MONRO MUFFLER BRAKE INC
Form 10-K
May 28, 2014

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

(MARK ONE)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For Fiscal Year Ended March 29, 2014**

**OR**

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

# MONRO MUFFLER BRAKE, INC.

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

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

**Registrant s telephone number, including area code:**

**(585) 647-6400**

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

**Common Stock, par value $.01 per share**

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

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

NONE

*(Title of Class)*

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

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

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

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

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

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant s most recently completed second fiscal quarter, September 28, 2013, was approximately $1,386,400,000.

As of May 9, 2014, 31,510,479 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 2014 Annual Meeting of Shareholders (the  Proxy Statement ) are incorporated by reference into Part III hereof.

# PART I

**Item 1.** *Business*

**GENERAL**

Monro Muffler Brake, Inc. ( Monro , the Company , we , us , or our ) is a chain of 953 Company-operated stores (as of March 29, 2014), three franchised locations and 14 dealer-operated stores providing automotive undercar repair and tire services in the United States. At March 29, 2014, Monro operated Company stores in 22 states, including New York, Pennsylvania, Ohio, Connecticut, Massachusetts, West Virginia, Virginia, Maryland, Vermont, New Hampshire, New Jersey, North Carolina, South Carolina, Indiana, Rhode Island, Delaware, Maine, Illinois, Missouri, Wisconsin, Tennessee and Kentucky primarily under the names Monro Muffler Brake & Service , Tread Quarters Discount Tire , Mr. Tire , Autotire Car Care Center , Tire Warehouse , Tire Barn Warehouse and Ken Towery s Tire & Auto Care (together, the Company Stores Company Stores typically are situated in high-visibility locations in suburban areas and small towns, as well as in major metropolitan areas. Company Stores serviced approximately 5.3 million vehicles in fiscal 2014. (References herein to fiscal years are to the Company s year ended fiscal March [e.g., references to fiscal 2014 are to the Company s fiscal year ended March 29, 2014].)

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. The Company was incorporated in the State of New York in 1959. In 1966, we discontinued our 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, we have continued our growth and have expanded our marketing area to include 22 additional states (including dealer locations).

In December 1998, Monro appointed Robert G. Gross as President and Chief Executive Officer, who began full-time responsibilities on January 1, 1999. Effective October 1, 2012, Mr. Gross assumed the role of Executive Chairman and John W. Van Heel was appointed Chief Executive Officer.

The Company s principal executive offices are located at 200 Holleder Parkway, Rochester, New York 14615, and our telephone number is (585) 647-6400.

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

All of the Company s stores, except Tire Warehouse and Tire Barn Warehouse stores, provide the services described above. Tire Warehouse and Tire Barn Warehouse stores only sell tires and tire related services and alignments. However, a growing number of our 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 our stores are described as service stores. (See additional discussion under Operating Strategy .) At March 29, 2014, there were 532 stores designated as service stores and 421 as tire stores.

Our sales mix for fiscal 2014, 2013 and 2012 is as follows:

| | Service Stores | | | Tire Stores | | | Total Company | | |
|---|---|---|---|---|---|---|---|---|---|
| | **FY14** | **FY13** | **FY12** | **FY14** | **FY13** | **FY12** | **FY14** | **FY13** | **FY12** |
| Brakes | 24% | 24% | 26% | 9% | 9% | 10% | 15% | 15% | 18% |
| Exhaust | 9 | 9 | 10 | 1 | 1 | 1 | 4 | 4 | 5 |
| Steering | 11 | 12 | 12 | 8 | 8 | 8 | 9 | 10 | 10 |
| Tires | 18 | 17 | 16 | 60 | 60 | 60 | 44 | 42 | 39 |
| Maintenance | 38 | 38 | 36 | 22 | 22 | 21 | 28 | 29 | 28 |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

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

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

**INDUSTRY OVERVIEW**

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

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

**EXPANSION STRATEGY**

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

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

In that regard, we have completed several acquisitions in recent years, as follows:

| Date of Acquisition | Seller | Number of Stores Acquired(a) | Location of Stores | Current Brand(f) |
|---|---|---|---|---|
| March 2004 | Atlantic Automotive Corp. | 26 | MD, VA | Mr. Tire |
| October 2004 | Rice Tire, Inc. | 5 | MD | Mr. Tire/Tread Quarters |
| March 2005 | Henderson Holdings, Inc. | 10 | MD | Mr. Tire |
| April 2006 | ProCare Automotive Service Solutions LLC | 75 | OH, PA | Monro/Mr. Tire |
| July 2007 | Valley Forge Tire & Auto Centers | 11 | PA | Mr. Tire |
| July 2007 | Craven Tire & Auto | 8 | VA | Mr. Tire |
| January 2008 | Broad Elm Group | 7 | NY | Mr. Tire |
| June 2009 | Am-Pac Tire Distributors | 26 | IL, MO | Autotire |
| September 2009 | Midwest Tire & Auto Repair | 4 | IN | Mr. Tire |
| October 2009 | Tire Warehouse Central, Inc. | 41(b) | ME, MA, NH, RI, VT | Tire Warehouse |
| November 2009 | Cheshire Tire Center, Inc. | 1 | NH | Cheshire Tire |
| January 2010 | Tire Warehouse Franchisees | 2 | MA, NH | Tire Warehouse |
| March 2010 | Import Export Tire, Co. | 5 | PA | Mr. Tire |
| June 2010 | Tire Warehouse Franchisee | 2(c) | ME | Tire Warehouse |
| November 2010 | Courthouse Tire | 3 | VA | Mr. Tire |
| June 2011 | Vespia Tire Centers, Inc. | 24 | NJ, PA | Mr. Tire |
| October 2011 | Terry s Tire Town | 7 | PA, OH | Mr. Tire |
| November 2011 | Expert Tire, Inc. | 1 | ME | Tire Warehouse |
| April 2012 | Kramer Tire Co. | 20(d) | VA | Kramer Tire/Tread Quarters |
| June 2012 | Colony Tire Corporation | 18 | NC | Mr. Tire/Tread Quarters |
| August 2012 | Tuffy Associates Corp. | 17 | SC, WI | Monro/Tread Quarters |
| October 2012 | ChesleyCo, Inc. | 5 | NY | Monro/Mr. Tire |
| October 2012 | Brothers Tire, Inc. | 1 | MA | Monro |
| November 2012 | Everybody s Oil Corporation | 31 | IL, IN, TN | Tire Barn Warehouse |
| December 2012 | Ken Towery s Auto Care of Kentucky, Inc./Ken Towery s Auto Care of Indiana, Inc. | 27(e) | IN, KY | Ken Towery Tire & Auto Care |
| December 2012 | Tire King of Durham, Inc. | 9 | NC | Mr. Tire |
| December 2012 | Enger Auto Service, Inc. | 12 | OH | Mr. Tire |
| August 2013 | Mitchell Tire Service | 1 | NJ | Mr. Tire |
| August 2013 | Curry s Automotive Group | 10 | MD, VA | Curry s/Mr. Tire |
| October 2013 | XL Tire Inc. | 2 | NC | Tread Quarters |
| November 2013 | S & S Firestone, Inc. | 4 | KY | Ken Towery Tire & Auto Care |
| November 2013 | Carl King Tire Co., Inc. | 6 | DE, MD | Mr. Tire |
| March 2014 | Hometown Tire Company, Inc. | 1 | KY | Ken Towery Tire & Auto Care |

(a) Thirteen stores were subsequently closed due to redundancies or failure to achieve an acceptable level of profitability. See additional discussion under Store Additions and Closings .

(b) Six franchised locations were also acquired. Prior to March 29, 2014, three were subsequently purchased by Monro and converted to Company-operated stores. During April 2014, two additional franchise locations were also purchased and converted.

(c) Includes one service store acquired (subsequently closed and included in (a) above) in addition to the Tire Warehouse franchise location.

(d) Two heavy truck tire and truck repair stores, two wholesale operations and a retread facility were also acquired and subsequently sold.

(e) One wholesale operation was also acquired and is operating under the America s Best Tires name.

(f) In this table, Monro refers to the brand of Monro Brake/Tires or Monro Muffler Brake & Service , not the corporation.
The total number of stores that we operate in BJ s Wholesale Clubs is 34 at March 29, 2014.

As of March 29, 2014, Monro had 953 Company-operated stores, three franchised locations and 14 dealer locations located in 23 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 | | | | |
|---|---|---|---|---|---|
| | **2014** | **2013** | **2012** | **2011** | **2010** |
| Stores open at beginning of year | 937 | 803 | 781 | 777 | 710 |
| Stores added during year | 29(b) | 144(c) | 36(d) | 12(e) | 79(f) |
| Stores closed during year(a) | (13) | (10) | (14) | (8) | (12) |
| Stores open at end of year | 953 | 937 | 803 | 781 | 777 |
| Service (including BJ s) stores | 532 | 540 | 536 | 547 | 551 |
| Tire stores | 421 | 397 | 267 | 234 | 226 |

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

(b) Includes 24 stores acquired in the fiscal 2014 Acquisitions.

(c) Includes 140 stores acquired in the fiscal 2013 Acquisitions.

(d) Includes 32 stores acquired in the fiscal 2012 Acquisitions.

(e) Includes 10 stores acquired in the fiscal 2011 Acquisitions.

(f) Includes 74 stores acquired in the fiscal 2010 Acquisitions.
We plan to add approximately four new greenfield stores in fiscal 2015 and to pursue appropriate acquisition candidates.

Key factors in market and site selection for selecting new greenfield store locations include population, demographic characteristics, vehicle population and the intensity of competition. Monro attempts to cluster stores in market areas in order to achieve economies of scale in advertising, supervision and distribution costs. All new greenfield sites presently under consideration are within Monro s established market areas.

As a result of extensive analysis of our historical and projected store opening strategy, we have established major market profiles, as defined by market awareness: mature, existing and new markets. Over the next several years, we expect to build a greater percentage of stores in mature and existing markets in order to capitalize on our market presence and consumer awareness. During fiscal 2014, all of the stores added (including acquired stores) were located in existing markets.

We believe that management and operating improvements implemented over the last several fiscal years have enhanced our ability to sustain our growth. Monro 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.

We have customized the POS system to specific service and tire store requirements and deploy the appropriate version in each type of store. Being Windows-based, the system has simplified training of new employees. Additionally, the system includes the following:

- 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;
- Electronic repair manuals that allow for instant access to a single source of accurate, up to date, original equipment manufacturer-direct diagnosis, repair and maintenance information;
- Software which contains data that mirrors the scheduled maintenance requirements in vehicle owners manuals, specifically by make, model, year and mileage for every major automobile brand. Management believes that this software facilitates the presentation and sale of scheduled maintenance services to customers;
- Streamlining of estimating and other processes;
- Graphic catalogs;
- A feature which facilitates tire searches by size;
- Direct mail support;
- Appointment scheduling;
- Customer service history;
- A thermometer graphic which guides store managers on the profitability of each job;
- The ability to view inventory of up to the closest 14 stores or warehouse; and
- Expanded monitoring of price changes. This requires more specificity on the reason for a discount, which management believes helps to control discounting.

Enhancements will continue to be made to the POS system annually in an effort to increase efficiency, improve the quality and timeliness of store reporting and enable us to better serve our customers.

The financing to open a new greenfield service store location may be accomplished in one of three ways: a store lease for the land and building (in which case, land and building costs will be financed primarily by the lessor), a land lease with the building constructed by Monro (with building costs paid by Monro), or a land purchase with the building constructed by Monro. In all three cases, for service stores, each new store also will require approximately $200,000 for equipment (including a POS system and a truck) and approximately $55,000 in inventory. Because we generally do not extend credit to our 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, from $350,000 to $950,000 depending on the location and which of the three financing methods is used. In general, tire stores are larger and have more service bays than Monro s traditional service stores and, as a result, construction costs are at the high end of the range of new store construction costs. Total capital required to open a new greenfield tire (land and building leased) location costs, on average, approximately $600,000, including $225,000 for equipment and $150,000 for inventory. In instances where Monro acquires an existing business, it may pay additional amounts for intangible assets such as customer lists, covenants not-to-compete, trade names and goodwill, but generally will pay less per bay for equipment and real property.

At March 29, 2014, we leased the land and/or the building at approximately 71% of our store locations and owned the land and building at the remaining locations. Monro s policy is to situate new stores in the best locations, without regard to the form of ownership required to develop the locations.

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

**STORE OPERATIONS**

***Store Format***

The typical format for a Monro 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, Monro and BJ s both operate counters in the sales area, while Monro 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 | $ 100,000 | 2,700 |
| Tire stores (excluding Tire Warehouse and Tire Barn Warehouse stores) | 7 | 6,500 | $ 145,000 | 1,400 |

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 approximately half the amount of inventory of a typical service store.

Data for the Tire Warehouse and Tire Barn Warehouse stores has been excluded because these locations primarily install new tires and wheels and many perform alignments. Additionally, most Tire Warehouse stores have no indoor service bays. The store building houses a waiting room, storage area and an area to mount and balance tires on the car s wheels once the wheels and tires have been removed from the car. Removal of old tires and wheels from, and installation of new tires and wheels on, customers cars are performed outdoors under a carport. A growing number of Tire Warehouse stores have an indoor bay to perform alignments. The average inventory carried by the Tire Warehouse and Tire Barn Warehouse stores is $236,000 per store.

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

***Inventory Control and Management Information System***

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

***Quality Control and Warranties***

To maintain quality control, we conduct audits to rate our employees telephone sales manner and the accuracy of pricing information given.

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

Monro uses a Double Check for Accuracy Program as part of our 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.

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

We offer limited warranties on substantially all of the products and services that we provide. We believe that these warranties are competitive with industry practices and serve as a marketing tool to increase repeat business at our stores.

***Store Personnel and Training***

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

We believe 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. We make a concerted effort to recruit individuals who will have a long-term commitment to the Company and offer 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 our Store Managers and Market Managers started with the Company as technicians.

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

Our 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 our dedicated training department and Operations management, and are supplemented with live and on-line vendor training courses. Management training covers customer service, sales, human resources (counseling, recruiting, interviewing, etc.), leadership, scheduling, financial and operational areas, and is delivered on a regular basis. We believe that involving Operations management in the development and delivery of these sessions results in more relevant and actionable training for Store Managers, and helps to improve overall performance and staff retention.

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

**OPERATING STRATEGY**

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

***Products and Services***

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

Stores generally provide many of the routine maintenance services (except engine diagnostic), which automobile manufacturers suggest or require in the vehicle owners manuals, and which fulfill manufacturers requirements for new car warranty compliance. We offer Scheduled Maintenance services in our 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 we are able to offer this service in a more convenient and cost competitive fashion than auto dealers can provide.

Included in maintenance services are oil change services, heating and cooling system flush and fill service, belt installation, fuel system service and a transmission flush and fill service. Additionally, most stores replace and service batteries, starters and alternators. Stores in New York, West Virginia, New Hampshire, Maryland, Rhode Island, Pennsylvania, North Carolina, Virginia, Missouri, Maine, Vermont and Wisconsin perform annual state inspections. Approximately 46% of our stores also offer air conditioning services.

We began a program in the third quarter of fiscal year 2007 to increase tire and tire related sales, such as alignments, in our service stores. The goal was to increase the overall sales of these stores by capturing tire and related sales from existing store traffic and eventually drive additional traffic and sales. The program involves increasing the specific sales training of store managers, expanding the tire merchandise selection in these stores, and raising the focus of store advertising in this category. This initiative, which is called Black Gold , has now been rolled out to 263 of the Company s service stores, primarily in markets where we also have tire stores, which allows for greater utilization of inventory.

