included in fiscal 2008 as compared to fiscal 2007. Cooperative advertising credits decreased (a shift to gross profit) by $1.3 million, stock option expense increased $1.2 million, benefits expense increased $2.7 million and the lawsuit settlement added $.9 million, as previously discussed above.

Intangible amortization for fiscal 2008 decreased $.5 million to $.6 million from fiscal 2007, and was .1% of sales as compared to .3% of sales in the prior year.

Gain on disposal of assets for fiscal 2008 decreased $1.2 million to $1.7 million from fiscal 2007, and was .4 as a percent of sales as compared to a .7 as a percent of sales in the prior year. This decrease is strictly a function of lower gains on property disposals in fiscal 2008 as compared to fiscal 2007. Effectively, the Company sells one or more properties annually, but there will be differences in the timing from one year to the next.

Operating income in fiscal 2008 of $38.6 million decreased 7.7% compared to operating income in fiscal 2007, and decreased as a percentage of sales from 10.0% to 8.8%.

Net interest expense for fiscal 2008 increased by approximately $1.2 million as compared to the same period in the prior year, and increased from 1.1% to 1.3% as a percentage of sales. The weighted average debt outstanding for the year ended March 29, 2008 increased by approximately $18 million from fiscal 2007, primarily related to the funding of the Valley Forge, Craven and Broad Elm acquisitions and the funding of the Company s stock repurchase program. The weighted average interest rate was essentially flat between the two years.

Other income, net for fiscal 2008 increased $3.3 million as compared to fiscal 2007, primarily related to the write-off of the Company s investment in Strauss of $2.8 million in fiscal 2007. Also contributing to the increase was the Company s recognition of $.3 million of income in the current year in connection with the Company s settlement of all outstanding legal claims with Strauss and $.3 million of income from Auction Direct under the Company s consulting agreement.

The Company s effective tax rate was 34.8% and 35.8%, respectively, of pre-tax income in fiscal 2008 and 2007. In fiscal 2008, income tax expense was reduced by $.9 million related to the resolution of federal and state tax accounting matters. Offsetting this, was a $.2 million charge resulting from a reduction in the Company s state income tax rate used to calculate deferred taxes. The Company s previously recorded deferred tax assets were reduced, with a corresponding increase in income tax expense. In fiscal 2007, the Company s tax rate was impacted by the recognition of a $.4 million income tax benefit primarily related to the favorable resolution of state income tax issues and a reduction in income tax reserves in connection with the finalization of the full year tax provision of $.2 million. These items had the effect of lowering the Company s tax rate by 1.9% and 1.7% for fiscal 2008 and 2007, respectively.

Net income for fiscal 2008 decreased by $.4 million, or 1.6%, from $22.3 million in fiscal 2007, to $21.9 million in fiscal 2008, and earnings per diluted share increased by 3.1% from $.97 to $1.00 post stock split due to the factors discussed.

FISCAL 2007 AS COMPARED TO FISCAL 2006

Sales for fiscal 2007 increased $48.5 million, or 13.2% to $417.2 million as compared to $368.7 million in fiscal 2006. The increase was due to an increase of approximately $43.1 million from new stores (which are defined as stores added since March 26, 2005), including $35.3 million from the Acquired ProCare stores, as well as a comparable store sales increase of 3.2%. Fiscal 2007 was a 53-week year, and, therefore, there were 312 selling days in fiscal year 2007 as compared to 308 selling days in fiscal year 2006. Adjusting for days, comparable store sales increased 1.9%.

During the year, 84 stores were added and 11 were closed. At March 31, 2007, the Company had 698 stores in operation.

As occurred in fiscal 2006, the Company completed the bulk sale of approximately $3.9 million of slower moving inventory to Icon International, a barter company. The bulk sales of inventory to Icon are important transactions for the Company. The sales help to improve inventory turns, which becomes a higher priority as interest rates continue to rise, and in light of the accounting rules of Emerging Issues Task Force Issue No. 02-16 (EITF 02-16), Accounting by a Customer (Including a Reseller) for Cash Consideration Received from a Vendor , which require that vendor rebates be recognized as inventory turns. As new vendor agreements fall under these rules, inventory turns have a more direct impact on cost of goods sold and gross profit than in the past.

