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

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

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

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

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

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

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

Intangible amortization for fiscal 2011 increased $.5 million to $1.4 million from fiscal 2010, and remained flat at .2% of sales as compared to the prior year. The increase is due primarily to a full year of amortization expense for the fiscal 2010 acquisitions.

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

Net interest expense for fiscal 2011 decreased by approximately $1.0 million as compared to the same period in the prior year, and decreased from 1.1% to 0.8% as a percentage of sales for the same periods. The weighted average debt outstanding for the year ended March 26, 2011 decreased by approximately $32.9

million from fiscal 2010, primarily related to a decrease in debt outstanding under the Company's Revolving Credit Facility agreement. The weighted average interest rate increased by approximately 130 basis points in fiscal 2011 due to a shift to a larger percentage of debt (capital lease vs. revolver) outstanding at a higher rate.

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

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

Fiscal 2010 As Compared To Fiscal 2009

Sales for fiscal 2010 increased $88.5 million or 18.6% to $564.6 million as compared to $476.1 million in fiscal 2009. The increase was partially due to a comparable store sales increase of 7.2%. The former Craven and Valley Forge stores acquired in July 2007 and the former Broad Elm stores acquired in January 2008 are now included in comparable store sales numbers. Additionally, there was an increase of $64.0 million related to new stores, of which $58.5 million came from the FY 2010 Acquisitions. Partially offsetting this was a decrease in sales from closed stores amounting to $7.6 million. There were 361 selling days in both fiscal 2010 and fiscal 2009. Selling days are defined as days other than Easter, Thanksgiving and Christmas.

During the year, 79 stores were added and 12 were closed. At March 27, 2010, the Company had 777 stores in operation.

Gross profit for fiscal 2010 was $231.2 million or 40.9% of sales as compared with $191.5 million or 40.2% of sales for fiscal 2009. The increase in gross profit for the year ended March 27, 2010, as a percentage of sales, is due to several factors. There was a decrease in labor costs as a percent of sales due partially to a continued shift in mix to tire sales and improved labor productivity.

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

Total material costs, including outside purchases, increased as a percentage of sales as compared to the prior fiscal year. This was due to margin pressure caused by a shift in mix to the lower margin categories of tires and maintenance services from the higher margin categories of brakes and exhaust. The fiscal year 2010 Acquisitions, which were all tire stores, have resulted in a more pronounced shift in mix this year. Partially offsetting this were the sale of lower cost import tires, a decrease in the material cost of oil as well as selling price increases.

Operating expenses for fiscal 2010 were $171.9 million or 30.5% of sales compared with $147.8 million or 31.1% of sales for fiscal 2009. Within operating expenses, selling, general and administrative ("SG&A") expenses for fiscal 2010 increased by $21.5 million to $169.9 million from fiscal 2009, and were 30.1% of sales, compared with 31.2% in the prior year. Over $12.0 million of the increase in operating expense is directly attributed to the acquired stores' operating expenses.

The largest drivers of the dollar increases in SG&A expenses in fiscal 2010 in both store direct and store support costs (excluding the $12.0 million described above) were as follows: Store manager pay and related benefits increased by approximately $4.9 million, attributable to raises and increased incentives in fiscal 2010 due to improved store performance as compared to the prior year. Store support costs increased by approximately $5.4 million including increased management compensation expense as compared to the prior year. Management bonus expense was up due to the Company attaining higher profit goals for fiscal 2010 and thus earning higher bonuses. In addition, benefits expense increased due to an increase in FICA expense related to higher wages paid, as well as increased workers compensation costs.

Loss on disposal of assets for fiscal 2010 increased $2.2 million from a gain of $1.1 million for fiscal 2009, to a loss of $1.1 million for fiscal 2010. The increase is due to the closure of underperforming stores as well as the timing of, proceeds from and number of sales of property in one year compared to another.

Operating income in fiscal 2010 of $59.2 million increased 35.7% compared to operating income in fiscal 2009, and increased as a percentage of sales from 9.2% to 10.5%.

Net interest expense for fiscal 2010 increased by approximately $.1 million as compared to the same period in the prior year, and decreased from 1.3% to 1.1% as a percentage of sales for the same periods. The weighted average debt outstanding for the year ended March 27, 2010 increased by approximately $2.7 million from fiscal 2009, primarily related to additional capital leases recorded with the FY 2010 acquisitions. This was offset by a decrease in debt outstanding under the Company's Revolving Credit Facility agreement. The weighted average interest rate remained flat compared to the prior year.

The Company's effective tax rate was 37.9% and 36.8%, respectively, of pre-tax income in fiscal 2010 and 2009. The difference in rate relates to the accounting for uncertain tax positions which may vary from year to year.

Net income for fiscal 2010 increased by $9.1 million, or 37.8%, from $24.1 million in fiscal 2009, to $33.2 million in fiscal 2010, and earnings per diluted share increased by 33.8% from $.80 to $1.07 due to the factors discussed above.