The format of the Tire Warehouse and Tire Barn Warehouse stores, acquired in fiscal year 2010 and fiscal year 2013, respectively, are slightly different from Monro s typical service or tire stores (as described above) in that, generally, over 94% of the stores sales involve tire services, including the mounting and balancing of tires, and the sale of road hazard warranties. All stores provide the installation of wiper blades. Currently, 25 Tire Warehouse and 21 Tire Barn Warehouse stores perform alignments. In fiscal year 2015, Monro plans to expand the number of Tire Warehouse and Tire Barn Warehouse stores offering alignment services to a total of 52 stores.

***Customer Satisfaction***

Monro s vision of being the dominant Auto Service provider in the markets we serve is supported by a set of values displayed in each Company Store emphasizing TRUST:

**T**otal Customer Satisfaction

**R**espect, Recognize and Reward (employees who are committed to these values)

**U**nparalleled Quality and Integrity

**S**uperior Value and

**T**eamwork

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

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

***Competitive Pricing, Advertising and Co-branding Initiatives***

Monro seeks to set competitive prices for quality services and products. We support our pricing strategy by advertising through direct mail coupon inserts and in-store promotional signage and displays. In addition, to increase consumer awareness of the services we offer, Monro advertises through radio, yellow pages, newspapers, service reminders and digital marketing. Our digital marketing efforts include email marketing, paid search on all major search engines, search remarketing, and banner and mobile advertising. We also manage social media profiles for all Monro brands on Twitter, Facebook and Foursquare.

Our websites include www.Monro.com, www.MrTire.com, www.Tirewarehouse.net, www.Kentowery.com, www.TireBarn.com and www.Currysauto.com. These sites help customers search for store locations, print coupons, make service appointments, shop for tires and access information on our services and products, as well as car care tips.

Monro currently maintains mobile apps on the iPhone and Android platforms for the Monro, Mr. Tire and Tire Warehouse brands. Our mobile apps enable customers to manage vehicle service records on their smart phones and access information, coupons and specials, as they do on our websites.

***Centralized Control***

Unlike many of our competitors, we operate, rather than franchise, most of our stores (except for the three Tire Warehouse franchises and 14 dealer locations). We believe that direct operation of stores enhances our ability to compete by providing centralized control of such areas of operations as service quality, store appearance, promotional activity and pricing. A high level of competence is maintained throughout the Company, as we require, as a condition of employment, that employees participate in periodic training programs, including sales, management, customer service and changes in automotive technology. Additionally, purchasing, distribution, merchandising, advertising, accounting and other store support functions are centralized primarily in Monro s corporate headquarters in Rochester, New York, and are provided through our 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***

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

**PURCHASING AND DISTRIBUTION**

Through our wholly-owned subsidiary Monro Service Corporation, we select and purchase 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 16% of all parts and tires used in fiscal 2014.

Our ten largest vendors accounted for approximately 83% of our parts and tire purchases, with the largest vendor accounting for approximately 21% of total stocking purchases in fiscal 2014. In fiscal 2014 Monro imported approximately 28% of our parts and tire purchases. We purchase parts and tires from approximately 100 vendors. Management believes that our relationships with vendors are excellent and that alternative sources of supply exist, at comparable cost, for substantially all parts used in our business. We routinely obtain bids from vendors to ensure we are receiving competitive pricing and terms.

Most parts are shipped by vendors to our primary warehouse facility in Rochester, New York, and are distributed to stores by the Monro-operated tractor/trailer fleet. The majority of tires are shipped to our stores directly by vendors pursuant to orders placed by our headquarters staff. During fiscal 2013, we completed an expansion of our warehouse from 80,000 square feet to 135,000 square feet. Stores are replenished at least monthly from this warehouse, and such replenishment fills, on average, 95% of all items ordered by the stores automatic POS-driven replenishment system. The Rochester warehouse stocks approximately 4,400 SKUs. Monro also operates warehouses in Maryland, Virginia, Illinois, New Hampshire and Kentucky. These warehouses carry, on average, 1,200; 300; 1,200; 900 and 1,000 SKUs, respectively.

We enter into contracts with certain parts and tire suppliers, some of which require us to buy (at market prices) up to 100% of our annual purchases of specific products. These agreements expire at various dates through July 2017. We believe these agreements provide us with high quality, branded merchandise at preferred pricing, along with strong marketing and training support.

**COMPETITION**

Monro competes in the retail automotive service and tire industry. This industry is generally highly competitive and fragmented, and the number, size and strength of competitors vary widely from region to region. We believe that competition in this industry is based on customer service and reputation, store location, name awareness and price. Monro s primary competitors include national and regional undercar, tire specialty and general automotive service chains, both franchised and company-operated; car dealerships, mass merchandisers operating service centers; and, to a lesser extent, gas stations, independent garages and Internet tire sellers. Monro considers TBC Corporation (operating under the NTB, Merchant s Tire, Midas and Tire Kingdom brands), Firestone Complete Auto Care service stores and Meineke Discount Mufflers Inc. to be direct competitors. In most of the new markets that we have entered, at least one competitor was already present. In identifying new markets, we analyze, 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, 2014, Monro had 6,139 employees, of whom 5,779 were employed in the field organization, 139 were employed at the warehouses, 185 were employed at our corporate headquarters and 36 were employed in other offices. Monro s employees are not members of any union. We believe that our relations with our employees are good.

**REGULATION**

Monro 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, we also recycle oil filters. Thus, we are 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 our handling and disposal of waste. The EPA, under the Clean Air Act, also regulates the installation of catalytic converters by Monro and all other repair stores by periodically spot checking repair jobs, and has the power to fine businesses that use improper procedures or materials. The EPA has the authority to impose sanctions, including civil penalties up to $37,500 per violation (or up to $37,500 per day for certain willful violations or failures to cooperate with authorities), for violations of RCRA and the Clean Air Act.

We are subject to various laws and regulations concerning workplace safety, zoning and other matters relating to our business. We maintain programs to facilitate compliance with these laws and regulations. We believe that we are 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.

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

**SEASONALITY**

Although our business is not highly seasonal, customers do purchase more undercar service during the period of March through October than the period of November through February, when miles driven tend to be lower. In the tire stores, the better sales months are typically May through August, and October through December. The slowest months are typically January through April and September. As a result, profitability is typically lower during slower sales months, or months where mix is more heavily weighted toward tires, which is a lower margin category. Additionally, since our stores are primarily located in the northeastern United States, profitability tends to be lower in the winter months when certain costs, such as utilities and snow plowing, are typically higher.

**COMPANY INFORMATION AND SEC FILINGS**

Monro 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. Monro s SEC filings are available through this website free of charge, via a direct link to the SEC website at www.sec.gov. Monro s filings with the SEC are also available to the public at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling the SEC at 1-800-SEC-0330.

**Item 1A.** ***Risk Factors***

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

***We operate in the highly competitive automotive repair industry.***

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

***We are subject to seasonality and cycles in the general economy and customers use of vehicles, which may impact demand for our products and services.***

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

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

The automotive repair industry is subject to fluctuations in the general economy. During a downturn in the economy, customers may defer or forego vehicle maintenance or repair. During periods of good economic conditions, consumers may decide to purchase new vehicles rather than having their older vehicles serviced.

Further, our industry is influenced by the number of miles driven by automobile owners. Factors that may cause the number of miles driven by automobile owners to decrease include the weather, travel patterns, gas prices and, as discussed above, fluctuations in the general economy. 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. Accordingly, a significant reduction in the number of miles driven by automobile owners could have a material adverse effect on our business and results of operations.

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

We depend on close relationships with our vendors for parts, tires and supplies and for our ability to purchase products at competitive prices and terms. Our ability to purchase at competitive prices and terms results from the volume of our purchases from these vendors. We have entered into various contracts with parts suppliers that require us to buy from them (at market prices) up to 100% of our annual purchases of specific products. These agreements expire at various dates through July 2017.

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

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

- potential economic and political instability in countries where our suppliers are located;
- increases in shipping costs;
- transportation delays and interruptions;
- changes in U.S. and foreign laws affecting the importation and taxation of goods, including duties, tariffs and quotas, or changes in the enforcement of those laws; and
- compliance with the United States Foreign Corrupt Practices Act, which generally prohibits U.S. companies from engaging in bribery or making other prohibited payments to foreign officials.

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

We are subject to various federal, state and local environmental laws, building and zoning requirements, employment laws and other governmental regulations regarding the operation of our business. For example, we

13

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

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

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

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

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

***Business interruptions may negatively impact our store operations, availability of products and/or the operability of our computer systems, which may have a material negative effect on our business and results of operations. A breach of our computer systems could damage our reputation and have a material adverse effect on our business and results of operations.***

If any of our locations in a particular region are unexpectedly closed permanently or for a period of time, it could have a negative impact on our business. Such closures could occur as a result of circumstances out of our control, including war, acts of terrorism, extreme weather conditions and other natural disasters. Further, if our ability to obtain products and merchandise for use in our stores is impeded, it could have a negative impact on our business. Factors that could negatively affect our ability to obtain products and merchandise include the sudden inability to import goods into the United States, for any reason and the curtailment or delay of commercial transportation. While we do maintain business interruption insurance, there is no guarantee that we will be able to use such insurance for any particular location closure or other interruption in operations.

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

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

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

***Our business is affected by advances in automotive technology.***

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

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

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

***Any impairment of goodwill, other intangible assets or long-lived assets could negatively impact our results of operations.***

Our goodwill, other intangible assets or long-lived assets, are subject to an impairment test on an annual basis and are also tested whenever events and circumstances indicate that goodwill, intangible assets and/or long-lived assets may be impaired. Any excess goodwill resulting from the impairment test must be written off in the period of determination. Intangible assets (other than goodwill and indefinite-lived intangible assets) and other long-lived assets are generally amortized or depreciated over the useful life of such assets. In addition, from time to time, we may acquire or make an investment in a business that will require us to record goodwill based on the purchase price and the value of the acquired tangible and intangible assets. We have significantly increased our goodwill as a result of our acquisitions. We may subsequently experience unforeseen issues with the businesses we acquire, which may adversely affect the anticipated returns of the business or value of the intangible assets and trigger an evaluation of the recoverability of the recorded goodwill and intangible assets for such business. Future determinations of significant write-offs of goodwill, intangible assets or other long-lived assets, as a result of an impairment test or any accelerated amortization or depreciation of other intangible assets or other long-lived assets could have a material negative impact on our results of operations and financial condition. We have completed our annual impairment test for goodwill, and have concluded that we do not have any impairment of goodwill for the year ended March 29, 2014.

***Store closings result in acceleration of costs.***

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

***We rely on an adequate supply of skilled field personnel.***

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

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

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

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

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

- our failure to comply with the financial and other restrictive covenants governing our debt, which, among other things, require us to comply with certain financial ratios and limit our ability to incur additional debt and sell assets, could result in an event of default that, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations; and our exposure to certain financial market risks, including fluctuations in interest rates associated with bank borrowings could become more significant.

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

***We depend on the services of key executives.***

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

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

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

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

***Healthcare reform legislation could have a negative impact on our business, financial condition and results of operations.***

The Patient Protection and Affordable Care Act (the Act ), as well as other healthcare reform legislation considered by Congress and state legislators, could significantly impact our healthcare cost structure and increase our healthcare-related expenses. The Act requires employers, such as us, to provide health insurance for all qualifying employees or pay penalties for not providing coverage. Although we cannot predict with certainty the financial and operational impacts the Act will have, we expect to be required to provide health benefits to more employees than we currently do, which could raise our labor costs. We continue to evaluate the potential impact the healthcare reform legislation will have on our business and the steps necessary to mitigate the impacts, including potential modifications to our current benefit plans, operational changes to minimize the impact of the legislation to our cost structure and increases to selling prices to mitigate the expected increase in healthcare-related expenses. If we cannot effectively modify our programs and operations in response to the new legislation, our results of operations, financial condition and cash flows may be adversely impacted.

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

None.

**Item 2.** ***Properties***

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

Of Monro s 953 Company-operated stores at March 29, 2014, 280 were owned, 571 were leased and for 102 stores, only the land was leased. In general, we lease store sites for a ten-year period with several five-year renewal options. Giving effect to all renewal options, approximately 59% of the leases (396 stores) expire after 2024. 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 Monro 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, 2014, 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***

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

**Item 4.** ***Mine Safety Disclosures***

Not applicable.

**PART II**

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

**MARKET INFORMATION**

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

| | Fiscal 2014 | | Fiscal 2013 | |
|---|---|---|---|---|
| **Quarter Ended** | **High** | **Low** | **High** | **Low** |
| June | $ 50.66 | $ 37.88 | $ 42.45 | $ 31.43 |
| September | $ 51.12 | $ 41.35 | $ 39.33 | $ 30.72 |
| December | $ 56.00 | $ 43.87 | $ 36.49 | $ 30.72 |
| March | $ 62.11 | $ 53.85 | $ 41.30 | $ 33.00 |

**HOLDERS**

At May 9, 2014, Monro s Common Stock was held by approximately 4,400 shareholders of record or through nominee or street name accounts with brokers.

**EQUITY COMPENSATION PLAN INFORMATION**

As of March 29, 2014, Monro maintained stock option plans under which employees and non-employee directors could be granted Common Stock options to purchase shares of Monro s Common Stock. The following table contains information relating to such plans as of March 29, 2014.

| **Plan Category** | **Number of Securities To Be Issued Upon Exercise of Outstanding Options (a)** | **Weighted Average Exercise Price of Outstanding Options (b)** | **Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)** |
|---|---|---|---|
| Equity compensation plans approved by security holders | 1,773,401 | $ 31.58 | 2,148,327 |
| Equity compensation plans not approved by security holders | | | |
| Total | 1,773,401 | $ 31.58 | 2,148,327 |

**DIVIDENDS**

In May 2012, Monro s Board of Directors declared its intention to pay a regular quarterly cash dividend of $.10 per common share or common share equivalent to be paid beginning with the first quarter of fiscal year 2013. Monro s Board of Directors accelerated the record and payment date of the $.10 per share regular quarterly cash dividend for the fourth quarter such that the dividend was paid together with the third quarter dividend in December 2012. This combined dividend of $.20 per share was paid on December 21, 2012 to shareholders of record as of December 11, 2012.

In May 2013, Monro s Board of Directors declared its intention to pay a regular quarterly cash dividend of $.11 per common share or common share equivalent to be paid beginning with the first quarter of fiscal year 2014.

In May 2014, Monro s Board of Directors declared a regular quarterly cash dividend of $.13 per common share or common share equivalent to be paid to shareholders of record as of June 2, 2014. The dividend will be paid on June 12, 2014.

The declaration of and determination as to the payment of future dividends will be at the discretion of the Board of Directors and will depend on our financial condition, results of operations, capital requirements, compliance with charter and contractual restrictions, and such other factors as the Board of Directors deems relevant. Under our Revolving Credit Facility, we are not permitted to pay cash dividends in excess of 50% of our preceding year s net income. For additional information regarding our Revolving Credit Facility, see Note 6 to the Company s Consolidated Financial Statements.