The Company has demonstrated its ability to consistently use the credits. Since it began doing barter transactions in the late 1990 s, the Company has used over $6.9 million of credits with vendors and the barter company. Barter credits are recorded at their net realizable value.

Management believes that the improvement in sales resulted from several factors, including an increase in tire sales, scheduled maintenance services and alignments. Price increases in several product categories also contributed to the sales improvement. Comparable store traffic improved as did average ticket. Management believes that soft economic conditions resulted in consumers deferring repairs to their vehicles, especially in the first half of the Company s fiscal year, which typically accounts for slightly more than 50% of its sales and 65 75% of its earnings. In the first half of fiscal 2007, the Company s comparable store sales declined .9%. However, most repairs can only be deferred for a period of time. When customers did come in to have their vehicles repaired, it is management s belief that they spent more on average because the problem with their vehicle had worsened due to additional wear.

The new ProCare stores acquired on April 29, 2006 were purchased out of bankruptcy. These stores suffered significant sales declines in recent years and did not perform at a profitable level in fiscal 2007. The ProCare stores

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lost approximately $.05 in diluted earnings per share in fiscal 2007. However, sales improved over the course of fiscal 2007 and efforts were made to reduce costs and improve margins.

Gross profit for fiscal 2007 was $166.4 million or 39.9% of sales, as compared with $147.8 million or 40.1% of sales for fiscal 2006. The ProCare stores increased consolidated cost of sales and reduced gross profit by .7% as a percentage of sales during fiscal 2007. The decrease in consolidated gross profit occurred primarily in the areas of labor and material costs. Even in times of declining sales, technicians receive a minimum base wage when they are not fully productive. This subsidization of wages in the ProCare stores raised labor costs as a percentage of consolidated sales. Higher than normal outside purchases of parts by the ProCare stores increased total material costs. However, the Company saw declines in outside purchases over the course of the year as it added to, and rebalanced, the inventory at these locations. The Company expects to see more improvement in this expense line as it continues to refine the types and level of inventory which is carried at these stores, and as these stores continue to improve their level of transfers of product from neighboring stores. Additionally, due to negative comparable store sales at these locations, fixed occupancy costs created pressure on gross margin.

Without the ProCare stores, gross profit was 40.6% of sales for fiscal 2007, as compared to 40.1% in the prior year. The improvement in gross profit as a percentage of sales is due to a couple of factors. One reason is the shift of vendor rebates or cooperative advertising credits from Selling, General and Administrative Expenses (SG&A) to cost of sales. Additionally, the Company earned more vendor rebates in fiscal 2007 than it did in fiscal 2006. These rebates offset the negative impact of the shift in mix to the lower margin tire and maintenance services categories. Decreases in technician labor and occupancy costs also contributed to the improvement in gross margin as compared to the prior year. Technician labor costs decreased due to better operational control and improved productivity. Additionally, the increase in tire sales, which carry lower labor costs as compared to other service categories, helped to decrease labor costs as a percent of sales in fiscal 2007 as compared to fiscal 2006.

Distribution and occupancy costs as a percentage of sales in fiscal 2007 also decreased as compared to fiscal 2006, as the Company, with improved sales, was able to better leverage these largely fixed costs. Additionally, expenditures for building maintenance in fiscal 2007 were slightly less than the prior year.

SG&A for fiscal 2007 increased by $18.4 million to $126.4 million, and increased as a percentage of sales to 30.3% compared to 29.3% in 2006. The ProCare stores accounted for a .5% increase in store direct cost (included in SG&A) as compared to the prior year. Manager pay and benefits are included in store direct costs, and being largely fixed, put adverse pressure on margins against negative comparable store sales in these locations. In addition to the percentage increase attributable to the ProCare stores, a shift in cooperative advertising credits from SG&A to cost of sales in connection with the accounting for new vendor agreements under EITF 02-16 caused SG&A to increase approximately one percentage point as compared to the prior year. Partially offsetting these increases, however, was a decrease in management bonus expense due to the Company not attaining minimum profit goals.