CAPITAL RESOURCES, CONTRACTUAL OBLIGATIONS AND LIQUIDITY

Capital Resources

The Company's primary capital requirements for fiscal 2011 were divided among the funding of acquisitions for $10.2 million, as well as the upgrading of facilities and systems and funding of its store expansion program totaling $17.5 million. In fiscal 2010, the Company's primary capital requirements involved the funding of acquisitions for $46.1 million, as well as the upgrading of facilities and systems and the funding of its store expansion program totaling $21.3 million. Included in fiscal 2010 capital expenditures was $7.5 million spent to acquire nine store properties previously under lease agreements. In both fiscal years 2011 and 2010, capital requirements were primarily met by cash flow from operations.

In fiscal 2012, the Company intends to open approximately four new stores. Total capital required to open a new service store ranges, on average (excluding the acquired stores and BJ's locations), from $350,000 to $950,000 depending on whether the store is leased, owned or land leased. Total capital required to open a new greenfield tire (leased) location costs, on average, approximately $600,000, including $220,000 for equipment and $140,000 for inventory.

The Company paid dividends of $8.7 million in fiscal 2011. In May 2011, the Company's Board of Directors declared its intention to pay a regular quarterly cash dividend of $.08 per common share or common share equivalent beginning with the first quarter of fiscal year 2012.

On May 10, 2011, the Company signed a definitive asset purchase agreement to acquire 24 retail tire and automotive repair stores from Vespia Tire Centers, Inc. ("Vespia"). The transaction is expected to close June 5, 2011. The Vespia stores are located in Pennsylvania and New Jersey. These stores will operate under the Mr. Tire name. The acquisition will be financed through the Company's existing bank facility.

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

Contractual Obligations

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

	Total	Within 1 Year	Within 2 to 3 Years	Within 4 to 5 Years	After 5 Years
			(Dollars in thousands)		
Long-term debt	$ 10,722	$10,062	$ 0	$ 660	$ 0
Capital lease commitments	44,301	2,971	6,801	6,306	28,223
Operating lease commitments	105,373	26,623	41,332	22,429	14,989
Total	$160,396	$39,656	$ 48,133	$ 29,395	$43,212

Liquidity

In July 2005, the Company entered into a five-year, $125 million Revolving Credit Facility agreement with five banks. A sixth bank was added in June 2008. 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. Amendments in January 2007 and June 2008 were made to these amounts which increased the overall facility to $200 million. Currently, the committed sum is $163.3 million and the accordion feature is $36.7 million. There was $10.1 million outstanding at March 26, 2011. The facility expires in January 2012. The Company was in compliance with all debt covenants at March 26, 2011.

In anticipation of the expiration of its existing facility, the Company has received commitments for a new five-year $175 million Revolving Credit Facility with seven banks. The Company expects to sign the new agreement by May 31, 2011. The facility includes a provision allowing the Company to expand the amount of the overall facility to $250 million.

The terms of the new Credit Facility permit the payment of cash dividends not to exceed 50% of the preceding year's net income, and allow stock buybacks subject to the Company being able to meet its existing financial covenants. The agreement requires the maintenance of specified interest and rent coverage ratios. The agreement permits mortgages and specific lease financing arrangements with other parties with certain limitations.

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

Within the aforementioned $175 million Revolving Credit Facility, the Company has available a sub-facility of $40 million for the purpose of issuing standby letters of credit. The line requires fees aggregating 1.125% annually of the face amount of each standby letter of credit, payable quarterly in arrears. There were $16.8 million in outstanding letters of credit at March 26, 2011.

In addition, the Company has financed certain store properties and vehicles with capital leases, which amount to $44.3 million and are due in installments through 2039.

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. The Company entered into three $10 million interest rate swap agreements in July 2008 which expired in July 2010. The purpose of these agreements was to limit the interest rate exposure in the Company's floating rate debt. Fixed rates under these agreements ranged from 3.27% to 3.29%.

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 26, 2011 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 2011 and 2010, approximately 6% and 58%, respectively, of the Company's debt financing, excluding capital leases, was at fixed interest rates and therefore, the fair value of such debt financing is affected by changes in market interest rates. The Company's cash flow exposure on floating rate debt, which is not supported by interest rate swap agreements, would result in interest expense fluctuating approximately $.1 million based upon the Company's debt position at fiscal year ended March 26, 2011 and $.2 million for fiscal year ended March 27, 2010, given a 1% change in LIBOR.

The Company regularly evaluates these risks and had entered into three interest rate swap agreements, which expired in July 2010, with an aggregate notional amount of $30.0 million. These agreements limited the interest rate exposure on the Company's floating rate debt, related specifically to the Revolving Credit Facility, via the exchange of fixed and floating rate interest payments periodically over the life of the agreements without the exchange of the underlying principal amount. The fixed rates paid by the Company under these agreements ranged from 3.27% to 3.29%.

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.

Debt financing, including current portion, had a carrying amount of $10.7 million and a fair value of $10.7 million as of March 26, 2011, as compared to a carrying amount of $52.7 million and a fair value of $52.6 million as of March 27, 2010.