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

The following table sets forth selected financial and operating data of Monro for each year in the five-year period ended March 29, 2014. The financial data and certain operating data have been derived from Monro 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 | | | | |
|---|---|---|---|---|---|---|
| | | 2014 | 2013 | 2012 | 2011 | 2010 |
| | | (Amounts in thousands, except per share data) | | | | |
| **Income Statement Data**: | | | | | | |
| Sales | | $ 831,432 | $ 731,997 | $ 686,552 | $ 636,678 | $ 564,639 |
| Cost of sales, including distribution and occupancy costs | | 511,458 | 453,850 | 410,155 | 379,166 | 333,465 |
| Gross profit | | 319,974 | 278,147 | 276,397 | 257,512 | 231,174 |
| Operating, selling, general and administrative expenses | | 224,627 | 204,442 | 184,981 | 179,127 | 171,938 |
| Operating income | | 95,347 | 73,705 | 91,416 | 78,385 | 59,236 |
| Interest expense, net | | 9,470 | 7,213 | 5,220 | 5,095 | 6,090 |
| Other income, net | | (659) | (332) | (490) | (647) | (279) |
| Income before provision for income taxes | | 86,536 | 66,824 | 86,686 | 73,937 | 53,425 |
| Provision for income taxes | | 32,077 | 24,257 | 32,074 | 28,096 | 20,234 |
| Net income | | $ 54,459 | $ 42,567 | $ 54,612 | $ 45,841 | $ 33,191 |
| Earnings per share | Basic(a) | $ 1.72 | $ 1.36 | $ 1.77 | $ 1.52 | $ 1.12 |
| | Diluted(a) | $ 1.67 | $ 1.32 | $ 1.69 | $ 1.44 | $ 1.07 |
| Weighted average number of Common Shares and equivalents | | | | | | |
| | Basic(b) | 31,394 | 31,067 | 30,716 | 30,200 | 29,508 |
| | Diluted(b) | 32,642 | 32,308 | 32,237 | 31,807 | 30,978 |
| Cash dividends per common share or common share equivalent(b)(c) | | $ 0.44 | $ 0.40 | $ 0.35 | $ 0.28 | $ 0.23 |
| **Selected Operating Data:(d)** | | | | | | |
| Sales growth: | | | | | | |
| Total | | 13.6% | 6.6% | 7.8% | 12.8% | 18.6% |
| Comparable store(e) | | (0.5)% | (7.3)% | 2.0% | 4.2% | 7.2% |
| Stores open at beginning of year | | 937 | 803 | 781 | 777 | 710 |
| Stores open at end of year | | 953 | 937 | 803 | 781 | 777 |
| Capital Expenditures(f) | | $ 32,150 | $ 34,185 | $ 28,556 | $ 17,507 | $ 21,333 |
| **Balance Sheet Data (at period end):** | | | | | | |
| Net working capital | | $ 31,375 | $ 28,280 | $ 24,506 | $ 19,343 | $ 24,715 |
| Total assets | | 759,956 | 739,433 | 510,092 | 451,840 | 444,143 |
| Long-term obligations | | 187,040 | 214,809 | 51,164 | 41,990 | 96,427 |
| Shareholders equity | | 415,984 | 365,042 | 327,499 | 280,249 | 232,670 |

(a) See Note 10 to our Consolidated Financial Statements, included under Item 8 of this report, for calculation of basic and diluted earnings per share for fiscal years 2014, 2013 and 2012.

(b) Adjusted in fiscal year 2010 for the effect of Monro s December 2010 three-for-two stock split.

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

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

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

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

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

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

| | Year Ended Fiscal March | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| Sales | 100.0 % | 100.0 % | 100.0 % |
| Cost of sales, including distribution and occupancy costs | 61.5 | 62.0 | 59.7 |
| Gross profit | 38.5 | 38.0 | 40.3 |
| Operating, selling, general and administrative expenses | 27.0 | 27.9 | 26.9 |
| Operating income | 11.5 | 10.1 | 13.3 |
| Interest expense, net | 1.1 | 1.0 | 0.8 |
| Other income, net | (0.1) | | (0.1) |
| Income before provision for income taxes | 10.4 | 9.1 | 12.6 |
| Provision for income taxes | 3.9 | 3.3 | 4.7 |
| Net income | 6.5 % | 5.8 % | 8.0 % |

**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. When used in this Annual Report on Form 10-K, the words anticipates , believes , contemplates , see , could , estimate , intend , plans and variations thereof and similar expressions, are intended to forward-looking statements. 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 Monro 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, parts supply restraints or difficulties, industry regulation, risks relating to leverage and debt service (including sensitivity to fluctuations in interest rates), continued availability of capital resources and financing, disruption or unauthorized access to our computer systems, risks relating to protection of customer and employee personal data, risks relating to litigation, risks relating to integration of acquired businesses, including goodwill impairment and the risks set forth in Item 1A. Risk Factors . Except as required by law, we do not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf.

**CRITICAL ACCOUNTING POLICIES**

We believe that the accounting policies listed below are those that are most critical to the portrayal of our 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***

We evaluate 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 we believe inventory is stated at the lower of cost or market in the consolidated financial statements. In addition, historically we have 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***

We have 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. The carrying value of goodwill is subject to annual impairment reviews, which we typically perform in the third quarter of the fiscal year. Impairment reviews may also be triggered by any significant events or changes in circumstances affecting our business.

We have only one reporting unit which encompasses all operations including new acquisitions. The goodwill impairment test consists of a two-step process, if necessary. We perform a qualitative assessment to determine if it is more likely than not that the fair value is less than the carrying value of goodwill. If the qualitative factors are triggered, we perform the two-step process. The first step is to compare the fair value to the book value of our reporting unit. 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. We believe there is little risk of impairment.

Intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses and are amortized over their estimated useful lives. All intangibles and other long-lived assets are reviewed when events or changes in circumstances indicate that the asset s carrying value may not be recoverable. If such indicators are present, it is determined whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying values.

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

***Self-Insurance Reserves***

We are largely self-insured with respect to workers compensation, general liability and employee medical claims. In order to reduce our risk and better manage our overall loss exposure, we purchase stop-loss insurance that covers individual claims in excess of the deductible amounts, and caps total losses in a fiscal year. We maintain 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 our 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, we use the services of an actuary on an annual basis to assist in determining the required reserve for open claims.

***Stock-Based Compensation***

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

***Income Taxes***

Our provision for income taxes and effective tax rates are calculated by legal entity and jurisdiction and are based on a number of factors, including our income, tax planning strategies, differences between tax laws and accounting rules, statutory tax rates and credits, uncertain tax positions and valuation allowances. We use significant judgment and estimates in evaluating our 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 our tax return (the current or cash tax rate) is different from the tax rate reflected in our Consolidated Financial Statements. Some of the differences are permanent, while other differences are temporary as they reverse over time. We record deferred tax assets and liabilities for any temporary differences between the tax reflected in our Consolidated Financial Statements and tax bases. We establish valuation allowances when we believe it is more-likely-than-not that some portion of our deferred tax assets will not be realized.

At any one time, our tax returns for several tax years are subject to examination by U.S. federal and state taxing jurisdictions. We establish tax liabilities in accordance with the accounting guidance on income taxes. Under the accounting guidance, the impact of an uncertain tax position taken or expected to be taken on an income tax return must be recognized in the financial statements at the largest amount that is more-likely-than-not to be sustained. An uncertain income tax position will not be recognized in the financial statements unless it is more-likely-than-not to be sustained. We adjust 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 our actual tax liability differs from our established tax liabilities for unrecognized tax benefits, our 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, we believe that our tax balances reflect the more-likely-than-not outcome of known tax contingencies.

**RESULTS OF OPERATIONS**

***Fiscal 2014 As Compared To Fiscal 2013***

Sales for fiscal 2014 increased $99.4 million or 13.6% to $831.4 million as compared to $732.0 million in fiscal 2013. The increase was due to an increase of $110 million related to new stores, of which $107 million came from the fiscal 2013 and fiscal 2014 acquisitions. Partially offsetting this was a decrease in comparable store sales of .5%. Additionally, there was a decrease in sales from closed stores amounting to $5.0 million. There were 361 selling days in both fiscal 2014 and fiscal 2013.

During the year, 29 stores were added and 13 were closed. At March 29, 2014, we had 953 Company-operated stores in operation.

We believe that the slight decrease in comparable store sales for fiscal 2014 resulted primarily from continued weak economic conditions. We believe that consumers continue to defer service repairs and tire replacements, especially on higher ticket items.

For the year, comparable store traffic was up slightly while average ticket was down. The brake, exhaust and shock categories each increased by about 1% on a comparable store basis for the year. The tire category declined about 1% as consumers traded down from higher priced tires. However, tire unit sales increased approximately 1% on a comparable store basis.

Harsh winter weather also negatively impacted sales during the fourth quarter of fiscal 2014, which resulted in stores being closed for periods of time, and consumers reluctant to travel.

Gross profit for fiscal 2014 was $320.0 million or 38.5% of sales as compared with $278.1 million or 38.0% of sales for fiscal 2013. The increase in gross profit for fiscal 2014, as a percentage of sales, is due to several factors. Labor costs decreased as a percentage of sales as compared to the prior year through focused payroll control. Labor productivity, as measured by sales per man hour, improved over the prior year as well.

Distribution and occupancy costs decreased as a percentage of sales from the prior year as we leveraged these largely fixed costs with the increase in sales from acquired stores.

Total material costs were relatively flat as a percentage of sales as compared to the prior year. This was due to a shift in mix to the lower margin service and tire categories, the latter due primarily to the acquisition of more tire stores, offset by a meaningful decline in product costs, particularly tires.

Operating expenses for fiscal 2014 were $224.6 million or 27.0% of sales compared with $204.4 million or 27.9% of sales for fiscal 2013. Excluding the increase in operating expenses related to the stores acquired in fiscal 2014 and fiscal 2013, operating expenses actually decreased by approximately $2.2 million. This demonstrates that we experienced leverage in this line on a comparable store basis through focused cost control and pay plans which appropriately adjust for performance.

Operating income in fiscal 2014 of $95.3 million increased 29.4% compared to operating income of $73.7 million in fiscal 2013, and increased as a percentage of sales from 10.1% to 11.5% for the reasons described above.

Net interest expense for fiscal 2014 increased by approximately $2.3 million as compared to the prior year, and increased as a percentage of sales from 1.0% to 1.1%. The weighted average debt outstanding for the year ended March 29, 2014 increased by approximately $61 million from fiscal 2013, primarily related to an increase in debt outstanding under our Revolving Credit Facility to fund the purchase of our acquisitions, as well as increased capital leases related to our fiscal 2013 acquisitions. Partially offsetting this increase was a decrease in the weighted average interest rate of approximately 40 basis points from the prior year due to a shift in the percentage of debt (revolver vs. capital leases) outstanding at a lower rate.

Our effective tax rate was 37.1% and 36.3%, respectively, of pre-tax income in fiscal 2014 and 2013. The difference primarily relates to the accounting for uncertain tax positions which may vary from year to year.

Net income for fiscal 2014 increased by $11.9 million, or 27.9%, from $42.6 million in fiscal 2013, to $54.5 million in fiscal 2014, and earnings per diluted share increased by 26.5% from $1.32 to $1.67 due to the factors discussed above.

***Fiscal 2013 As Compared To Fiscal 2012***

Sales for fiscal 2013 increased $45.4 million or 6.6% to $732.0 million as compared to $686.6 million in fiscal 2012. The increase was due to an increase of $99.6 million related to new stores, of which $95.3 million came from the fiscal 2012 and fiscal 2013 acquisitions. Offsetting this was a decrease in comparable store sales of 7.3%. Additionally, there was a decrease in sales from closed stores amounting to $6.4 million. Fiscal 2013 was a 52-week year, and therefore, there were 361 selling days as compared to 368 selling days in fiscal 2012. Adjusting for days, comparable store sales were down 5.5%.

As occurred in previous years, we completed the bulk sale of approximately $2.4 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 our normal profit margin. The barter transaction that occurred in fiscal 2013 decreased gross profit and operating expenses by .1% of sales.

During the year, 144 stores were added and 10 were closed. At March 30, 2013, we had 937 Company-operated stores in operation.

We believe that the decline in comparable store sales for fiscal 2013 resulted mainly from the continued weak U.S. economy. With the continuation of high gasoline prices, lack of consumer confidence and high unemployment, we believe that customers are continuing to defer tire purchases and service repairs, especially on higher ticket items. Additionally, we believe that the milder winter weather in 2013 and 2012 also led to consumers deferring tire purchases. While it appears that repairs and tire purchases are being deferred more and for longer than in prior years, most can only be deferred for a period of time due to safety issues or state inspection requirements.

Gross profit for fiscal 2013 was $278.1 million or 38.0% of sales as compared with $276.4 million or 40.3% of sales for fiscal 2012. The decrease in gross profit for fiscal 2013, as a percentage of sales, is due to several factors. Total material costs increased as a percentage of sales as compared to the prior year. This was due to a shift in mix to the lower margin service and tire categories, the latter due in part to the acquisition of more tire stores.

Distribution and occupancy costs increased as a percentage of sales from the prior year as we lost leverage on these largely fixed costs with lower comparable store sales.

Labor costs were relatively flat as a percentage of sales as compared to the prior year.

Operating expenses for fiscal 2013 were $204.4 million or 27.9% of sales compared with $185.0 million or 26.9% of sales for fiscal 2012. Excluding the operating expenses related to the stores acquired in fiscal 2013, operating expenses actually decreased by approximately $1.5 million, after adjusting for the extra week in fiscal 2012. This demonstrates that the Company experienced leverage in this line on a comparable store basis through focused cost control and pay plans which appropriately adjust for performance.

Operating income in fiscal 2013 of $73.7 million decreased 19.4% compared to operating income of $91.4 million in fiscal 2012, and decreased as a percentage of sales from 13.3% to 10.1% for the reasons described above.

Net interest expense for fiscal 2013 increased by approximately $2.0 million as compared to the prior year, and increased as a percentage of sales from .8% to 1.0%. The weighted average debt outstanding for the year ended March 30, 2013 increased by approximately $82 million from fiscal 2012, primarily related to an increase in debt outstanding under our Revolving Credit Facility to fund the purchase of our fiscal 2013 acquisitions. Largely offsetting this increase was a decrease in the weighted average interest rate of approximately 370 basis points from the prior year due to a shift in the percentage of debt (revolver vs. capital leases) outstanding at a lower rate. Additionally, amortization of financing fees over the higher outstanding revolving credit balance is causing a decrease in the weighted average interest rate.

Our effective tax rate was 36.3% and 37.0%, respectively, of pre-tax income in fiscal 2013 and 2012. The difference primarily relates to the accounting for uncertain tax positions which may vary from year to year.

Net income for fiscal 2013 decreased by $12.0 million, or 22.1%, from $54.6 million in fiscal 2012, to $42.6 million in fiscal 2013, and earnings per diluted share decreased by 21.9% from $1.69 to $1.32 due to the factors discussed above.

**CAPITAL RESOURCES, CONTRACTUAL OBLIGATIONS AND LIQUIDITY**

***Capital Resources***

Our primary capital requirements for fiscal 2014 were divided among the funding of acquisitions for $27.5 million, as well as the upgrading of facilities and systems and the funding of our store expansion program totaling $32.2 million. In fiscal 2013, our primary capital requirements were divided among the funding of acquisitions for $163.3 million, as well as the upgrading of facilities and systems, including the completion of the approximate $4.6 million expansion of the Rochester, New York office and warehouse facility which began in fiscal 2012, and the funding of our store expansion program totaling $34.2 million. In both fiscal years 2014 and 2013, capital requirements were primarily met by cash flow from operations and from our revolving credit facility.

In fiscal 2015, we intend to open approximately four new greenfield stores. Total capital required to open a new greenfield 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 (land and building leased) location costs, on average, approximately $600,000, including $225,000 for equipment and $150,000 for inventory.

Monro paid dividends of $14.2 million in fiscal 2014. In May 2014, Monro s Board of Directors declared its intention to pay a regular quarterly cash dividend of $.13 per common share or common share equivalent beginning with the first quarter of fiscal 2015.

We also plan to continue to seek suitable acquisition candidates. Management believes that we have sufficient resources available (including cash flow from operations and bank financing) to expand our 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 | 1 to 3 Years | 3 to 5 Years | After 5 Years |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| Principal payments on long-term debt | $ 106,501 | $ 660 | | $ 105,841 | |
| Capital lease commitments/financing obligations | 88,091 | 6,892 | $ 13,311 | 14,602 | $ 53,286 |
| Operating lease commitments | 126,417 | 33,204 | 52,791 | 29,276 | 11,146 |
| Total | $ 321,009 | $ 40,756 | $ 66,102 | $ 149,719 | $ 64,432 |

We believe that we can fulfill our contractual commitments utilizing our cash flow from operations and, if necessary, bank financing.