The Company experienced an unplanned charge of $1.3 million in workers compensation and garage liability insurance expense in the fourth quarter of fiscal 2007, and these expenses also increased $1.9 million over the same quarter of last year. However, benefits expense in total, which includes workers compensation expense, was flat for the year as a percent of sales when compared to the prior year because of an offsetting decline in health insurance expense which had occurred over the course of fiscal 2007. General insurance expense for the full year, which includes garage liability insurance, increased only slightly over the prior year.

The Company adopted SFAS 123R in fiscal 2007 and recognized approximately $.5 million of expense related to stock options issued in fiscal 2007. In the fourth quarter of fiscal 2006, the Company accelerated the vesting of all outstanding stock options and recognized a charge of approximately $.3 million just prior to adoption. Most of this expense is included in SG&A in both years.

Intangible amortization for fiscal 2007 increased $.1 million to $1.1 million from fiscal 2006, and was .3% of sales for both years.

Gain on disposal of assets for fiscal 2007 increased $1.9 million to $2.8 million from fiscal 2006, and was .7% of sales as compared to a .3% of sales in the prior year. This increase was due to the relocation of a Mr. Tire store in the current year. The owners of the property paid the Company $.9 million to relinquish the lease. The Company did not have a similar transaction in the prior year. In addition, in the current year there was a reduction in the closed

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store reserves, resulting in income of $.4 million. The remainder of the increase was due to the sale of certain properties in the current fiscal year that had larger gains than the property sold in the prior year.

Operating income in fiscal 2007 of $41.8 million, or 10.0% of sales, increased by $1.9 million from the fiscal 2006 level of $39.8 million, due to the factors discussed above.

Interest expense, net of interest income, increased as a percent of sales from .9% in fiscal 2006 to 1.1% in fiscal 2007. The weighted average debt outstanding for the year ended March 31, 2007 increased by approximately $11.0 million from fiscal 2006, primarily related to $20.2 million of capital leases assumed in connection with the ProCare acquisition, involving 45 locations, partially offset by net payments on the Company s revolving credit facility. Additionally, there was an increase in the weighted average interest rate for the year ended March 31, 2007 of approximately 60 basis points from the year ended March 25, 2006, resulting in an increase in expense between the two years. The increase was also largely due to the interest rates associated with the capital leases which are generally much higher than the Company s incremental borrowing rate under its revolving credit facility.

Other expense, net, for fiscal 2007 increased $3.0 million as compared to fiscal 2006. This increase was mainly due to the loss on investment in R&S Parts and Service, Inc. of $2.8 million. As discussed elsewhere in this Form 10-K, during fiscal 2007, the Company recorded an impairment charge with respect to its original 13% equity investment as well as due diligence costs related to R&S, upon learning that R&S had filed petitions for relief under Chapter 11 of the U.S. Bankruptcy Code, and deciding that it would not exercise its option to purchase the remaining 87% of R&S.

The Company s effective tax rate was 35.8% and 38.4% of pre-tax income in fiscal 2007 and 2006, respectively. During the first quarter of fiscal 2007, the Company recognized $.4 million of income tax benefit primarily related to the favorable resolution of state income tax issues. Additionally, in the fourth quarter of fiscal 2007, in connection with finalization of its full year tax provision, the Company reduced income tax reserves by $.2 million.

Net income for fiscal 2007 decreased by $.4 million, or 1.7%, from $22.7 million in fiscal 2006, to $22.3 million in fiscal 2007, and earnings per diluted share decreased by 3.3% from $1.51 to $1.46 due to the factors discussed.

CAPITAL RESOURCES AND LIQUIDITY

Capital Resources

The Company s primary capital requirements for fiscal 2008 were divided among the funding of the acquisitions for $20.2 million, as well as the upgrading of facilities and systems and the funding of its store expansion program totaling $20.6 million. In fiscal 2007, the Company s primary capital requirements were divided among the funding of acquisitions for $13.1 million, as well as the upgrading of facilities and systems and the funding of its store expansion program totaling $22.3 million. In both fiscal years 2008 and 2007, these capital requirements were primarily met by cash flow from operations.

In fiscal 2009, the Company intends to open approximately nine new stores. Total capital required to open a new service store ranges, on average (based upon the last five fiscal years openings excluding the acquired stores and BJ s locations), from $300,000 to $900,000 depending on whether the store is leased, owned or land leased. Total capital required to open a store within a BJ s Wholesale Club is substantially less than for a greenfield store.