Item 8. *Financial Statements and Supplementary Data*

Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Monro Muffler Brake, Inc. and its subsidiary at March 26, 2011 and March 27, 2010, and the results of its operations and its cash flows for each of the three years in the period ended March 26, 2011 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 26, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Rochester, New York
May 25, 2011

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 26, 2011	March 27, 2010
	(Dollars in thousands)	
Assets		
Current assets:		
Cash and equivalents	$ 2,670	$ 11,180
Trade receivables	1,821	1,922
Inventories	98,964	85,817
Deferred income tax asset	8,667	7,800
Other current assets	16,661	17,373
Total current assets	128,783	124,092
Property, plant and equipment	398,524	386,238
Less – Accumulated depreciation and amortization	(197,928)	(183,492)
Net property, plant and equipment	200,596	202,746
Goodwill	98,535	90,372
Intangible assets	13,506	13,888
Other non-current assets	10,420	13,045

Total assets	$ 451,840	$ 444,143
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 13,033	$ 2,933
Trade payables	41,301	43,229
Federal and state income taxes payable	1,132	4,169
Accrued payroll, payroll taxes and other payroll benefits	16,825	16,730
Accrued insurance	21,095	15,595
Warranty reserves	6,254	5,510
Other current liabilities	9,800	11,211
Total current liabilities	109,440	99,377
Long-term debt	41,990	96,427
Accrued rent expense	6,476	6,473
Other long-term liabilities	4,617	4,551
Deferred income tax liability	4,353	560
Long-term income taxes payable	4,715	4,085
Total liabilities	171,591	211,473
Commitments		
Shareholders' equity:		
Class C Convertible Preferred Stock, $1.50 par value, $.064 and $.096 conversion value at March 26, 2011 and March 27, 2010, respectively; 150,000 shares authorized, 32,500 shares issued and outstanding	49	49
Common Stock, $.01 par value, 45,000,000 shares authorized; 36,038,664 and 23,646,460 shares issued at March 26, 2011 and March 27, 2010, respectively	360	236
Treasury Stock, 5,577,984 and 3,682,429 shares at March 26, 2011 and March 27, 2010, respectively, at cost	(72,317)	(70,590)
Additional paid-in capital	99,871	88,377
Accumulated other comprehensive loss	(1,578)	(2,237)
Retained earnings	253,864	216,835
Total shareholders' equity	280,249	232,670
Total liabilities and shareholders' equity	$ 451,840	$ 444,143

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

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended Fiscal March		
	2011	**2010**	**2009**
	(Amounts in thousands, except per share data)		
Sales	$636,678	$564,639	$476,106
Cost of sales, including distribution and occupancy costs	379,166	333,465	284,640
Gross profit	257,512	231,174	191,466
Operating, selling, general and administrative expenses	176,969	169,896	148,374

Intangible amortization	1,379	894	490
Loss (gain) on disposal of assets	779	1,148	(1,061)
Total operating expenses	179,127	171,938	147,803
Operating income	78,385	59,236	43,663
Interest expense, net of interest income of $39 in 2011, $68 in 2010 and $32 in 2009	5,095	6,090	5,979
Other income, net	(647)	(279)	(430)
Income before provision for income taxes	73,937	53,425	38,114
Provision for income taxes	28,096	20,234	14,026
Net income	$ 45,841	$ 33,191	$ 24,088
Earnings per share:			
Basic	$ 1.52	$ 1.12	$ .85
Diluted	$ 1.44	$ 1.07	$ .80
Weighted average number of common shares outstanding used in computing earnings per share:			
Basic	30,200	29,508	28,255
Diluted	31,807	30,978	30,149

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Class C Convertible Preferred Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
				(Dollars in thousands)			
Balance at March 29, 2008	$ 97	$217	$(62,160)	$66,756	$171,120	$(1,182)	$174,848
Net income					24,088		24,088
Other comprehensive loss							
Unrealized loss on derivatives contracts ($1,008 pre-tax)(2)						(625)	(625)
Pension liability adjustment ($2,602 pre-tax)(1)						(1,678)	(1,678)
Total comprehensive income							21,785
Dividends:							
Preferred ($.16 per CSE)(3)					(213)		(213)
Common ($.16 per share)					(4,487)		(4,487)
Tax benefit from exercise of stock options				2,266			2,266
Conversion of Class C preferred stock	(48)	5		43			0
Exercise of stock options(5)		8	(5,294)	3,648			(1,638)
Stock option compensation				1,730			1,730
Balance at March 28, 2009	49	230	(67,454)	74,443	190,508	(3,485)	194,291
Net income					33,191		33,191
Other comprehensive income							
Unrealized gain on derivatives contracts ($702 pre-tax)(2)						435	435
Pension liability adjustment ($1,311 pre-tax)(1)						813	813
Total comprehensive income							34,439
Dividends:							
Preferred ($.23 per CSE)(3)(4)					(172)		(172)
Common ($.23 per share)(4)					(6,692)		(6,692)
Tax benefit from exercise of stock options				2,990			2,990
Exercise of stock options(5)		6	(3,136)	8,967			5,837
Stock option compensation				1,977			1,977
Balance at March 27, 2010	49	236	(70,590)	88,377	216,835	(2,237)	232,670
Net income					45,841		45,841
Other comprehensive income							
Unrealized gain on derivatives contracts ($306 pre-tax)(2)						190	190
Pension liability adjustment ($756 pre-tax)(1)						469	469
Total comprehensive income							46,500
Dividends:							
Preferred ($.28 per CSE)(3)					(213)		(213)
Common ($.28 per share)					(8,477)		(8,477)
Tax benefit from exercise of stock options				3,531			3,531
Exercise of stock options(5)		4	(1,727)	5,670			3,947
Shares issued in connection with three-for-two stock split (See Note 1)		120		(6)	(122)		(8)
Stock option compensation				2,299			2,299
Balance at March 26, 2011	$ 49	$360	$(72,317)	$99,871	$253,864	$(1,578)	$280,249