***Liquidity***

In June 2011, we entered into a five-year, $175 million Revolving Credit Facility agreement with seven banks (the Credit Facility ). The Credit Facility amended and restated, in its entirety, the Credit Facility agreement previously entered into by Monro as of July 2005 and amended from time to time. The Credit Facility also provided an accordion feature permitting us to request an increase in availability of up to an additional $75 million.

In December 2012, the Credit Facility was amended to include the following: the committed sum was increased by $75 million to $250 million; the term was extended for another one and a half years, such that the

Credit Facility now expires in December 2017; and the $75 million accordion feature was maintained. There were no other changes in terms including those related to covenants or interest rates. There are now six banks participating in the syndication. There was $105.8 million outstanding under the Credit Facility at March 29, 2014. We were in compliance with all debt covenants as of March 29, 2014.

The interest rate on the Credit Facility increased from 100 basis points to 125 basis points over LIBOR during fiscal year 2014. At March 29, 2014, the interest rate was 125 basis points over LIBOR.

Within the Credit Facility, we have a sub-facility of $40 million for the purpose of issuing standby letters of credit. The line requires fees aggregating 1.375% annually of the face amount of each standby letter of credit, payable quarterly in arrears. There was $22.7 million in an outstanding letter of credit at March 29, 2014.

The net availability under the Credit Facility at March 29, 2014 was $121.5 million.

Specific terms of the Credit Facility permit the payment of cash dividends not to exceed 50% of the prior year s net income, and permit mortgages and specific lease financing arrangements with other parties with certain limitations. Additionally, the Credit Facility is not secured by our real property, although we have agreed not to encumber our real property, with certain permissible exceptions. The agreement also requires the maintenance of specified interest and rent coverage ratios.

In addition, we have financed certain store properties and vehicles with capital leases/financing obligations, which amount to $88 million and are due in installments through 2042.

During fiscal 1995, Monro 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 fiscal 2015.

**INFLATION**

We do not believe our operations have been materially affected by inflation. Monro 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 our Consolidated Financial Statements as of March 29, 2014 and for the year then ended, as well as the expected impact on the Consolidated Financial Statements for future periods.

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

Monro is exposed to market risk from potential changes in interest rates. At year end March 2014 and 2013, approximately .6% and .5%, respectively, of our 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. Our cash flow exposure on floating rate debt interest expense would result in interest expense fluctuating approximately $1.1 million based upon our debt position at fiscal year ended March 29, 2014 and $1.3 million for fiscal year ended March 30, 2013 given a 1% change in LIBOR.

Debt financing, including current portion, had a carrying amount of $106.5 million and a fair value of $106.5 million as of March 29, 2014, as compared to a carrying amount of $127.8 million and a fair value of $127.8 million as of March 30, 2013.

**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 29, 2014 and March 30, 2013, and the results of their operations and their cash flows for each of the three years in the period ended March 29, 2014 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, 2014, based on criteria established in *Internal Control Integrated Framework (1992)* 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.

<u>/s/ PricewaterhouseCoopers LLP</u>

PricewaterhouseCoopers LLP

Rochester, New York

May 28, 2014

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS**

| | March 29, 2014 | March 30, 2013 |
|---|---|---|
| | (Dollars in thousands) | |
| **Assets** | | |
| Current assets: | | |
| Cash and equivalents | $ 1,205 | $ 1,463 |
| Trade receivables | 2,728 | 2,835 |
| Federal and state income taxes receivable | 2,171 | 2,336 |
| Inventories | 124,920 | 118,210 |
| Deferred income tax assets | 13,710 | 13,154 |
| Other current assets | 23,382 | 28,412 |
| Total current assets | 168,116 | 166,410 |
| Property, plant and equipment | 531,505 | 504,080 |
| Less Accumulated depreciation and amortization | (249,622) | (229,034) |
| Net property, plant and equipment | 281,883 | 275,046 |
| Goodwill | 270,039 | 249,803 |
| Intangible assets | 29,371 | 32,396 |
| Other non-current assets | 10,547 | 10,458 |
| Long-term deferred income tax assets | | 5,320 |
| Total assets | $ 759,956 | $ 739,433 |
| **Liabilities and Shareholders Equity** | | |
| Current liabilities: | | |
| Current portion of long-term debt, capital leases and financing obligations | $ 7,552 | $ 6,833 |
| Trade payables | 53,321 | 61,006 |
| Accrued payroll, payroll taxes and other payroll benefits | 20,206 | 18,302 |
| Accrued insurance | 32,353 | 29,498 |
| Warranty reserves | 9,557 | 9,060 |
| Other current liabilities | 13,752 | 13,431 |
| Total current liabilities | 136,741 | 138,130 |
| Long-term capital leases and financing obligations | 81,199 | 86,962 |
| Long-term debt | 105,841 | 127,847 |
| Accrued rent expense | 5,700 | 6,057 |
| Other long-term liabilities | 11,558 | 11,965 |
| Deferred income tax liabilities | 140 | |
| Long-term income taxes payable | 2,793 | 3,430 |
| Total liabilities | 343,972 | 374,391 |
| Commitments | | |
| Shareholders equity: | | |
| Class C Convertible Preferred Stock, $1.50 par value, $.064 conversion value; 150,000 shares authorized; 32,500 shares issued and outstanding | 49 | 49 |
| Common Stock, $.01 par value, 65,000,000 shares authorized; 37,567,902 and 37,327,967 shares issued at March 29, 2014 and March 30, 2013, respectively | 376 | 373 |
| Treasury Stock, 6,076,951 and 6,073,836 shares at March 29, 2014 and March 30, 2013, respectively, at cost | (90,241) | (90,064) |

| | | |
|---|---|---|
| Additional paid-in capital | 141,365 | 131,460 |
| Accumulated other comprehensive loss | (3,135) | (4,043) |
| Retained earnings | 367,570 | 327,267 |
| Total shareholders equity | 415,984 | 365,042 |
| Total liabilities and shareholders equity | $ 759,956 | $ 739,433 |

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

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | Year Ended Fiscal March | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| | **(Amounts in thousands, except per share data)** | | |
| Sales | $ 831,432 | $ 731,997 | $ 686,552 |
| Cost of sales, including distribution and occupancy costs | 511,458 | 453,850 | 410,155 |
| Gross profit | 319,974 | 278,147 | 276,397 |
| Operating, selling, general and administrative expenses | 224,627 | 204,442 | 184,981 |
| Operating income | 95,347 | 73,705 | 91,416 |
| Interest expense, net of interest income | 9,470 | 7,213 | 5,220 |
| Other income, net | (659) | (332) | (490) |
| Income before provision for income taxes | 86,536 | 66,824 | 86,686 |
| Provision for income taxes | 32,077 | 24,257 | 32,074 |
| Net income | $ 54,459 | $ 42,567 | $ 54,612 |
| Other comprehensive income (loss): | | | |
| Changes in pension, net of tax provision (benefit) of $556, ($299) and ($1,211), respectively | 908 | (488) | (1,977) |
| Other comprehensive income (loss) | 908 | (488) | (1,977) |
| Comprehensive income | $ 55,367 | $ 42,079 | $ 52,635 |
| Earnings per share: | | | |
| Basic | $ 1.72 | $ 1.36 | $ 1.77 |
| Diluted | $ 1.67 | $ 1.32 | $ 1.69 |
| Weighted average number of common shares outstanding used in computing earnings per share: | | | |
| Basic | 31,394 | 31,067 | 30,716 |
| Diluted | 32,642 | 32,308 | 32,237 |

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

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

| | Class C Convertible Preferred Stock | Common Stock | Treasury Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | | |
| **Balance at March 26, 2011** | $ 49 | $ 360 | $ (72,317) | $ 99,871 | $ 253,864 | $ (1,578) | $ 280,249 |
| Net income | | | | | 54,612 | | 54,612 |
| Other comprehensive loss: | | | | | | | |
| Pension liability adjustment (($3,188) pre-tax) | | | | | | (1,977) | (1,977) |
| Dividends (1): | | | | | | | |
| Preferred | | | | | (266) | | (266) |
| Common | | | | | (10,770) | | (10,770) |
| Tax benefit from exercise of stock options | | | | 5,314 | | | 5,314 |
| Exercise of stock options(2) | | 8 | (14,176) | 11,810 | | | (2,358) |
| Stock option compensation | | | | 2,695 | | | 2,695 |
| **Balance at March 31, 2012** | 49 | 368 | (86,493) | 119,690 | 297,440 | (3,555) | 327,499 |
| Net income | | | | | 42,567 | | 42,567 |
| Other comprehensive loss: | | | | | | | |
| Pension liability adjustment (($787) pre-tax) | | | | | | (488) | (488) |
| Dividends(1): | | | | | | | |
| Preferred | | | | | (304) | | (304) |
| Common | | | | | (12,436) | | (12,436) |
| Tax benefit from exercise of stock options | | | | 2,764 | | | 2,764 |
| Exercise of stock options(2) | | 5 | (3,571) | 5,922 | | | 2,356 |
| Stock option compensation | | | | 3,084 | | | 3,084 |
| **Balance at March 30, 2013** | 49 | 373 | (90,064) | 131,460 | 327,267 | (4,043) | 365,042 |
| Net income | | | | | 54,459 | | 54,459 |
| Other comprehensive income: | | | | | | | |
| Pension liability adjustment ($1,464 pre-tax) | | | | | | 908 | 908 |
| Dividends(1): | | | | | | | |
| Preferred | | | | | (334) | | (334) |
| Common | | | | | (13,822) | | (13,822) |
| Tax benefit from exercise of stock options | | | | 1,866 | | | 1,866 |
| Exercise of stock options(2) | | 3 | (177) | 4,488 | | | 4,314 |
| Stock option compensation | | | | 3,551 | | | 3,551 |
| **Balance at March 29, 2014** | $ 49 | $ 376 | $ (90,241) | $ 141,365 | $ 367,570 | $ (3,135) | $ 415,984 |

(1) Dividends paid per common share or common share equivalent were $.44, $.40 and $.35, respectively, for the years ended March 29, 2014, March 30, 2013 and March 31, 2012.

(2) 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**

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| | Year Ended Fiscal March (Dollars in thousands) | | |
| | Increase (Decrease) in Cash | | |
| Cash flows from operating activities: | | | |
| Net income | $ 54,459 | $ 42,567 | $ 54,612 |
| Adjustments to reconcile net income to net cash provided by operating activities - | | | |
| Depreciation and amortization | 31,688 | 27,500 | 23,583 |
| Stock-based compensation expense | 3,551 | 3,084 | 2,695 |
| Excess tax benefits from share-based payment arrangements | (195) | (441) | (294) |
| Net change in deferred income taxes | 4,520 | (375) | 3,162 |
| Gain on bargain purchase | (217) | | |
| Loss (gain) on disposal of assets | 373 | 375 | (1,247) |
| Change in operating assets and liabilities (excluding acquisitions) | | | |
| Trade receivables | 107 | (511) | 153 |
| Inventories | (5,192) | (5,968) | 4,589 |
| Other current assets | 5,149 | (7,176) | (3,668) |
| Other non-current assets | 1,844 | 5,468 | (6,942) |
| Trade payables | (7,685) | 15,657 | 4,048 |
| Accrued expenses | 3,656 | 3,826 | (323) |
| Federal and state income taxes payable | 2,031 | 1,779 | 3,577 |
| Other long-term liabilities | 491 | (844) | (539) |
| Long-term income taxes payable | (637) | (505) | (780) |
| Total adjustments | 39,484 | 41,869 | 28,014 |
| Net cash provided by operating activities | 93,943 | 84,436 | 82,626 |
| Cash flows from investing activities: | | | |
| Capital expenditures | (32,150) | (34,185) | (28,556) |
| Acquisitions, net of cash acquired | (27,467) | (163,326) | (39,243) |
| Proceeds from the disposal of assets | 3,916 | 3,037 | 2,102 |
| Net cash used for investing activities | (55,701) | (194,474) | (65,697) |
| Cash flows from financing activities: | | | |
| Proceeds from borrowings | 304,321 | 371,031 | 189,502 |
| Principal payments on long-term debt, capital leases and financing obligations | (333,174) | (253,445) | (198,236) |
| Exercise of stock options | 4,314 | 2,957 | 3,134 |
| Excess tax benefits from share-based payment arrangements | 195 | 441 | 294 |
| Dividends paid | (14,156) | (12,740) | (11,036) |
| Net cash (used for) provided by financing activities | (38,500) | 108,244 | (16,342) |
| (Decrease) increase in cash | (258) | (1,794) | 587 |
| Cash at beginning of year | 1,463 | 3,257 | 2,670 |
| Cash at end of year | $ 1,205 | $ 1,463 | $ 3,257 |

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

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

***Background***

Monro Muffler Brake, Inc. and its wholly owned subsidiary, Monro Service Corporation (together, Monro , we , us , or our ), are engaged principally in providing automotive undercar repair and tire services in the United States. Monro had 953 Company-operated stores, three franchised locations and 14 dealer-operated automotive repair centers located primarily in the northeast and Great Lakes regions of the United States as of March 29, 2014. Monro 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***

Monro 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 2014 : March 31, 2013 March 29, 2014 (52 weeks)

Year ended Fiscal March 2013 : April 1, 2012 March 30, 2013 (52 weeks)

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

***Consolidation***

The Consolidated Financial Statements include Monro Muffler Brake, Inc. and its wholly owned subsidiary, Monro Service Corporation, after the elimination of intercompany transactions and balances.

***Reclassifications***

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

***Retrospective adjustments Purchase accounting***

During the quarter ended December 2013, we finalized the purchase accounting for several acquisitions that occurred in fiscal year 2013. We retrospectively adjusted the provisional amounts recognized at the acquisition dates to reflect fair value and made adjustments to the March 30, 2013 Consolidated Balance Sheet. (See Note 2.)

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Revenue recognition***

Sales are recorded upon completion of automotive undercar repair and tire services provided to customers. The following was Monro s sales mix for fiscal 2014, 2013 and 2012:

| | Year Ended Fiscal March | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| Brakes | 15% | 15% | 18% |
| Exhaust | 4 | 4 | 5 |
| Steering | 9 | 10 | 10 |
| Tires | 44 | 42 | 39 |
| Maintenance | 28 | 29 | 28 |
| 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 when costs are not incurred ratably.

***Cash equivalents***

We consider all highly liquid instruments with original maturities of three months or less to be cash equivalents.

***Inventories***

Our 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***

We value barter credits at the fair market value of the inventory exchanged, as determined by reference to price lists for buying groups and jobber pricing. We use these credits primarily to pay vendors for purchases (mainly inventory vendors for the purchase of parts and tires) or to purchase other goods or services from the barter company such as advertising and travel.

***Property, plant and equipment***

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is provided on a straight-line basis. Buildings and improvements related to owned locations are depreciated over lives varying from 10 to 39 years; machinery, fixtures and equipment over lives varying from 5 to 15 years; and vehicles over lives varying from 5 to 10 years. Computer software is depreciated over lives varying from 3 to 7 years. Buildings and improvements related to leased locations are depreciated over the shorter of the asset s useful life or the reasonably assured lease term, as defined in the accounting guidance on leases. When property is sold or retired, the cost and accumulated depreciation are eliminated from the accounts and a gain or loss is recorded in the Consolidated Statements of Comprehensive Income. Expenditures for maintenance and repairs are expensed as incurred. (See Note 4.)

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Long-lived assets***

We evaluate 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, we report 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 we close a store, the estimated unrecoverable costs, including the remaining lease obligation net of sublease income, if any, are charged to expense.