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.

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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)		
Long-term debt	$ 89,733	$ 0	$ 0	$ 89,073	$ 660
Capital lease commitments	34,455	1,603	3,501	3,445	25,906
Operating lease commitments	104,348	23,440	35,255	21,220	24,433
Purchase obligations	124,563	44,740	79,823	0	0
Total(1)	$ 353,099	$ 69,783	$ 118,579	$ 113,738	$ 50,999

(1) The total amount of unrecognized tax benefits were $3.9 million at March 29, 2008.

In July 2005, the Company entered into a five-year, $125 million Revolving Credit Facility agreement with five banks. Interest only is payable monthly throughout the Credit Facility s term. The facility included a provision allowing the Company to expand the amount of the overall facility to $160 million, subject to existing or new lender(s) commitments at that time. The terms of the Credit Facility permit the payment of cash dividends not to exceed 25% of the preceding year s net income. Additionally, 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.

In January 2007, the Company amended its existing Credit Facility to: 1) allow stock buybacks subject to the Company being able to meet its existing financial covenants; 2) extend the termination date by 18 months to January 2012; and 3) increase the accordion feature by $40 million, which allows the Company to expand the amount of the overall facility to $200 million. Approximately $89.1 million was outstanding at March 29, 2008.

In June 2008, the Credit Facility was amended again to increase the committed sum by $38.3 million to $163.3 million, thereby reducing the accordion to $36.7 million from $75 million. Additionally, a sixth bank agreed to be added as a lender to the Credit Agreement.

Within the aforementioned $163.3 million Revolving Credit facility, the Company has available a sub-facility of $20 million for the purpose of issuing standby letters of credit. The line requires fees aggregating .88% annually of the face amount of each standby letter of credit, payable quarterly in arrears. There were $11.7 million in outstanding letters of credit under this line at March 29, 2008.

In addition, the Company has financed certain store properties and vehicles with capital leases, which amount to $34.5 million and are due in installments through 2026.

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.

Certain of the Company s long-term debt agreements require, among other things, the maintenance of specified interest and rent coverage ratios and amounts of net worth. They also contain restrictions on dividend payments. The Company is in compliance with these requirements at March 29, 2008. These agreements permit mortgages and specific lease financing arrangements with other parties with certain limitations.

From time to time, the Company enters into interest rate hedge agreements, which involve the exchange of fixed and floating rate interest payments periodically over the life of the agreement without the exchange of the underlying principal amounts. The differential to be paid or received is accrued as interest rates change and is recognized over the life of the agreements as an offsetting adjustment to interest expense. Currently, the Company has no hedge agreements. The most recent hedge agreement expired in October 2005.

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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 29, 2008 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 2008 and 2007, approximately 1% and 3%, respectively, of the Company s long-term debt, excluding capital leases, was at fixed interest rates and therefore, the fair value is affected by changes in market interest rates. The Company s cash flow exposure on floating rate debt, which is not supported by interest rate swap agreements, would result in interest expense fluctuating approximately $.9 million based upon the Company s debt position at fiscal year ended March 29, 2008 and $.2 million for fiscal year ended March 31, 2007, given a 1% change in LIBOR.

The Company regularly evaluates these risks and has in the past entered and may in the future enter into interest rate swap agreements. All prior agreements had expired by October 2005. The Company believes the amount of risk and the use of derivative financial instruments described above are not material to the Company s financial condition or results of operations.

Long-term debt, including current portion, had a carrying amount of $89.7 million and a fair value of $89.5 million as of March 29, 2008, as compared to a carrying amount of $21.2 million and a fair value of $20.9 million as of March 31, 2007.

Item 8. ***Financial Statements and Supplementary Data***

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in shareholders equity and cash flows present fairly, in all material respects, the financial position of Monro Muffler Brake, Inc. and its subsidiaries at March 29, 2008 and March 31, 2007, and the results of its operations and its cash flows for each of the three years in the period ended March 29, 2008 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 29, 2008, 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.

As discussed in *Note 1 Significant Accounting Policies* and *Note 8 Income Taxes* to the consolidated financial statements, the Company changed the manner in which it accounts for uncertainty in income tax provisions within the financial statements effective April 1, 2007.