(1) The balance related to the pension liability was $(1,578), $(2,047) and $(2,860), respectively, at March 26, 2011, March 27, 2010 and March 28, 2009.

(2) The balance related to the derivatives contracts was $0, $(190) and $(625), respectively, at March 26, 2011, March 27, 2010 and March 28, 2009.

(3) CSE – Common stock equivalent
(4) Includes five payments/accruals due to timing.
(5) Includes the receipt of treasury stock in connection with the exercise of stock options and to partially satisfy tax withholding obligations.

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

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended Fiscal March		
	2011	**2010**	**2009**
		(Dollars in thousands) Increase (Decrease) in Cash	
Cash flows from operating activities:			
Net income	$ 45,841	$ 33,191	$ 24,088
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	22,803	22,505	20,429
Stock-based compensation expense	2,299	1,977	1,730
Excess tax benefits from share-based payment arrangements	(5,839)	(2,367)	(2,856)
Net change in deferred income taxes	2,551	1,004	2,603
Loss (gain) on disposal of property, plant and equipment	779	1,148	(1,061)
Decrease in trade receivables	101	671	65
Increase in inventories	(12,887)	(655)	(5,260)
Decrease in other current assets	974	3,538	569
Decrease (increase) in other non-current assets	2,846	404	(791)
(Decrease) increase in trade payables	(2,349)	8,348	7,183
Increase in accrued expenses	3,374	7,266	3,360
Increase in federal and state income taxes payable	501	8,457	70
Increase (decrease) in other long-term liabilities	97	36	(1,606)
Increase in long-term income taxes payable	630	1,004	61
Total adjustments	15,880	53,336	24,496
Net cash provided by operating activities	61,721	86,527	48,584
Cash flows from investing activities:			
Capital expenditures	(17,507)	(21,333)	(23,637)
Acquisitions, net of cash acquired	(10,193)	(46,103)	
Proceeds from the disposal of property, plant and equipment	143	780	1,969
Net cash used for investing activities	(27,557)	(66,656)	(21,668)

Cash flows from financing activities:			
Proceeds from borrowings	173,998	166,301	127,759
Principal payments on long-term debt and capital lease obligations	(218,888)	(181,894)	(153,329)
Exercise of stock options	5,067	6,629	1,726
Excess tax benefits from share-based payment arrangements	5,839	2,367	2,856
Dividends paid	(8,690)	(5,430)	(4,700)
Net cash used for financing activities	(42,674)	(12,027)	(25,688)
(Decrease) increase in cash	(8,510)	7,844	1,228
Cash at beginning of year	11,180	3,336	2,108
Cash at end of year	$ 2,670	$ 11,180	$ 3,336

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES

Background

Monro Muffler Brake, Inc. and its wholly owned subsidiary, Monro Service Corporation (the "Company"), is engaged principally in providing automotive undercar repair services in the United States. The Company had 781 Company-operated stores, three franchised locations and 14 dealer-operated automotive repair centers located primarily in the northeast region of the United States as of March 26, 2011. The Company's operations are organized and managed in one operating segment.

Accounting estimates

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

Fiscal year

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

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

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

"Year ended Fiscal March 2009": March 30, 2008 – March 28, 2009 (52 weeks)

Consolidation

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

Revenue recognition

Sales are recorded upon completion of automotive undercar repair and tire services provided to customers. The following was the Company's sales mix for fiscal 2011, 2010 and 2009:

	Year Ended Fiscal March		
	2011	**2010**	**2009**
Brakes	18%	19%	21%
Exhaust	5	6	6
Steering	11	11	12
Tires	38	34	29
Maintenance	28	30	32
Total	100%	100%	100%

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

Cash equivalents

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

Inventories

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

Barter credits

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

Property, plant and equipment

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

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

Long-lived assets

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

Store opening and closing costs

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

Leases

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

Goodwill and intangible assets

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

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

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

There were no impairments as a result of the Company's annual impairment tests in the third quarter of fiscal year 2011 and there have been no triggering events as of the fourth quarter of fiscal year 2011.