***Leases***

*Financing Obligations*

We are often involved in the construction of leased stores. In some cases, we are responsible for construction cost over runs or non-standard tenant improvements. As a result of this involvement, we are deemed the owner for accounting purposes during the construction period, requiring us to capitalize the construction costs on our Consolidated Balance Sheet. Upon completion of the project, we perform a sale-leaseback analysis pursuant to guidance on accounting for leases to determine if we can remove the assets from our Consolidated Balance Sheet. For some of these leases, we are considered to have continuing involvement , which precludes us from derecognizing the assets from our Consolidated Balance Sheet when construction is complete ( failed sale-leaseback ). In conjunction with these leases, we capitalize the construction costs on our Consolidated Balance Sheet and also record financing obligations representing payments owed to the landlord. We do not report rent expense for the properties which are owned for accounting purposes. Rather, rental payments under the lease are recognized as a reduction of the financing obligation and as interest expense.

Additionally, since we often assume leases in acquisition transactions, the accounting for a seller who was involved in the construction of leased stores passes to us.

During the fourth quarter of fiscal 2013, Monro conducted a review of its lease accounting practices as it relates to certain sale-leaseback transactions.

In connection with this review, we recorded an out of period adjustment to record previously unrecognized failed sale-leaseback transactions. The adjustment resulted in the recognition of additional property of $.4 million and capital leases and financing obligations of $.7 million on our March 2013 Consolidated Balance Sheet. As some of the stores impacted related to prior year acquisitions, we also recorded increases in goodwill of $1.9 million, deferred tax assets of $1.2 million and other long term liabilities of $2.3 million in our Consolidated Balance Sheet as of March 30, 2013. The impact to the fiscal 2013 Consolidated Statement of Comprehensive Income was recorded in the fourth quarter as a decrease of $1.0 million in occupancy costs and an increase of $.5 million in interest expense. The Company determined that this adjustment was not material to its current or prior period Consolidated Financial Statements.

*Capital Leases*

Some of our property is held under capital leases. These assets are included in property, plant and equipment and depreciated over the term of the lease. We do not report rent expense for capital leases. Rather, rental payments under the lease are recognized as a reduction of the capital lease obligation and interest expense.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Operating Leases*

All other leases are considered operating leases. Rent expense, including rent escalations, is recognized 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***

We have 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. The carrying value of goodwill is subject to annual impairment reviews in accordance with accounting guidance on goodwill, which we typically perform in the third quarter of the fiscal year. Impairment reviews may also be triggered by any significant events or changes in circumstances affecting our business.

We have one reporting unit which encompasses all operations including new acquisitions. The goodwill impairment test consists of a two-step process, if necessary. We perform a qualitative assessment to determine if it is more likely than not that the fair value is less than the carrying value of goodwill. If the qualitative factors are triggered, we perform the two-step process. The first step is to compare the fair value of our 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.

Intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses and are amortized over their estimated useful lives. All intangibles and other long-lived assets are reviewed when events or changes in circumstances indicate that the asset s carrying value may not be recoverable. If such indicators are present, it is determined whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amounts. No such indicators were present in 2014, 2013 or 2012.

A deterioration of macroeconomic conditions may not only negatively impact the estimated operating cash flows used in our cash flow models, but may also negatively impact other assumptions used in our analyses, including, but not limited to, the estimated cost of capital and/or discount rates. Additionally, as discussed above, in accordance with accounting guidance, we are required to ensure that assumptions used to determine fair value in our analyses are consistent with the assumptions a hypothetical market participant would use. As a result, the cost of capital and/or discount rates used in our analyses may increase or decrease based on market conditions and trends, regardless of whether our actual cost of capital has changed. Therefore, we 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.

As a result of our annual qualitative assessment performed in the third quarter of fiscal 2014, there were no impairments. There have been no triggering events during the fourth quarter of fiscal 2014.

***Self-insurance reserves***

We are largely self-insured with respect to workers compensation, general liability and employee medical claims. In order to reduce our risk and better manage our overall loss exposure, we purchase stop-loss insurance

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

that covers individual claims in excess of the deductible amounts. We maintain 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 our 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, we use the services of an actuary on an annual basis to assist in determining the required reserve for open claims.

***Warranty***

We provide an accrual for estimated future warranty costs for parts that we install based upon the historical relationship of warranty costs to sales. Warranty expense related to all product warranties at and for the years ended March 2014, 2013 and 2012 was not material to our financial position or results of operations. See additional discussion of tire road hazard warranty agreements under the Revenue recognition section of this footnote.

***Comprehensive income***

As it relates to Monro, comprehensive income is defined as net earnings as adjusted for pension liability adjustments and is reported net of related taxes in the Consolidated Statements of Comprehensive Income and 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. The accounting guidance for uncertainties in income tax prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Monro recognizes a tax benefit from an uncertain tax position in the financial statements only when it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits and a consideration of the relevant taxing authority s administrative practices and precedents. (See Note 7.)

***Treasury stock***

Treasury stock is accounted for using the par value method. During the year ended March 31, 2012, Monro s former Chief Executive Officer surrendered 386,000 shares of Monro s Common Stock at fair market value to pay the exercise price and to partially satisfy tax withholding obligations on the exercise of 563,000 stock options. During the year ended March 30, 2013, Monro s current Chief Executive Officer surrendered 43,000 shares of Monro s Common Stock at fair market value to pay the exercise price and to partially satisfy tax withholding obligations on the exercise of 113,000 stock options. There was no activity for the Chief Executive Officer during the year ended March 29, 2014.

***Stock-based compensation***

We measure compensation cost arising from the grant of share-based payments to an employee at fair value, and recognize 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.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

We recognize 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. We estimate 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 Monro 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 Monro 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 2014, 2013 and 2012 was $10.10, $8.67 and $8.41, 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 | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| Risk-free interest rate | .86% | .53% | 1.11% |
| Expected life, in years | 4 | 4 | 4 |
| Expected volatility | 29.7% | 34.0% | 33.9% |
| Expected dividend yield | .97% | 1.14% | 1.03% |

Total stock-based compensation expense included in cost of sales and selling, general and administrative expenses in Monro s Consolidated Statements of Comprehensive Income for the years ended March 29, 2014, March 30, 2013 and March 31, 2012 was $3.6 million, $3.1 million and $2.7 million, respectively. The related income tax benefit was $1.3 million, $1.2 million and $1.0 million, respectively.

***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 the assumed exercise of stock options. (See Note 10.)

***Advertising***

We expense 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 Monro s services. The capitalized costs of this advertising are amortized over the period of the coupon s validity, which is typically two months.

40

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Prepaid advertising at March 29, 2014 and March 30, 2013, and advertising expense for the years ended March 2014, 2013 and 2012, were not material to these financial statements.

***Vendor rebates and cooperative advertising credits***

We account 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 we issue a guarantee, we recognize an initial liability for the fair value, or market value, of the obligation we assume under that guarantee.

***Recent accounting pronouncements***

In February 2013, the Financial Accounting Standards Board issued new accounting guidance for the reporting of amounts reclassified out of accumulated other comprehensive income. This guidance requires companies to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income when applicable, or to cross-reference the reclassifications with other disclosures that provide additional detail about the reclassification made when the reclassifications are not made to net income. This guidance is effective for fiscal years and interim periods beginning after December 15, 2012. The adoption of this guidance in the first quarter of fiscal 2014 did not have an impact on Monro s Consolidated Financial Statements.

In July 2013, the Financial Accounting Standards Board issued new accounting guidance for income tax presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. This guidance requires an entity to net its unrecognized tax benefits against the deferred tax assets for all same jurisdiction net operating loss or similar tax loss carryforwards, or tax credit carryforwards. The guidance is to be applied prospectively (with an option to apply retrospectively) and will apply to all unrecognized tax benefits that exist at the effective date. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2013, with early adoption permitted. As we already net our unrecognized tax benefits against the deferred tax assets for all same jurisdiction net operating loss carryforwards, this guidance had no impact on Monro s Consolidated Financial Statements.

Other recent authoritative guidance issued by the FASB (including technical corrections to the Accounting Standards Codification) and the Securities and Exchange Commission did not, or are not expected to have a material effect on Monro s Consolidated Financial Statements.

**NOTE 2 ACQUISITIONS**

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

***Subsequent Events***

We have signed two definitive asset purchase agreements to complete the acquisition of ten and nine retail tire and automotive repair stores located in Michigan from Lentz U.S.A. Service Centers, Inc. and Kan Rock Tire Company, Inc., respectively, in June 2014. These stores will operate under the Monro Brake & Tire name. These acquisitions will be financed through our existing credit facility.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On April 13, 2014, we acquired two retail tire and automotive repair stores located in New Hampshire from Bald Tire & Auto, Inc. These retail tire and automotive repair stores were previously Tire Warehouse franchise locations and will continue to operate under the Tire Warehouse name. The acquisition was financed through our existing credit facility.

***Fiscal 2014***

During fiscal 2014, we acquired the following businesses for an aggregate purchase price of $27.5 million. The acquisitions were financed through our existing credit facility. The results of operations for these acquisitions are included in Monro s financial results from the respective acquisition dates.

On March 2, 2014, we acquired one retail tire and automotive repair store located in Kentucky from Hometown Tire Company, Inc. This store operates under the Ken Towery Tire and Auto Care name.

On November 17, 2013, we acquired six retail tire and automotive repair stores located in Maryland and Delaware from Carl King Tire Co., Inc. These stores operate under the Mr. Tire name.

On November 17, 2013, we acquired four retail tire and automotive repair stores located in Kentucky from S&S Firestone, Inc. These stores operate under the Ken Towery Tire and Auto Care name.

On October 20, 2013, we acquired two retail tire and automotive repair stores located in North Carolina from XL Tire, Inc. These stores operate under the Tread Quarters brand name.

On August 18, 2013, we acquired ten retail tire and automotive repair stores located in Virginia and Maryland from Curry s Automotive Group. These stores operate under the Curry s/Mr. Tire name.

On August 11, 2013, we acquired one retail tire and automotive repair store located in New Jersey from Mitchell Tire Service. This store operates under the Mr. Tire name.

The acquisitions resulted in goodwill related to, among other things, growth opportunities, synergies and economies of scale expected from combining these businesses with ours, and unidentifiable intangible assets. All of the goodwill is expected to be deductible for tax purposes. We have recorded finite-lived intangible assets at their estimated fair value related to customer relationships, trade names and a non-compete agreement.

We expensed all costs related to the acquisitions during fiscal 2014. The total costs related to these acquisitions were not material to the Consolidated Statements of Comprehensive Income. These costs are included in the Consolidated Statements of Comprehensive Income primarily under operating, selling, general and administrative expenses.

Sales and net income for the fiscal 2014 acquired entities totaled $15.1 million and $.1 million, respectively, for the period from acquisition date through March 29, 2014.

Supplemental pro forma information for the current or prior reporting periods has not been presented due to the impracticability of obtaining detailed, accurate or reliable data for the periods the acquired entities were not owned by Monro.

The preliminary fair values of identifiable assets acquired and liabilities assumed were based on preliminary valuation data and estimates. The excess of the net purchase price over the net tangible and intangible assets

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

acquired was recorded as goodwill. Where the fair value of the net tangible and intangible assets exceeds the net purchase price, a gain was recorded. The preliminary allocation of the aggregate purchase price as of March 29, 2014 was as follows:

| | As of Acquisition Date (Dollars in thousands) |
|---|---|
| Inventories | $ 1,549 |
| Other current assets | 122 |
| Property, plant and equipment | 8,549 |
| Intangible assets | 1,283 |
| Deferred income tax assets | 111 |
| Other non-current assets | 94 |
| Total assets acquired | 11,708 |
| Warranty reserves | 167 |
| Other current liabilities | 1,616 |
| Other long-term liabilities | 130 |
| Total liabilities assumed | 1,913 |
| Total net identifiable assets acquired | $ 9,795 |
| Total consideration transferred | $ 27,518 |
| Plus: gain on bargain purchase | 217 |
| Less: total net identifiable assets acquired | 9,795 |
| Goodwill | $ 17,940 |

The following are the intangible assets acquired and their respective fair values and weighted average useful lives.

| | As of Acquisition Date | |
|---|---|---|
| | Dollars in thousands | Weighted Average Useful Life |
| Customer lists | $ 767 | 7 years |
| Trade name | 501 | 7 years |
| Non-compete agreement | 15 | 3 years |
| Total | $ 1,283 | 7 years |

We continue to refine the valuation data and estimates related to road hazard warranty, intangible assets, real estate and real property leases for the fiscal 2014 acquisitions and expect to complete the valuations no later than the first anniversary date of the respective acquisition. We anticipate that adjustments will continue to be made to the fair values of identifiable assets acquired and liabilities assumed and those adjustments may or may not be material.

***Fiscal 2013***

During fiscal 2013, we acquired the following businesses for an aggregate purchase price of $163.5 million. The acquisitions were financed through our existing credit facility. The results of operations for these acquisitions are included in Monro s financial results from the respective acquisition dates.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On December 30, 2012, we acquired 12 retail tire and automotive repair stores located in Ohio from Enger Auto Service Mentor, Inc. These stores operate under the Mr. Tire name.

On December 30, 2012, we acquired nine retail tire and automotive repair stores located in North Carolina from Tire King of Durham, Inc. These stores operate under the Mr. Tire name.

On December 16, 2012, we acquired 27 retail tire and automotive repair stores located in Indiana and Kentucky and a wholesale operation and warehouse in Kentucky from Ken Towery s Auto Care of Kentucky, Inc. and Ken Towery s Auto Care of Indiana, Inc. These retail stores operate under the Ken Towery s Tire and Auto Care name and the wholesale operation operates under the America s Best Tires name.

On November 18, 2012, we acquired 31 retail tire stores located in Indiana, Tennessee and Illinois from Everybody s Oil Corporation. These stores operate under the Tire Barn Warehouse name.

On October 14, 2012, we acquired one retail tire and automotive repair store located in Massachusetts from Brothers Tire, Inc. This store operates under the Monro brand name.

On October 7, 2012, we acquired five retail tire and automotive repair stores located in New York from Chesley Co. Inc., a former Midas franchisee. These stores operate under the Mr. Tire and Monro brand names.

On August 12, 2012, we acquired 17 retail tire and automotive repair stores located in Wisconsin and South Carolina from Tuffy Associates Corp. These stores operate under the Monro and Tread Quarters brand names.

On June 3, 2012, we acquired 18 retail tire and automotive repair stores located in North Carolina from Colony Tire Corporation. These stores operate primarily under the Mr. Tire name.

On April 1, 2012, we acquired 20 retail tire and automotive repair stores located in Virginia from Kramer Tire Co. These stores operate primarily under the Tread Quarters brand name. As part of the Kramer acquisition, two heavy truck tire and truck repair stores, two wholesale operations and a retread facility also located in Virginia were acquired. The non-retail facilities and the two heavy truck tire and truck repair stores were disposed of during May 2012.

The acquisitions resulted in goodwill related to, among other things, growth opportunities, synergies and economies of scale expected from combining these businesses with ours and unidentifiable intangible assets. All of the goodwill is expected to be deductible for tax purposes. We have recorded finite-lived intangible assets at their estimated fair value related to customer relationships, trade names and favorable leases.

We expensed all costs related to the acquisitions during fiscal 2013. The total costs related to these acquisitions were $2.1 million for the year ended March 30, 2013. These costs are included in the Consolidated Statements of Comprehensive Income primarily under operating, selling, general and administrative expenses.

Sales and net loss for the fiscal 2013 acquired entities totaled $87.0 million and $1.4 million, respectively, for the period from acquisition date through March 30, 2013.