As discussed in *Note 1 Significant Accounting Policies* and *Note 12 Employee Retirement and Profit Sharing Plans* to the consolidated financial statements, the Company changed the manner in which it accounts for defined benefit pension and other postretirement plans effective March 31, 2007.

As discussed in *Note 1 Significant Accounting Policies* to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation effective March 26, 2006.

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
June 12, 2008

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	March 29, 2008	March 31, 2007
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and equivalents	$ 2,108	$ 965
Trade receivables	2,116	2,225
Inventories	66,183	62,398
Deferred income tax asset	3,840	4,378
Other current assets	18,626	18,605
Total current assets	92,873	88,571
Property, plant and equipment	338,970	327,303
Less Accumulated depreciation and amortization	(154,786)	(143,054)
Net property, plant and equipment	184,184	184,249
Goodwill	71,472	52,897
Intangible assets and other non-current assets	18,764	14,041
Long-term deferred tax asset	3,176	
Total assets	$ 370,469	$ 339,758
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 1,603	$ 1,368
Trade payables	27,257	27,211
Federal and state income taxes payable	914	1,580
Accrued payroll, payroll taxes and other payroll benefits	10,596	10,697
Accrued insurance	6,356	7,122
Warranty reserves	4,086	3,555
Other current liabilities	7,499	7,700
Total current liabilities	58,311	59,233
Long-term debt	122,585	52,525
Accrued rent expense	6,944	6,937
Other long-term liabilities	4,729	5,524
Deferred income tax liability		420
Long-term income taxes payable	3,052	
Total liabilities	195,621	124,639

Commitments		
Shareholders equity:		
Class C Convertible Preferred Stock, $1.50 par value, $.096 and $.144 conversion value at March 29, 2008 and March 31, 2007, respectively, 150,000 shares authorized; 65,000 shares issued and outstanding	97	97
Common Stock, $.01 par value, 45,000,000 and 20,000,000 shares authorized; 21,683,859 and 14,342,051 shares issued at March 29, 2008 and March 31, 2007, respectively	217	143
Treasury Stock, 3,322,392 and 334,128 shares at March 29, 2008 and March 31, 2007, respectively, at cost	(62,160)	(2,143)
Additional paid-in capital	66,756	62,866
Accumulated other comprehensive income	(1,182)	(1,478)
Retained earnings	171,120	155,634
Total shareholders equity	174,848	215,119
Total liabilities and shareholders equity	$ 370,469	$ 339,758

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

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	Year Ended Fiscal March		
	2008	**2007**	**2006**
	(Amounts in thousands, except per share data)		
Sales	$ 439,389	$ 417,226	$ 368,727
Cost of sales, including distribution and occupancy costs	264,783	250,804	220,915
Gross profit	174,606	166,422	147,812
Operating, selling, general and administrative expenses	137,145	126,439	108,030
Intangible amortization	563	1,051	925
Gain on disposal of assets	(1,670)	(2,846)	(973)
Total operating expenses	136,038	124,644	107,982
Operating income	38,568	41,778	39,830
Interest expense, net of interest income of $43 in 2008, $387 in 2007, and $65 in 2006	5,753	4,564	3,478
Other (income) expense, net	(798)	2,529	(454)
Income before provision for income taxes	33,613	34,685	36,806
Provision for income taxes	11,692	12,414	14,140
Net income	$ 21,921	$ 22,271	$ 22,666
Earnings per share:			
Basic	$ 1.08	$ 1.07	$ 1.12
Diluted	$ 1.00	$ .97	$ 1.01
Weighted average number of common shares outstanding used in computing earnings per share:			
Basic	20,024	20,818	20,296
Diluted	21,871	22,878	22,533