Self-insurance reserves

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

Warranty

The Company provides an accrual for estimated future warranty costs based upon the historical relationship of warranty costs to sales. Warranty expense related to all product warranties at and for the fiscal years ended March 2011, 2010 and 2009 was not material to the Company's financial position or results of operations.

Derivative financial instruments

The Company recognizes all derivatives at fair value, whether designated in hedging relationships or not, in the balance sheet as either an asset or liability. The accounting for changes in the fair value of a derivative, including certain derivative instruments embedded in other contracts, depends on the intended use of the derivative and the resulting designation. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in the Statement of Income. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the Statement of Income when the hedged item affects net income. If a derivative does not qualify as a hedge, it is marked to fair value through the Statement of Income. (See Note 16.)

Comprehensive income

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

Income taxes

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

Treasury stock

Treasury stock is accounted for using the par value method. During the years ended March 26, 2011, March 27, 2010 and March 28, 2009, the Company's Chief Executive Officer surrendered 50,000, 138,000 and 387,000 shares, respectively, of Monro Common Stock at fair market value to pay the exercise price and to partially satisfy tax withholding obligations on the exercise of 90,000, 180,000 and 834,000 stock options, respectively.

Stock-based compensation

In accordance with the guidance on accounting for stock options issued to employees, the Company measures compensation cost arising from the grant of share-based payments to an employee at fair value, and

recognizes such cost in income over the period during which the employee is required to provide service in exchange for the award, usually the vesting period. Forfeitures are estimated on the grant date and revised in subsequent periods if actual forfeitures differ from those estimates.

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

- Expected life of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees;
- Expected volatility is measured using historical changes in the market price of the Company's Common Stock;
- Risk-free interest rate is equivalent to the implied yield on zero-coupon U.S. Treasury bonds with a remaining maturity equal to the expected term of the awards;
- Forfeitures are based substantially on the history of cancellations of similar awards granted by the Company in prior years; and
- Dividend yield is based on historical experience and expected future changes.

The weighted average fair value of options granted during fiscal 2011, 2010 and 2009 was $8.58, $5.38 and $3.53, respectively. The fair values of the options granted were estimated on the date of their grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended Fiscal March		
	2011	2010	2009
Risk-free interest rate	1.52%	2.24%	3.10%
Expected life	4 years	5 years	5 years
Expected volatility	35.1%	32.8%	30.2%
Expected dividend yield	.93%	1.04%	1.38%

Total stock-based compensation expense included in selling, general and administrative and distribution expenses in the Company's Consolidated Statements of Income for the years ended March 26, 2011, March 27, 2010 and March 28, 2009 was $2.3 million, $2.0 million and $1.7 million, respectively. The related income tax benefit was $.9 million, $.8 million and $.7 million, respectively.

Stock split effected in the form of a stock dividend

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

Earnings per share

Basic earnings per share is calculated by dividing net income less preferred stock dividends by the weighted average number of shares of Common Stock outstanding during the year. Diluted earnings per share is calculated by dividing net income by the weighted average number of shares of Common Stock and equivalents outstanding during the year. Common Stock equivalents represent shares issuable upon assumed exercise of stock options. (See Note 10.)

Advertising

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

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

Prepaid advertising at fiscal year end March 2011 and 2010, and advertising expense for the fiscal years ended March 2011, 2010 and 2009, were not material to these financial statements.

Vendor rebates and cooperative advertising credits

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

Guarantees

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

Recent accounting pronouncements

In December 2010, the Financial Accounting Standards Board issued new accounting guidance on when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The guidance requires reporting entities with zero or negative carrying amounts of goodwill to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This guidance is effective for impairment tests performed during an entity's fiscal year, and interim periods within those years, beginning after December 15, 2010, and is applicable to the Company for fiscal year 2012. The Company does not expect the adoption of this guidance to have a material impact on the Company's Consolidated Financial Statements.

In December 2010, the Financial Accounting Standards Board issued new accounting guidance on disclosures of supplementary pro forma information for business combinations. The guidance requires reporting entities that present comparative financial statements to present the pro forma disclosures as if the business combination occurred at the beginning of the prior annual period. The guidance also expands the supplementary pro forma disclosures to include additional disclosures describing the nature and amount of material,

nonrecurring pro forma adjustments. This guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, and is applicable to the Company for fiscal year 2012. Although early adoption is permitted, the Company has chosen not to adopt this guidance prior to fiscal year 2012. This guidance requires new disclosures only, and will have no impact on the Company's Consolidated Financial Statements.

NOTE 2 — ACQUISITIONS

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

Subsequent Event

On May 10, 2011, the Company signed a definitive asset purchase agreement to acquire 24 retail tire and automotive repair stores from Vespia Tire Centers, Inc. ("Vespia"). The transaction is expected to close June 5, 2011. The Vespia stores are located in Pennsylvania and New Jersey. These stores will operate under the Mr. Tire brand name. The acquisition will be financed through the Company's existing bank facility.