Supplemental pro forma information for the current or prior reporting periods has not been presented due to the impracticability of obtaining detailed, accurate or reliable data for the periods the acquired entities were not owned by Monro.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

We finalized the purchase accounting relative to Kramer during fiscal 2013 and the other fiscal 2013 acquisitions during fiscal 2014. As a result of the final purchase price allocations, certain of the fair value amounts previously estimated were adjusted during the measurement period. These measurement period adjustments related to updated valuation reports and appraisals received from our external valuation specialists, as well as revisions to internal estimates. The changes in estimates recorded in fiscal 2014 include an increase in property, plant and equipment of $2.4 million; an increase in intangible assets of $4.3 million; an increase in the long-term deferred income tax asset of $7.5 million; an increase in the current portion of long-term debt, capital leases and financing obligations of $2.0 million; a decrease in warranty reserves of $.2 million; an increase in long-term capital leases and financing obligations of $28.9 million; and an increase in other long-term liabilities of $.3 million. The measurement period adjustments resulted in an increase to goodwill of $16.8 million.

We have recorded the identifiable assets acquired and liabilities assumed at their estimated fair values as of their respective acquisition dates, with the remainder recorded as goodwill as follows:

| | As of Acquisition Date (Dollars in thousands) |
|---|---|
| Inventories | $ 16,854 |
| Other current assets | 1,167 |
| Property, plant and equipment | 49,605 |
| Intangible assets | 21,112 |
| Deferred income tax assets | 13,179 |
| Other non-current assets | 9 |
| Total assets acquired | 101,926 |
| Warranty reserves | 3,217 |
| Other current liabilities | 4,694 |
| Long-term capital leases and financing obligations | 44,086 |
| Other long-term liabilities | 4,256 |
| Total liabilities assumed | 56,253 |
| Total net identifiable assets acquired | $ 45,673 |
| Total consideration transferred | $ 163,517 |
| Less: total net identifiable assets acquired | 45,673 |
| Goodwill | $ 117,844 |

As part of the purchase accounting adjustments recorded during the quarter ended December 2013, the March 30, 2013 consolidated balance sheet was retrospectively adjusted to reflect some of the purchase accounting measurement period adjustments described above. The retrospective adjustments included an increase in property, plant and equipment of $4.2 million; an increase in intangible assets of $3.9 million; an increase in the long-term deferred income tax asset of $7.4 million; an increase in goodwill of $14.5 million; an increase in the current portion of long-term debt, capital leases and financing obligations of $1.9 million; a decrease in warranty reserves of $.2 million; an increase in long-term capital leases and financing obligations of $28.1 million; and an increase in other long-term liabilities of $.2 million.

Additionally, the purchase accounting adjustments did not have a material impact on the current period or any prior period consolidated statements of comprehensive income, and, therefore, prior period consolidated statements of comprehensive income have not been retrospectively adjusted.

45

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following are the intangible assets acquired and their respective fair values and weighted average useful lives.

| | As of Acquisition Date | |
|---|---|---|
| | Dollars in thousands | Weighted Average Useful Life |
| Customer lists | $ 9,160 | 7 years |
| Trade names | 6,570 | 17 years |
| Favorable leases | 5,382 | 12 years |
| Total | $ 21,112 | 11 years |

## NOTE 3 OTHER CURRENT ASSETS

The composition of other current assets is as follows:

| | Year Ended Fiscal March | |
|---|---|---|
| | 2014 | 2013 |
| | (Dollars in thousands) | |
| Vendor rebates receivable | $ 7,258 | $ 10,662 |
| Other | 16,124 | 17,750 |
| | $ 23,382 | $ 28,412 |

## NOTE 4 PROPERTY, PLANT AND EQUIPMENT

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

| | March 29, 2014 | | | March 30, 2013 | | |
|---|---|---|---|---|---|---|
| | Assets Owned | Assets Under Capital Lease/ Financing Obligations | Total | Assets Owned | Assets Under Capital Lease/ Financing Obligations | Total |
| | | | (Dollars in thousands) | | | |
| Land | $ 69,836 | | $ 69,836 | $ 69,401 | | $ 69,401 |
| Buildings and improvements | 186,093 | $ 66,057 | 252,150 | 177,869 | $ 64,993 | 242,862 |
| Equipment, signage and fixtures | 183,373 | | 183,373 | 169,233 | | 169,233 |
| Vehicles | 19,632 | 67 | 19,699 | 18,256 | 67 | 18,323 |
| Construction-in-progress | 6,447 | | 6,447 | 4,261 | | 4,261 |
| | 465,381 | 66,124 | 531,505 | 439,020 | 65,060 | 504,080 |
| Less Accumulated depreciation and amortization | 226,870 | 22,752 | 249,622 | 210,490 | 18,544 | 229,034 |

| | | | | | |
|---|---|---|---|---|---|
| $ 238,511 | $ 43,372 | $ 281,883 | $ 228,530 | $ 46,516 | $ 275,046 |

Depreciation expense totaled $28.6 million, $24.7 million and $22.0 million for the fiscal years ended March 2014, 2013 and 2012, respectively.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Amortization expense recorded under capital leases and financing obligations and included in depreciation expense above totaled $5.2 million, $3.9 million and $3.2 million for the fiscal years ended March 2014, 2013 and 2012, respectively.

**NOTE 5 GOODWILL AND INTANGIBLE ASSETS**

The changes in goodwill during fiscal 2014 and 2013 were as follows:

| | Dollars in thousands |
|---|---|
| Balance at March 31, 2012 | $ 132,656 |
| Fiscal 2013 acquisitions | 115,548 |
| Disposal of assets related to fiscal 2013 acquisitions | (704) |
| Adjustments to fiscal 2012 purchase accounting | 404 |
| Other adjustments | 1,899 |
| Balance at March 30, 2013 | 249,803 |
| Fiscal 2014 acquisitions | 17,940 |
| Adjustments to fiscal 2013 purchase accounting | 2,296 |
| Balance at March 29, 2014 | $ 270,039 |

In fiscal 2013, the other adjustments relate to our review of lease accounting practices. (See Note 1).

The composition of other intangible assets is as follows:

| | Year Ended Fiscal March | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| | (Dollars in thousands) | | | |
| Customer lists | $ 19,566 | $ 8,548 | $ 18,799 | $ 6,313 |
| Trade names | 14,003 | 4,648 | 13,502 | 3,891 |
| Favorable leases | 12,700 | 3,751 | 12,293 | 2,117 |
| Other intangible assets | 660 | 611 | 645 | 522 |
| Total intangible assets | $ 46,929 | $ 17,558 | $ 45,239 | $ 12,843 |

Monro s intangible assets are being amortized over their estimated useful lives. The weighted average useful lives of Monro s intangible assets are approximately nine years for customer lists, 14 years for trade names, 15 years for favorable leases and five years for other intangible assets.

Amortization of intangible assets, excluding amortization of favorable leases included in rent expense, during fiscal 2014, 2013 and 2012 totaled $3.1 million, $2.8 million and $1.6 million, respectively.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Estimated future amortization of intangible assets is as follows:

| Year Ending Fiscal March | Customer lists/ Trade names/ Other | Favorable Leases |
|---|---|---|
| | (Dollars in thousands) | |
| 2015 | $ 3,025 | $ 977 |
| 2016 | 2,890 | 887 |
| 2017 | 2,741 | 846 |
| 2018 | 2,673 | 818 |
| 2019 | 2,419 | 780 |

## NOTE 6 LONG-TERM DEBT, CAPITAL LEASES AND FINANCING OBLIGATIONS

Long-term debt, capital leases and financing obligations consist of the following:

| | March 29, 2014 | March 30, 2013 |
|---|---|---|
| | (Dollars in thousands) | |
| Revolving Credit Facility, LIBOR-based (a) | $ 105,841 | $ 127,187 |
| Mortgage Note Payable, non-interest bearing, secured by warehouse and office land, due in one installment in 2015 | | 660 |
| Long-term debt | $ 105,841 | $ 127,847 |
| Obligations under capital leases and financing obligations at various interest rates, due in installments through 2042 | $ 88,091 | $ 93,795 |
| Mortgage Note Payable, non-interest bearing, secured by warehouse and office land, due in one installment in 2015 | 660 | |
| Less Current portion of long-term debt, capital leases and financing obligations | (7,552) | (6,833) |
| Long-term capital leases and financing obligations | $ 81,199 | $ 86,962 |

(a) The London Interbank Offered Rate (LIBOR) at March 29, 2014 was .15%.

In June 2011, we entered into a five-year, $175 million Revolving Credit Facility agreement with seven banks (the Credit Facility ). This Credit Facility amended and restated, in its entirety, the Credit Facility agreement previously entered into by Monro as of July 2005 and amended from time to time. The Credit Facility also provided an accordion feature permitting us to request an increase in availability of up to an additional $75 million.

In December 2012, the Credit Facility was amended to include the following: the committed sum was increased by $75 million to $250 million; the term was extended for another one and a half years, such that the Credit Facility now expires in December 2017; and the $75 million accordion feature was maintained. There were no other changes in terms including those related to covenants or interest rates. There are now six banks participating in the syndication. There was $105.8 million outstanding under the Credit Facility at March 29, 2014. We were in compliance with all debt covenants as of March 29, 2014.

The interest rate on the Credit Facility increased from 100 basis points to 125 basis points over LIBOR during fiscal year 2014. At March 29, 2014, the interest rate was 125 basis points over LIBOR.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Within the Credit Facility, we have a sub-facility of $40 million for the purpose of issuing standby letters of credit. The line requires fees aggregating 1.375% annually of the face amount of each standby letter of credit, payable quarterly in arrears. There was $22.7 million in an outstanding letter of credit at March 29, 2014.

The net availability under the Credit Facility at March 29, 2014 was $121.5 million.

Specific terms of the Credit Facility permit the payment of cash dividends not to exceed 50% of the prior year s net income, and permit mortgages and specific lease financing arrangements with other parties with certain limitations. Additionally, the Credit Facility is not secured by our real property, although we have agreed not to encumber our real property, with certain permissible exceptions. The agreement also requires the maintenance of specified interest and rent coverage ratios.

Long-term debt, including current portion, had a carrying amount of $106.5 million and a fair value of $106.5 million as of March 29, 2014, as compared to a carrying amount of $127.8 million and a fair value of $127.8 million as of March 30, 2013. 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 Monro for debt with similar maturities.

In addition, we have financed certain store properties and vehicles with capital leases/financing obligations, which amount to $88.1 million and are due in installments through 2042.

During fiscal 1995, Monro 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 fiscal 2015.

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

| | Capital Leases/ Financing Obligations | | | |
|---|---|---|---|---|
| Year Ending Fiscal March | Aggregate Amount | Imputed Interest | All Other Debt | Total |
| | | (Dollars in thousands) | | |
| 2015 | $ 13,459 | $ (6,567) | $ 660 | $ 7,552 |
| 2016 | 12,732 | (6,061) | | 6,671 |
| 2017 | 12,204 | (5,564) | | 6,640 |
| 2018 | 12,186 | (5,050) | 105,841 | 112,977 |
| 2019 | 11,976 | (4,510) | | 7,466 |

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 7 INCOME TAXES**

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

| | Year Ended Fiscal March | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (Dollars in thousands) | | |
| Current - | | | |
| Federal | $ 25,978 | $ 22,366 | $ 26,002 |
| State | 1,579 | 2,266 | 2,910 |
| | 27,557 | 24,632 | 28,912 |
| Deferred - | | | |
| Federal | 4,793 | (101) | 3,273 |
| State | (273) | (274) | (111) |
| | 4,520 | (375) | 3,162 |
| Total | $ 32,077 | $ 24,257 | $ 32,074 |

Deferred tax (liabilities) assets consist of the following:

| | March 29, 2014 | March 30, 2013 |
|---|---|---|
| | (Dollars in thousands) | |
| Goodwill | $ (18,189) | $ (13,104) |
| Other | (734) | (242) |
| Total deferred tax liabilities | (18,923) | (13,346) |
| Insurance reserves | 9,774 | 8,872 |
| Property and equipment | 5,815 | 6,637 |
| Warranty and other reserves | 4,228 | 4,322 |
| Stock options | 3,897 | 2,982 |
| Deferred rent | 1,961 | 2,086 |
| Accrued compensation | 1,650 | 1,444 |
| Other | 5,168 | 5,477 |
| Total deferred tax assets | 32,493 | 31,820 |
| Net deferred tax assets | $ 13,570 | $ 18,474 |

We have $3.7 million of state net operating loss carryforwards available as of March 29, 2014. The carryforwards expire in varying amounts through 2034. Based on all available evidence, we have determined that it is more likely than not that sufficient taxable income of the appropriate character within the carryforward period will exist for the realization of the tax benefits on existing state net operating loss carryforwards.

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

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

| | Year Ended Fiscal March | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2012 | |
| | Amount | Percent | Amount | Percent | Amount | Percent |
| | | | (Dollars in thousands) | | | |
| Federal income tax based on statutory tax rate applied to income before taxes | $ 30,287 | 35.0 | $ 23,388 | 35.0 | $ 30,340 | 35.0 |
| State income tax, net of federal income tax benefit | 2,097 | 2.4 | 1,159 | 1.7 | 2,231 | 2.6 |
| Other | (307) | (0.3) | (290) | (0.4) | (497) | (0.6) |
| | $ 32,077 | 37.1 | $ 24,257 | 36.3 | $ 32,074 | 37.0 |

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

| | Dollars in thousands |
|---|---|
| Balance at March 26, 2011 | $ 5,964 |
| **Tax positions related to current year:** | |
| Additions | 1,000 |
| Reductions | |
| **Tax positions related to prior years:** | |
| Additions | 230 |
| Reductions | (904) |
| Settlements | (166) |
| Lapses in statutes of limitations | (640) |
| Balance at March 31, 2012 | 5,484 |
| **Tax positions related to current year:** | |
| Additions | 1,198 |
| Reductions | |
| **Tax positions related to prior years:** | |
| Additions | |
| Reductions | |
| Settlements | (266) |
| Lapses in statutes of limitations | (712) |
| Balance at March 30, 2013 | 5,704 |
| **Tax positions related to current year:** | |
| Additions | 1,678 |
| Reductions | |
| **Tax positions related to prior years:** | |

| | | |
|---|---|---|
| Additions | | |
| Reductions | | (88) |
| Settlements | | (381) |
| Lapses in statutes of limitations | | (1,013) |
| Balance at March 29, 2014 | $ | 5,900 |

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The total amount of unrecognized tax benefits was $5.9 million at March 29, 2014, the majority of which, if recognized, would affect the effective tax rate.

In the normal course of business, Monro provides for uncertain tax positions and the related interest and penalties, and adjusts its unrecognized tax benefits and accrued interest and penalties accordingly. During the years ended March 29, 2014, March 30, 2013 and March 31, 2012, we recorded a benefit from the reversal of accrued interest and penalties of approximately $.1 million, $.2 million and $.3 million, respectively, in income tax expense. Additionally, we had approximately $.3 million and $.5 million of interest and penalties associated with uncertain tax benefits accrued as of March 29, 2014 and March 30, 2013, respectively.

Monro is currently under state audit for the fiscal 2011 through 2012 tax years. It is reasonably possible that the examination phase of the audits for these years may conclude in the next 12 months, and that the related unrecognized tax benefits for tax positions taken regarding previously filed tax returns may change from those recorded as liabilities for uncertain tax positions in Monro s Consolidated Financial Statements as of March 29, 2014. However, based on the status of the examinations, it is not possible to estimate the effect of any amount of such change to previously recorded uncertain tax positions.

We file U.S. federal income tax returns and income tax returns in various state jurisdictions. Monro s fiscal 2011 through 2013 U.S. federal tax years and various state tax years remain subject to income tax examinations by tax authorities.