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

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT 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 26, 2005	$ 97	$ 137	$ (1,831)	$ 52,484	$ 116,619	$ (17)	$ 167,489
Net income					22,666		22,666
Other comprehensive income:							
SFAS 133 adjustment(1)						17	17
Total comprehensive income							22,683
Cash Dividends:							
Preferred ($.10 per CSE)(2)					(102)		(102)
Common ($.10 per share)					(2,035)		(2,035)
Tax benefit from exercise of stock options				711			711
Exercise of warrants		1		2,232			2,233
Exercise of stock options		2		1,917			1,919
Stock issuance costs				20			20
Stock option compensation				297			297
Purchase of treasury shares			(225)				(225)
Balance at March 25, 2006	97	140	(2,056)	57,661	137,148	0	192,990
Net income					22,271		22,271
Adjustment to initially apply SFAS 158 for pension benefits(1)						(1,478)	(1,478)
Cash Dividends:							
Preferred ($.17 per CSE)(2)					(175)		(175)
Common ($.17 per share)					(3,610)		(3,610)
Tax benefit from exercise of stock options				1,076			1,076
Exercise of stock options		3		3,606			3,609
Stock option compensation				523			523
Purchase of treasury shares			(87)				(87)
Balance at March 31, 2007	97	143	(2,143)	62,866	155,634	(1,478)	215,119
Net income					21,921		21,921
Other comprehensive income:							
						296	296

Pension liability adjustment(1)							
Total comprehensive income							22,217
Cash Dividends:							
Preferred ($.23 per CSE)(2)					(230)		(230)
Common ($.23 per share)					(4,570)		(4,570)
Tax benefit from exercise of stock options				587			587
Exercise of stock options		2		1,542			1,544
Shares issued in connection with three-for-two stock split (See Note 1)		72			(72)		0
Stock option compensation				1,761			1,761
Purchase of treasury shares			(60,017)				(60,017)
Adoption of FIN 48					(1,563)		(1,563)
Balance at March 29, 2008	$ 97	$ 217	$ (62,160)	$ 66,756	$ 171,120	$ (1,182)	$ 174,848

(1) Components of comprehensive income are reported net of related taxes of $197, $985 and $11 in fiscal years 2008, 2007 and 2006, respectively.

(2) CSE Common stock equivalent

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

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MONRO MUFFLER BRAKE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended Fiscal March 2008	2007	2006
	(Dollars in thousands) Increase (Decrease) in Cash		
Cash flows from operating activities:			
Net income	$ 21,921	$ 22,271	$ 22,666
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	20,421	20,322	17,776
Loss on investment in R&S Parts and Services, Inc.		2,796	
Stock-based compensation expense	1,761	523	297
Excess tax benefits from share-based payment arrangements	(148)	(511)	
Net change in deferred income taxes	(1,268)	816	(806)
Gain on disposal of property, plant and equipment	(1,670)	(1,946)	(973)
Gain from relocation of tire store		(900)	
Decrease (increase) in trade receivables	109	(499)	436
Increase in inventories	(2,820)	(974)	(4,498)
Decrease (increase) in other current assets	305	(1,484)	(1,283)
Increase in intangible assets and other non-current assets	(461)	(7,935)	(1,377)
(Decrease) increase in trade payables	(61)	1,250	1,906
(Decrease) increase in accrued expenses	(1,498)	3,562	311
Increase in federal and state income taxes payable	636	719	1,966
(Decrease) increase in other long-term liabilities	(408)	297	(653)
Increase in long-term income taxes payable	133		
Total adjustments	15,031	16,036	13,102
Net cash provided by operating activities	36,952	38,307	35,768
Cash flows from investing activities:			
Capital expenditures	(20,574)	(22,319)	(16,005)
Acquisitions, net of cash acquired	(20,243)	(13,109)	
Proceeds from the disposal of property, plant and equipment	1,084	4,029	3,029
Proceeds from relocation of tire store		450	450
Debtor in-possession financing to ProCare			(900)
Deposit on acquisition of ProCare			(700)
Repayment of loan receivable from (loan to) R&S Parts and Services, Inc.		5,000	(5,000)
Investment in R&S Parts and Services, Inc.			(2,000)
Net cash used for investing activities	(39,733)	(25,949)	(21,126)

Cash flows from financing activities:			
Proceeds from borrowings	193,630	127,338	206,450
Principal payments on long-term debt and capital lease obligations	(126,581)	(142,759)	(219,990)
Purchase of common stock	(60,017)	(87)	(225)
Exercise of stock options	1,544	3,609	1,919
Exercise of warrants			2,233
Excess tax benefits from share-based payment arrangements	148	511	
Dividends paid	(4,800)	(3,785)	(2,137)
Net cash provided by (used for) financing activities	3,924	(15,173)	(11,750)
Increase (decrease) in cash	1,143		