Fiscal 2011

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

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

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

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

	As of Acquisition Date (Dollars in thousands)
Other current assets	$ 685
Intangible assets	1,480
Other non-current assets	452
Current liabilities	(571)
Other long-term liabilities	(21)
Total net identifiable assets acquired	$ 2,025
Total consideration transferred	$10,194
Less: total net identifiable assets acquired	2,025
Goodwill	$ 8,169

Intangible assets consist of customer lists ($648,000), a non-compete agreement ($345,000), a refuse disposal agreement ($130,000) and favorable leases ($357,000). Customer lists, the non-compete agreement and the refuse disposal agreement are being amortized over their estimated useful lives. The weighted average useful lives are approximately four, four and five years, respectively. Favorable lease intangible assets are being amortized over their respective lease terms, ranging from 13 to 15 years. The weighted average useful life of all intangible assets is approximately seven years.

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

The purchase price allocation remains preliminary for some of the acquired stores due to the finalization of the valuation of real estate and real property leases. The Company believes that this will be finalized in the first quarter of fiscal 2012 and that any adjustments to the purchase price allocation will not be material.

Fiscal 2010

In January 2010, the Company acquired two retail tire stores from Me & Dad's Tire & Auto Parts located in New Hampshire and TND Tires and Auto Parts located in Massachusetts. These were former Tire Warehouse franchisees which produced approximately $2.0 million in sales annually based on unaudited pre-acquisition historical information. The total purchase price was approximately $1.0 million in cash and the assumption of certain liabilities. The acquisition was financed through the Company's existing bank facility. These stores operate under the Tire Warehouse brand name. The results of operations of these stores are included in the Company's results from January 24, 2010 and January 31, 2010, respectively.

On November 29, 2009, the Company acquired a retail tire and automotive repair store located in New Hampshire from Cheshire Tire Center, Inc. ("Cheshire"). This store produced approximately $3 million in sales annually based on unaudited pre-acquisition historical information. The total purchase price was approximately $1.9 million in cash and the assumption of certain liabilities. The acquisition was financed through the Company's existing bank facility. The results of operations of Cheshire are included in the Company's results from November 30, 2009.

On October 4, 2009, the Company acquired 41 retail tire stores, including one that was under construction, located in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont, from Tire Warehouse Central,

Inc. ("Tire Warehouse"). These stores produced approximately $48 million in sales annually based on unaudited pre-acquisition historical information. In addition, six franchisees and a distribution center in New Hampshire were acquired. The total purchase price was approximately $34.0 million in cash and the assumption of certain liabilities. The acquisition was financed through the Company's existing bank facility. These stores all operate under the Tire Warehouse brand name. The results of operations of Tire Warehouse are included in the Company's results from October 4, 2009.

On September 20, 2009, the Company acquired four retail tire and automotive repair stores located in northwest Indiana from Midwest Tire & Auto Repair ("Midwest"). These stores produced approximately $6 million in sales annually based on unaudited pre-acquisition historical information. The total purchase price of these stores was approximately $2 million in cash and the assumption of certain liabilities. The acquisition was financed through the Company's existing bank facility. These stores all operate under the Mr. Tire brand name. The results of operations of Midwest are included in the Company's results from September 20, 2009.

On June 14, 2009, the Company acquired 26 Autotire Car Care Center (“Autotire”) retail tire and automotive repair stores located primarily in the St. Louis, MO market from Am-Pac Tire Distributors, Inc., a wholly-owned subsidiary of American Tire Distributors. These stores produced approximately $31 million in sales annually based on unaudited pre-acquisition historical information. The total purchase price of these stores was approximately $7.4 million in cash and the assumption of certain liabilities. The acquisition was financed through the Company’s existing bank facility. These stores all operate under the Autotire brand name. The results of operations of Autotire are included in the Company’s results from June 14, 2009.

The acquisitions resulted in goodwill related to, among other things, growth opportunities and unidentified intangible assets. All of the goodwill is expected to be deductible for tax purposes. The Company has recorded finite-lived intangible assets at their estimated fair value related to customer relationships, trade names and favorable leases.

In accordance with accounting guidance on business combinations, the Company expensed all costs related to the acquisitions in fiscal 2010. The total costs related to the acquisitions were $.7 million for the fiscal year ended March 27, 2010. These costs are included in the Consolidated Statement of Income primarily under operating, selling, general and administrative expenses.

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

	Final (Dollars in thousands)
Other current assets	$15,585
Intangible assets	10,645
Other non-current assets	20,235
Current liabilities	(4,942)
Long-term liabilities	(12,854)
Total net identifiable assets acquired	$28,669
Total consideration transferred	$47,219
Less: total net identifiable assets acquired	28,669
Goodwill	$18,550

Intangible assets consist of customer lists ($970,000), trade names ($4,610,000), favorable leases ($4,945,000) and franchise agreements ($120,000). Customer lists, trade names and franchise agreements are being amortized over their estimated useful lives. The weighted average useful lives are approximately five, 16 and two years, respectively. Favorable lease intangible assets are being amortized over their respective lease terms, ranging from one to 36 years. The weighted average useful life of all intangible assets is 15 years.