**NOTE 8 STOCK OWNERSHIP**

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

| | Common Stock Shares Issued | Class C Convertible Preferred Stock Shares Issued | Treasury Stock Shares |
|---|---|---|---|
| Balance at March 26, 2011 | 36,038,664 | 32,500 | 5,577,984 |
| Stock options exercised | 816,594 | | 390,007 |
| Balance at March 31, 2012 | 36,855,258 | 32,500 | 5,967,991 |
| Stock options exercised | 472,709 | | 105,845 |
| Balance at March 30, 2013 | 37,327,967 | 32,500 | 6,073,836 |
| Stock options exercised | 239,935 | | 3,115 |
| Balance at March 29, 2014 | 37,567,902 | 32,500 | 6,076,951 |

In March 2012, Monro s Board of Directors approved a resolution to amend Monro s Restated Certificate of Incorporation, subject to shareholder approval, to increase the number of authorized shares of Common Stock from 45,000,000 to 65,000,000. Monro s shareholders approved the increase at our Annual Shareholders meeting on August 7, 2012.

Holders of at least 60% of the Class C preferred stock must approve any action authorized by the holders of Common Stock. In addition, there are certain restrictions on the transferability of shares of Class C preferred stock. In the event of a liquidation, dissolution or winding-up of Monro, the holders of the Class C preferred stock would be entitled to receive $1.50 per share out of the assets of Monro before any amount would be paid to holders of Common Stock. The conversion value of the Class C convertible preferred stock was $.064 per share at March 29, 2014 and March 30, 2013.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## NOTE 9 SHARE BASED COMPENSATION

Monro currently grants stock option awards under the 2007 Incentive Stock Option Plan (the 2007 Plan ). The 2007 Plan was authorized by the Board of Directors in June 2007, initially reserving 873,000 shares (as retroactively adjusted for stock splits) of Common Stock for issuance to eligible employees and all non-employee directors. The 2007 Plan was approved by shareholders in August 2007. Prior to fiscal 2008, Monro had options outstanding under three other stock option plans: the 1994 Non-Employee Directors Stock Option Plan (the 1994 Plan ) (which was approved by shareholders in August 1995); the 1998 Incentive Stock Option Plan (the 1998 Plan ) (which was approved by shareholders in August 1999); and the 2003 Non-Employee Directors Stock Option Plan (the 2003 Plan ) (which was approved by shareholders in August 2003), collectively the Prior Plans. Upon shareholder approval of the 2007 Plan, all shares of Common Stock available for award under the 1998 and 2003 Plans were transferred to, and made available for award under the 2007 Plan. The 1994 Plan had no options available for grant upon adoption of the 2007 Plan. No further option grants may be made under the Prior Plans, although outstanding awards under the Prior Plans will remain outstanding in accordance with the terms of those plans and the stock option agreements entered into under those plans.

The 1994 Plan had a total of 675,345 common shares authorized for issuance; the 1998 Plan had a total of 4,016,250 shares authorized for issuance; and the 2003 Plan had a total of 315,000 shares authorized for issuance (all as retroactively adjusted for stock splits). Upon authorization of the 2007 Plan by shareholders, 628,662 shares (as retroactively adjusted for stock splits) were transferred from the 1998 and 2003 Plans into the 2007 Plan, bringing the total authorized shares to 1,501,662 (as retroactively adjusted for stock splits). In addition, in May 2013 and 2010, the Compensation Committee of the Board of Directors authorized an additional 2,000,000 and 1,500,000 shares (as retroactively adjusted for stock splits), respectively, of common stock for grant under the 2007 Plan, which were approved by shareholders in August 2013 and August 2010, respectively. At March 29, 2014, there was a total of 5,001,662 shares authorized for grant under the 2007 Plan (as retroactively adjusted for stock splits), including the shares transferred from the 1998 and 2003 Plans.

Generally, employee options vest within the first five years of their term, and have a duration of six to ten years. Outstanding options are exercisable for various periods through March 2020.

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

| | Weighted Average Exercise Price | Options Outstanding |
|---|---|---|
| At March 26, 2011 | $ 19.35 | 2,525,678 |
| Granted | $ 32.86 | 173,075 |
| Exercised | $ 14.47 | (816,594) |
| Canceled | $ 21.10 | (30,571) |
| At March 31, 2012 | $ 22.75 | 1,851,588 |
| Granted | $ 35.19 | 511,600 |
| Exercised | $ 12.54 | (472,709) |
| Canceled | $ 29.99 | (26,365) |
| At March 30, 2013 | $ 28.66 | 1,864,114 |
| Granted | $ 45.38 | 181,400 |
| Exercised | $ 18.73 | (239,935) |
| Canceled | $ 35.48 | (32,178) |
| At March 29, 2014 | $ 31.58 | 1,773,401 |

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The total shares exercisable at March 29, 2014, March 30, 2013 and March 31, 2012 was 1,160,572, 984,917 and 1,129,513, respectively. There were 2,148,327 shares available for grant at March 29, 2014.

The weighted average contractual term of all options outstanding at March 29, 2014 and March 30, 2013 was 3.1 years and 3.8 years, respectively. The aggregate intrinsic value of all options (the amount by which the market price of the stock on the date of exercise exceeded the exercise price of the option) outstanding at March 29, 2014 and March 30, 2013 was $44.2 million and $20.6 million, respectively.

The weighted average contractual term of all options exercisable at March 29, 2014 and March 30, 2013 was 2.8 years and 3.4 years, respectively. The aggregate intrinsic value of all options exercisable at March 29, 2014 and March 30, 2013 was $31.5 million and $14.7 million, respectively.

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

| | Options | Weighted Average Grant-Date Fair Value (per Option) |
|---|---|---|
| Non-vested at March 26, 2011 | 930,039 | $ 7.83 |
| Granted | 173,075 | $ 8.41 |
| Vested | (357,697) | $ 7.54 |
| Canceled | (23,342) | $ 6.62 |
| Non-vested at March 31, 2012 | 722,075 | $ 8.16 |
| Granted | 511,600 | $ 8.67 |
| Vested | (332,566) | $ 7.98 |
| Canceled | (21,912) | $ 8.26 |
| Non-vested at March 30, 2013 | 879,197 | $ 8.52 |
| Granted | 181,400 | $ 10.11 |
| Vested | (417,743) | $ 8.66 |
| Canceled | (30,025) | $ 8.90 |
| Non-vested at March 29, 2014 | 612,829 | $ 8.88 |

The following table summarizes information about fixed stock options outstanding at March 29, 2014:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Shares Under Option | Weighted Average Remaining | Weighted Average Exercise | Shares Under Option | Weighted Average Exercise |

| | | Life | Price | | Price |
|---|---|---|---|---|---|
| $ 9.27 - $26.64 | 467,267 | 2.71 | $ 18.82 | 429,343 | $ 18.28 |
| $26.65 - $33.64 | 518,489 | 3.54 | $ 33.25 | 214,709 | $ 33.26 |
| $33.65 - $35.31 | 433,250 | 2.03 | $ 35.28 | 340,750 | $ 35.28 |
| $35.32 - $61.58 | 354,395 | 4.39 | $ 41.45 | 175,770 | $ 40.13 |

During the fiscal years ended March 29, 2014, March 30, 2013 and March 31, 2012, the fair value of awards vested under Monro s stock plans was $3.6 million, $2.7 million and $2.7 million, respectively.

The aggregate intrinsic value is based on Monro s closing stock price of $56.51, $39.71 and $41.49 as of the last trading day of the periods ended March 29, 2014, March 30, 2013 and March 31, 2012, respectively. The

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

aggregate intrinsic value of options exercised during the fiscal years ended March 29, 2014, March 30, 2013 and March 31, 2012 was $7.4 million, $10.6 million and $17.6 million, respectively. As of March 29, 2014, March 30, 2013 and March 31, 2012, there was $4.1 million, $6.0 million and $4.9 million, respectively, of unrecognized compensation expense related to non-vested fixed stock options that is expected to be recognized over a weighted average period of approximately two years, three years and three years, respectively.

Cash received from option exercises under all stock option plans was $4.3 million, $3.0 million and $3.1 million for the fiscal years ended March 29, 2014, March 30, 2013 and March 31, 2012, respectively. The actual tax benefit realized for the tax deductions from option exercises was $1.9 million, $2.8 million and $5.3 million for the fiscal years ended March 29, 2014, March 30, 2013 and March 31, 2012, respectively.

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

**NOTE 10 EARNINGS PER COMMON SHARE**

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

| | Year Ended Fiscal March | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| | **(Amounts in thousands, except per share data)** | | |
| **Numerator for earnings per common share calculation:** | | | |
| Net Income | $ 54,459 | $ 42,567 | $ 54,612 |
| Less: Preferred stock dividends | (334) | (304) | (266) |
| Income available to common stockholders | $ 54,125 | $ 42,263 | $ 54,346 |
| **Denominator for earnings per common share calculation:** | | | |
| Weighted average common shares, basic | 31,394 | 31,067 | 30,716 |
| Effect of dilutive securities: | | | |
| Preferred stock | 760 | 760 | 760 |
| Stock options | 488 | 481 | 761 |
| Weighted average common shares, diluted | 32,642 | 32,308 | 32,237 |
| **Basic earnings per common share:** | $ 1.72 | $ 1.36 | $ 1.77 |
| **Diluted earnings per common share:** | $ 1.67 | $ 1.32 | $ 1.69 |

The computation of diluted earnings per common share for fiscal 2014, 2013 and 2012 excludes the effect of assumed exercise of approximately 91,000, 955,000 and 682,000 of stock options, respectively, as the exercise price of these options was greater than the average market value of Monro s Common Stock for those periods, resulting in an anti-dilutive effect on diluted earnings per share.

**NOTE 11 OPERATING LEASES AND OTHER COMMITMENTS**

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

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

| Year Ending Fiscal March | Leases | Less - Sublease Income | Net |
|---|---|---|---|
| | (Dollars in thousands) | | |
| 2015 | $ 33,547 | $ (343) | $ 33,204 |
| 2016 | 29,068 | (295) | 28,773 |
| 2017 | 24,218 | (200) | 24,018 |
| 2018 | 18,105 | (137) | 17,968 |
| 2019 | 11,363 | (55) | 11,308 |
| Thereafter | 11,237 | (91) | 11,146 |
| Total | $ 127,538 | $ (1,121) | $ 126,417 |

Rent expense under operating leases, net of sublease income, totaled $32,841,000, $32,204,000 and $28,490,000 in fiscal 2014, 2013 and 2012, respectively, including contingent rentals of $59,000, $85,000 and $93,000 in each respective fiscal year. Sublease income totaled $533,000, $636,000 and $386,000, respectively, in fiscal 2014, 2013 and 2012.

We enter into contracts with parts and tire suppliers, certain of which require us to buy (at market prices) up to 100% of our annual purchases of specific products. The agreements expire at various dates through July 2017. We believe these agreements provide us with high quality, branded merchandise at preferred pricing, along with strong marketing and training support.

On August 7, 2012, we entered into a new employment agreement with our Executive Chairman, Robert G. Gross (the 2012 Agreement ). The 2012 Agreement became effective on October 1, 2012 and has a three-year term. Under the 2012 Agreement, Mr. Gross (i) is paid a base salary of $420,000; (ii) is eligible to earn a target annual bonus, pursuant to the terms of Monro s Management Incentive Compensation Plan, of up to 150% of his base salary upon the achievement of certain predetermined corporate objectives and (iii) participates in Monro s other incentive and welfare and benefit plans made available to executives. Mr. Gross is entitled to certain payments upon death, disability, a termination without Cause (as defined therein), a resignation by Mr. Gross for Good Reason (as defined therein) or a termination in the event of a Change in Control of the Company (as defined therein), all as set forth in detail in the Agreement.

Prior to the existing agreement, we entered into an employment agreement with Mr. Gross, our then Chief Executive Officer (the 2007 Agreement ). The 2007 Agreement was effective on October 1, 2007 and had a five-year term. Under the 2007 Agreement, Mr. Gross (i) was paid a base salary of $840,000; (ii) was eligible to earn a target annual bonus, pursuant to the terms of Monro s Management Incentive Compensation Plan, of up to 150% of his base salary upon the achievement of certain predetermined corporate objectives and (iii) participated in Monro s other incentive and welfare and benefit plans made available to executives. Mr. Gross also received a special bonus of $750,000, paid in five annual installments of $150,000, which began on October 1, 2007 (the Special Bonus ). If the 2007 Agreement terminated before October 1, 2012 either for Cause (as defined therein) or as the result of Mr. Gross s resignation without Good Reason (as defined therein), then Mr. Gross would have been required to repay a portion of the last-received annual installment of the Special Bonus, pro-rata to the date

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

of termination. In consideration for Mr. Gross s covenant not-to-compete with Monro or to solicit its employees, Monro began paying him an additional $750,000, payable in five equal installments of $150,000, beginning on October 1, 2012. These payments will continue through October 1, 2016.

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

On August 7, 2012, we entered into a new employment agreement with John W. Van Heel in recognition of his promotion to Chief Executive Officer (the Van Heel Agreement ). The Van Heel Agreement became effective on October 1, 2012 and has a five-year term. Under the Van Heel Agreement, Mr. Van Heel (i) is paid a base salary of $550,000; (ii) is eligible to earn a target annual bonus, pursuant to the terms of Monro s Management Incentive Compensation Plan, of up to 150% of his base salary upon the achievement of certain predetermined corporate objectives and (iii) participates in Monro s other incentive and welfare and benefit plans made available to executives. Mr. Van Heel is entitled to certain payments upon death, disability, a termination without Cause (as defined therein), a resignation by Mr. Van Heel for Good Reason (as defined therein) or a termination in the event of a Change in Control of the Company (as defined therein), all as set forth in detail in the Van Heel Agreement.

On October 1, 2012, and in consideration for his execution of the Van Heel Agreement, Monro s Compensation Committee awarded to Mr. Van Heel an option to purchase 300,000 shares of Monro s Common Stock at an exercise price equal to the closing price of Monro s Common Stock on the date of the award of $33.64 per share, pursuant to our 2007 Stock Incentive Plan. These options vest equally over four years, beginning October 1, 2013.

In February 2014, the Company entered into a new employment agreement (the Tomarchio Agreement ) with Joseph Tomarchio Jr., Executive Vice President. The Tomarchio Agreement became effective April 1, 2014, and superseded the Company s previous employment contract with Mr. Tomarchio, which was set to expire in December 2014. As planned, the Tomarchio Agreement extends Mr. Tomarchio s employment as an Executive Vice President of the Company through June 2017 at a reduced schedule. Under the terms of the Tomarchio Agreement, Mr. Tomarchio will render exclusive services to the Company, leading the Company s growing tire purchasing programs and related vendor relationships. In addition, he will continue to assist on sourcing acquisitions, provide input on advertising and marketing, and contribute at field meetings.

Under the Tomarchio Agreement, Mr. Tomarchio (i) is paid a base salary of $242,500; (ii) is eligible to earn a target annual bonus, pursuant to the terms of the Company s bonus plan, of up to 87.5% of his base salary upon the achievement of certain predetermined corporate objectives, which is consistent with both other Company executives and Mr. Tomarchio s previous employment agreement; and (iii) participates in the Company s other incentive and welfare and benefit plans made available to executives. In addition, under the Agreement, Mr. Tomarchio is entitled to certain payments upon a termination without Cause (as defined therein), a resignation by Mr. Tomarchio for Good Reason (as defined therein) or a termination in the event of a Change in Control of the Company (as defined therein), all as set forth in detail in the Agreement.

On December 30, 2010, we entered into employment agreements with Mr. Van Heel, then President of Monro; Mr. Tomarchio, then Executive Vice President Store Operations; and Catherine D Amico, our Executive Vice President and Chief Financial Officer (collectively, the Agreements ). All three Agreements became

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

effective on January 1, 2011 and have a four-year term. Mr. Van Heel s agreement terminated in connection with his promotion to Chief Executive Officer and execution of his new employment agreement effective October 1, 2012. Mr. Tomarchio s agreement terminated in connection with his change in responsibilities and execution of his new employment agreement effective April 1, 2014.