Sales and net income for the fiscal 2010 acquired entities totaled $58.5 million and $3.3 million, respectively for the period from acquisition date through March 27, 2010.

Supplemental pro forma information for fiscal 2010 and 2009 have not been presented due to the impracticability of obtaining detailed, accurate or reliable data for the periods the acquired entities were not owned by the Company.

During the fourth quarter of fiscal 2010, the Company substantially completed the purchase price allocation for the fiscal year 2010 acquisitions. Some of the amounts previously estimated have changed during the measurement period. The significant changes in estimates included a decrease in inventory of $1.4 million for the third quarter; an increase in deferred income tax assets of $1.1 million and $2.6 million for the second and third quarters, respectively; an increase in property, plant and equipment of $2.0 and $2.5 million for the first and second quarters, respectively and a decrease of $1.7 million for the third quarter; an increase in goodwill of $10.1 million for the third quarter; an increase in intangible assets of $1.1 million, $1.7 million and $3.4 million for the first, second and third quarters, respectively; an increase in current portion of long-term debt of $1.3 million for the third quarter; and an increase in long-term debt of $3.9 million, $4.6 million and $11.4 million for the first, second and third quarters, respectively. The measurement period adjustments represent updates made to the purchase price allocation based on revisions to valuation estimates in quarters subsequent to the quarter of acquisition and initial accounting. There were no significant adjustments to the Company’s Consolidated Statement of Income.

The purchase price allocation for the valuation of real estate, real property leases and intangible assets was finalized during the third quarter of fiscal 2011. The resulting adjustments to the purchase price allocation did not have a material impact on the Company’s Consolidated Financial Statements.

NOTE 3 — OTHER CURRENT ASSETS

The composition of other current assets is as follows:

	Year Ended Fiscal March	
	2011	2010
	(Dollars in thousands)	
Vendor rebates receivable	$ 6,742	$ 5,723
Barter credit receivable	2,950	2,450
Prepaid insurance	1,818	1,319
Other receivables	1,755	1,533
Prepaid advertising	1,443	1,530
Prepaid real estate taxes	923	1,927
Notes receivable	93	1,085
Other	937	1,806
	$ 16,661	$ 17,373

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

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

	March 26, 2011			March 27, 2010		
	Assets Owned	Assets Under Capital Lease	Total	Assets Owned	Assets Under Capital Lease	Total
	(Dollars in thousands)					
Land	$54,708		$54,708	$53,642		$53,642
Buildings and improvements	148,715	$38,236	186,951	146,153	$38,059	184,212
Equipment, signage and fixtures	139,552		139,552	133,197		133,197
Vehicles	14,493	67	14,560	13,976	67	14,043
Construction-in-progress	2,753		2,753	1,144		1,144
	360,221	38,303	398,524	348,112	38,126	386,238
Less – Accumulated depreciation and amortization	185,868	12,060	197,928	173,789	9,703	183,492
	$174,353	$26,243	$200,596	$174,323	$28,423	$202,746

Amortization expense recorded under capital leases totaled $2,901,000, $2,912,000 and $2,162,000 for the fiscal years ended March 2011, 2010 and 2009, respectively.

NOTE 5 — GOODWILL AND INTANGIBLE ASSETS

The changes in goodwill during fiscal 2011 and 2010 were as follows:

	(Dollars in thousands)
Balance at March 28, 2009	$71,816
Acquisitions	18,556
Balance at March 27, 2010	90,372
Acquisitions or other adjustments	8,163
Balance at March 26, 2011	$98,535

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

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

	Year Ended Fiscal March			
	2011		2010	
	(Dollars in thousands)			
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer list	$ 7,629	$3,112	$ 6,981	$2,276
Trade name	6,932	2,921	6,932	2,556
Favorable leases	5,389	788	4,953	254
Other intangible assets	646	269	171	63
Total intangible assets	$20,596	$7,090	$19,037	$5,149
Barter receivable	$ 6,255		$ 7,997	
Prepaid pension asset	2,723		1,888	
Other non-current assets	1,442		3,160	
Total other non-current assets	$10,420		$13,045	

The Company's intangible assets are being amortized over their estimated useful lives. The weighted average useful lives of the Company's intangible assets are approximately 12 years for customer lists, 12 years for trade names, 18 years for favorable leases and five years for other intangible assets.

Also included in other non-current liabilities as of March 26, 2011 and March 27, 2010 are unfavorable lease intangibles with a net carrying amount of $.9 million and $1.0 million, respectively.

Amortization of intangible assets during fiscal 2011, 2010 and 2009 totaled $1.4 million, $.9 million and $.5 million, respectively.

Estimated future amortization of intangible assets is as follows:

Year Ending Fiscal March	(Dollars in thousands)
2012	$1,279
2013	1,152
2014	1,059
2015	866
2016	731

NOTE 6 — LONG-TERM DEBT

Long-term debt consists of the following:

	March 26, 2011	March 27, 2010
	(Dollars in thousands)	
Revolving Credit Facility, LIBOR-based(a)	$10,062	$52,000
Mortgage Note Payable, non-interest bearing, secured by warehouse and office land, due in one installment in 2015	660	660
Obligations under capital leases at various interest rates, secured by store properties and certain equipment, due in installments through 2039	44,301	46,700
	55,023	99,360
Less – Current portion	13,033	2,933
	$41,990	$96,427

(a) The London Interbank Offered Rate (LIBOR) at March 26, 2011 was .25%.

In July 2005, the Company entered into a five-year, $125 million Revolving Credit Facility agreement with five banks. A sixth bank was added in June 2008. 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. Amendments in January 2007 and June 2008 were made to these amounts which increased the overall facility to $200 million. Currently, the committed sum is $163.3 million and the accordion feature is $36.7 million. There was $10.1 million outstanding at March 26, 2011. The facility expires in January 2012. The Company was in compliance with all debt covenants at March 26, 2011.

The interest rate on the facility fluctuated between 50 and 75 basis points over LIBOR during fiscal year 2011. At March 26, 2011, the interest rate was 50 basis points over LIBOR. Additionally, the Company had three $10 million interest rate swap agreements at interest rates that ranged from 3.27% to 3.29%, replacing the LIBOR rate on that portion of the debt. The interest rate swap agreements expired in July 2010.

In anticipation of the expiration of its existing facility, the Company has received commitments for a new five-year $175 million revolving Credit Facility with seven banks. The Company expects to sign the new agreement by May 31, 2011. The facility includes a provision allowing the Company to expand the amount of the overall facility to $250 million.

The terms of the new Credit Facility permit the payment of cash dividends not to exceed 50% of the preceding year's net income, and allow stock buybacks subject to the Company being able to meet its existing financial covenants. The agreement requires the maintenance of specified interest and rent coverage ratios. The agreement permits mortgages and specific lease financing arrangements with other parties with certain limitations.

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

Within the aforementioned $175 million Revolving Credit Facility, the Company has available a sub-facility of $40 million for the purpose of issuing standby letters of credit. The line requires fees aggregating 1.125% annually of the face amount of each standby letter of credit, payable quarterly in arrears. There were $16.8 million in outstanding letters of credit at March 26, 2011.

MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In addition, the Company has financed certain store properties and vehicles with capital leases, which amount to $44.3 million and are due in installments through 2039.

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

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

Year Ending Fiscal March	Capital Leases Aggregate Amount	Capital Leases Imputed Interest	All Other Debt	Total
	(Dollars in thousands)			
2012	$ 6,964	$(3,993)	$10,062	$13,033
2013	7,016	(3,752)	0	3,264
2014	7,014	(3,477)	0	3,537
2015	6,513	(3,180)	660	3,993
2016	5,856	(2,883)	0	2,973

NOTE 7 — FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist of the following:

	March 26, 2011			March 27, 2010		
	Notional Amount	Carrying Amount	Fair Value	Notional Amount	Carrying Amount	Fair Value
	(Dollars in thousands)					
Liabilities						
Long-term debt, including current portion and excluding capital leases		$10,722	$10,663		$52,660	$52,578

The fair value of cash and cash equivalents, accounts receivable and accounts payable approximated book value at March 26, 2011 and March 27, 2010 because their maturity is generally less than one year in duration. The fair value of long-term debt was estimated based on discounted cash flow analyses using either quoted market prices for the same or similar issues, or the current interest rates offered to the Company for debt with similar maturities.

NOTE 8 — INCOME TAXES

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

	Year Ended Fiscal March		
	2011	2010	2009
	(Dollars in thousands)		
Current –			
Federal	$22,094	$17,202	$10,404
State	3,451	2,028	1,019
	25,545	19,230	11,423
Deferred –			
Federal	3,121	1,206	2,840
State	(570)	(202)	(237)
	2,551	1,004	2,603
Total	$28,096	$20,234	$14,026

Deferred tax (liabilities) assets consist of the following:

	March 26, 2011	March 27, 2010	March 28, 2009
	(Dollars in thousands)		
Goodwill	$ (7,211)	$ (5,319)	$ (3,832)
Property and equipment	(4,602)	(2,636)	(690)
Pension	(995)	(685)	(305)
Prepaid expenses	(544)	(852)	(896)
Other	(341)	(194)	(168)
Total deferred tax liabilities	(13,693)	(9,686)	(5,891)
Insurance reserves	6,016	5,692	2,466
Stock options	2,671	2,176	1,508
Deferred rent	2,244	2,286	2,319
Warranty and other reserves	2,106	1,993	1,198
Accrued compensation	1,301	1,426	1,457
Indirect effect of unrecognized tax benefits in other jurisdictions	1,180	787	778
Other	2,489	2,566	2,000
Total deferred tax assets	18,007	16,926	11,726
Net deferred tax assets	$ 4,314	$ 7,240	$ 5,835