Under the Agreement, Ms. D Amico (i) is entitled to an annual base salary; (ii) is eligible to earn a target bonus, pursuant to the terms of the Monro s bonus plan, up to 87.5% of her base salary, upon the achievement of certain predetermined corporate objectives and (iii) participate in Monro s other incentive and welfare and benefit plans made available to executives. The base salary of each executive is reviewed annually by Monro s Compensation Committee and may be increased to reflect performance and responsibilities of each such executive.

Finally, Ms. D Amico is entitled to certain payments upon death, disability, and termination without Cause (as defined in the Agreement), a resignation by the executive for Good Reason (as defined in the Agreement) or a termination in the event of a Change in Control of the Company (as defined in the Agreement), all set forth in detail in the Agreement.

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

In accordance with the policy adopted by Monro s Compensation Committee in May 2009, no executives contracts include any provision for the payment of what is commonly referred to as an excise tax gross-up with respect to payments received by an executive upon a Change in Control (as defined in the Agreements).

**NOTE 12 EMPLOYEE RETIREMENT AND PROFIT SHARING PLANS**

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

Effective as of those dates, each company s Board of Directors approved plan amendments whereby the benefits of each of the defined benefit plans would be frozen and the plans would be closed to new participants. Prior to these amendments, coverage under the plans began after employees completed one year of service and attainment of age 21. Benefits under both plans, and now the merged plan, are based primarily on years of service and employees pay near retirement. The funding policy for Monro s merged plan is consistent with the funding requirements of Federal law and regulations. The measurement date used to determine the pension plan measurements disclosed herein is March 31 for both 2014 and 2013.

The overfunded/(underfunded) status of Monro s defined benefit plan is recognized as an other non-current asset/other long-term liability in the Consolidated Balance Sheets as of March 29, 2014 and March 30, 2013, respectively.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The funded status of the plan is set forth below:

| | Fiscal March 2014 | Fiscal March 2013 |
|---|---|---|
| | (Dollars in thousands) | |
| **Change in Plan Assets:** | | |
| Fair value of plan assets at beginning of year | $ 18,224 | $ 17,344 |
| Actual return on plan assets | 1,726 | 1,496 |
| Employee contribution | 0 | 0 |
| Benefits paid | (581) | (616) |
| Fair value of plan assets at end of year | 19,369 | 18,224 |
| **Change in Projected Benefit Obligation:** | | |
| Benefit obligation at beginning of year | 19,285 | 17,500 |
| Interest cost | 776 | 793 |
| Actuarial (gain)/loss | (432) | 1,608 |
| Benefits paid | (581) | (616) |
| Benefit obligation at end of year | 19,048 | 19,285 |
| Funded status of plan | $ 321 | $ (1,061) |

The projected and accumulated benefit obligations were equivalent at March 29, 2014 and March 30, 2013.

Amounts recognized in accumulated other comprehensive loss consist of:

| | Year Ended Fiscal March 2014 | Year Ended Fiscal March 2013 |
|---|---|---|
| | (Dollars in thousands) | |
| Unamortized transition obligation | $ 0 | $ 0 |
| Unamortized prior service cost | 0 | 0 |
| Unamortized net loss | 5,056 | 6,520 |
| Total | $ 5,056 | $ 6,520 |

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

| | Year Ended Fiscal March 2014 | Year Ended Fiscal March 2013 |
|---|---|---|
| | (Dollars in thousands) | |
| Net transition obligation | $ 0 | $ 0 |

| | | |
|---|---|---|
| Prior service cost | 0 | 0 |
| Net actuarial income/(loss) | 1,464 | (787) |
| Total | $ 1,464 | $ (787) |

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Pension expense (income) included the following components:

| | Year Ended Fiscal March 2014 | 2013 | 2012 |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Interest cost on projected benefit obligation | $ 776 | $ 793 | $ 809 |
| Expected return on plan assets | (1,193) | (1,192) | (1,189) |
| Amortization of unrecognized actuarial loss | 658 | 517 | 71 |
| Net pension expense (income) | $ 241 | $ 118 | $ (309) |

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

| | Year Ended Fiscal March 2014 | 2013 |
|---|---|---|
| Discount rate | 4.42% | 4.08% |

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

| | Year Ended Fiscal March 2014 | 2013 | 2012 |
|---|---|---|---|
| Discount rate | 4.08% | 4.49% | 5.75% |
| Expected long-term return on assets | 7.00% | 7.00% | 7.00% |

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

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

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

| | March 29, 2014 | March 30, 2013 |
|---|---|---|
| Cash and cash equivalents | 2.9% | 1.6% |
| Fixed income | 34.1% | 39.5% |
| Equity securities | 63.0% | 58.9% |
| Total | 100.0% | 100.0% |

60

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following table provides fair value measurement information for Monro s major categories of defined benefit plan assets at March 29, 2014 and March 30, 2013, respectively:

| | | Fair Value Measurements at March 29, 2014 Using | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | | (Dollars in thousands) | | |
| Equity securities: | | | | |
| U.S. companies | $ 7,966 | $ 7,966 | | |
| International companies | 4,241 | 4,241 | | |
| Fixed income: | | | | |
| U.S. corporate bonds | 6,300 | | $ 6,300 | |
| International bonds | 302 | | 302 | |
| Cash equivalents | 560 | | 560 | |
| Total | $ 19,369 | $ 12,207 | $ 7,162 | |

| | | Fair Value Measurements at March 30, 2013 Using | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | | (Dollars in thousands) | | |
| Equity securities: | | | | |
| U.S. companies | $ 6,465 | $ 6,465 | | |
| International companies | 3,590 | 3,590 | | |
| Fixed income: | | | | |
| U.S. corporate bonds | 6,840 | | $ 6,840 | |
| International bonds | 364 | | 364 | |
| Cash equivalents | 288 | | 288 | |
| Commodities | 677 | 677 | | |
| Total | $ 18,224 | $ 10,732 | $ 7,492 | |

There are no required or expected contributions in fiscal 2015 to the plan.

The following pension benefit payments are expected to be paid:

| | Year Ended Fiscal March (Dollars in thousands) |
|---|---|
| 2015 | $ 705 |
| 2016 | 742 |
| 2017 | 772 |
| 2018 | 803 |
| 2019 | 851 |
| 2020 - 2024 | 5,101 |

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

We have a 401(k)/Profit Sharing Plan that covers full-time employees who meet the age and service requirements of the plan. The 401(k) salary deferral option was added to the plan during fiscal 2000. The first employee deferral occurred in March 2000. We make matching contributions consistent with the provisions of the plan. Charges to expense for our matching contributions for fiscal 2014, 2013 and 2012 amounted to approximately $612,000, $615,000 and $631,000, respectively. We may also make annual profit sharing contributions to the plan at the discretion of Monro s Compensation Committee.

We have a deferred compensation plan (the Deferred Compensation Plan ) to provide an opportunity for additional tax-deferred savings to a select group of management or highly compensated employees. The Deferred Compensation Plan permits participants to defer all or any portion of the compensation that would otherwise be payable to them for the calendar year. In addition, Monro will credit to the participants accounts such amounts as would have been contributed to Monro s 401(k)/Profit Sharing Plan but for the limitations that are imposed under the Internal Revenue Code based upon the participants status as highly compensated employees. We may also make such additional discretionary allocations as are determined by the Compensation Committee. The Deferred Compensation Plan is an unfunded arrangement and the participants or their beneficiaries have an unsecured claim against the general assets of Monro to the extent of their Deferred Compensation Plan benefits. We maintain accounts to reflect the amounts owed to each participant. At least annually, the accounts are credited with earnings or losses calculated on the basis of an interest rate or other formula as determined by Monro s Compensation Committee. The total liability recorded in our financial statements at March 29, 2014 and March 30, 2013 related to the Deferred Compensation Plan was $1,433,000 and $1,179,000, respectively.

Monro s management bonus plan provides for the payment of annual cash bonus awards to participating employees, as selected by our Board of Directors, based primarily on Monro s attaining pre-tax income targets established by our Board of Directors. During the years ended March 29, 2014 and March 31, 2012, we recorded charges to expense of $1,066,000 and $1,730,000, respectively. During the year ended March 30, 2013, we recorded a benefit of $66,000 related to the management bonus plan due to an over estimate of expense in fiscal 2012, as well as our failure to meet pre-tax earnings targets.

**NOTE 13 RELATED PARTY TRANSACTIONS**

We are currently a party to leases for certain facilities where the lessor is an officer of Monro, or family members of such officer. Six leases were assumed in March 2004 in connection with the Mr. Tire Acquisition. The payments under such operating and capital leases amounted to $702,000, $685,000 and $669,000 for the years ended March 2014, 2013 and 2012, respectively. These payments are comparable to rents paid to unrelated parties. No amounts were payable at March 29, 2014 or March 30, 2013. No related party leases exist, other than the six assumed as part of the Mr. Tire Acquisition in March 2004, and no new leases are contemplated.

We have a management agreement with an investment banking firm associated with a principal shareholder/director of Monro to provide financial advice. The agreement provides for an annual fee of $300,000, plus reimbursement of out-of-pocket expenses. During each of the fiscal years 2014, 2013 and 2012, we incurred fees of $300,000, under this agreement. No amounts were payable at March 29, 2014 or March 30, 2013. In addition, this investment banking firm, from time to time, provides additional investment banking services to us for customary fees. Approximately half of all payments made to the investment banking firm under the management agreement are paid to another principal shareholder/director of Monro.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 14 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

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

***Year ended March 29, 2014***

In connection with the fiscal 2014 acquisitions (see Note 2), liabilities were assumed as follows:

| | |
|---|---|
| Fair value of assets acquired | $ 11,708,000 |
| Goodwill | 17,940,000 |
| Gain on bargain purchase | (217,000) |
| Cash paid, net of cash acquired | (27,518,000) |
| Liabilities assumed | $ 1,913,000 |

***Year ended March 30, 2013***

In connection with the fiscal 2013 acquisitions (see Note 2), liabilities were assumed as follows:

| | |
|---|---|
| Fair value of assets acquired | $ 101,926,000 |
| Goodwill | 117,602,000 |
| Cash paid, net of cash acquired | (163,275,000) |
| Liabilities assumed | $ 56,253,000 |

In connection with the exercise of stock options and the satisfaction of tax withholding obligations by Monro s Chief Executive Officer (see Note 1), an Executive Vice President and two members of Monro s Board of Directors, we increased current liabilities, Common Stock, paid-in capital and treasury stock by $601,000, $2,000, $2,968,000 and $3,571,000, respectively.

In connection with the accounting for financing obligations, we increased deferred income tax asset, property, plant and equipment, goodwill, capital leases and financing obligations, other long-term liabilities by $1,164,000, $200,000, $1,899,000, $629,000 and $2,567,000, respectively and decreased intangible assets by $67,000.

***Year ended March 31, 2012***

In connection with the fiscal 2012 acquisitions, liabilities were assumed as follows:

| | |
|---|---|
| Fair value of assets acquired | $ 12,751,000 |
| Goodwill | 34,204,000 |
| Cash paid, net of cash acquired | (39,243,000) |
| Liabilities assumed | $ 7,712,000 |

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

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

| | Year Ended Fiscal March | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (Dollars in thousands) | | |
| Cash paid during the year: | | | |
| Interest, net | $ 9,099 | $ 6,914 | $ 4,924 |
| Income taxes, net | $ 25,849 | $ 22,850 | $ 25,813 |

**NOTE 15 LITIGATION**

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

**NOTE 16 SUBSEQUENT EVENTS**

In May 2014, Monro s Board of Directors declared a regular quarterly cash dividend of $.13 per common share or common share equivalent to be paid to shareholders of record as of June 2, 2014. The dividend will be paid on June 12, 2014.

See Note 2 for a discussion of acquisitions subsequent to March 29, 2014.

**MONRO MUFFLER BRAKE, INC. AND SUBSIDIARY**

**SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)**

The following table sets forth consolidated statement of income data by quarter for the years ended March 2014 and 2013. Individual line items summed by quarters may not agree to the annual amounts reported due to rounding.

| | Fiscal Quarter Ended | | | |
|---|---|---|---|---|
| | June 2013 | Sept. 2013 | Dec. 2013 | March 2014 |
| | (Amounts in thousands, except per share data) | | | |
| Sales | $ 206,172 | $ 205,321 | $ 216,695 | $ 203,244 |
| Cost of sales | 127,294 | 123,573 | 134,371 | 126,220 |
| Gross profit | 78,878 | 81,748 | 82,324 | 77,024 |
| Operating, selling, general and administrative expenses | 55,770 | 57,837 | 55,398 | 55,622 |
| Operating income | 23,108 | 23,911 | 26,926 | 21,402 |
| Interest expense, net | 1,809 | 2,048 | 3,216 | 2,397 |
| Other income, net | (52) | (179) | (352) | (76) |
| Income before provision for income taxes | 21,351 | 22,042 | 24,062 | 19,081 |
| Provision for income taxes | 7,779 | 8,392 | 8,733 | 7,173 |
| Net income | $ 13,572 | $ 13,650 | $ 15,329 | $ 11,908 |
| Basic earnings per share | $ 0.43 | $ 0.43 | $ 0.49 | $ 0.38 |
| Diluted earnings per share(a) | $ 0.42 | $ 0.42 | $ 0.47 | $ 0.36 |
| Weighted average number of common shares used in computing earnings per share | | | | |
| Basic | 31,302 | 31,390 | 31,417 | 31,469 |
| Diluted | 32,486 | 32,553 | 32,633 | 32,768 |

| | Fiscal Quarter Ended | | | |
|---|---|---|---|---|
| | June 2012 | Sept. 2012 | Dec. 2012 | March 2013 |
| | (Amounts in thousands, except per share data) | | | |
| Sales | $ 169,175 | $ 176,475 | $ 190,437 | $ 195,910 |
| Cost of sales | 101,063 | 106,624 | 120,827 | 125,336 |
| Gross profit | 68,112 | 69,851 | 69,610 | 70,574 |
| Operating, selling, general and administrative expenses | 48,423 | 50,126 | 50,782 | 55,111 |
| Operating income | 19,689 | 19,725 | 18,828 | 15,463 |
| Interest expense, net | 1,299 | 1,370 | 1,473 | 3,071 |
| Other income, net | (53) | (139) | (59) | (81) |
| Income before provision for income taxes | 18,443 | 18,494 | 17,414 | 12,473 |
| Provision for income taxes | 6,806 | 6,946 | 6,159 | 4,346 |
| Net income | $ 11,637 | $ 11,548 | $ 11,255 | $ 8,127 |
| Basic earnings per share | $ 0.37 | $ 0.37 | $ 0.36 | $ 0.26 |

| | | | | |
|---|---|---|---|---|
| Diluted earnings per share(a) | $ 0.36 | $ 0.36 | $ 0.35 | $ 0.25 |
| Weighted average number of common shares used in computing earnings per share | | | | |
| Basic | 30,922 | 31,023 | 31,116 | 31,206 |
| Diluted | 32,164 | 32,206 | 32,240 | 32,297 |

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

***Significant fourth quarter adjustments***

There were no material, extraordinary, unusual or infrequently occurring items recognized in the fourth quarter of fiscal 2014.

During the fourth quarter of fiscal 2013, we recorded one significant adjustment. We decreased occupancy costs by $1.0 million and increased interest expense by $.5 million related to our review of lease accounting practices as discussed in Note 1 to the Consolidated Financial Statements.

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

None.

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

***Evaluation of Disclosure Controls and Procedures***

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

In conjunction with the close of each fiscal quarter and under the supervision of the Chief Executive Officer and Chief Financial Officer, we conduct an evaluation of the effectiveness of our disclosure controls and procedures. It is the conclusion of Monro s Chief Executive Officer and Chief Financial Officer, based upon an evaluation completed as of March 29, 2014, that our disclosure controls and procedures were effective in ensuring that any material information relating to Monro was recorded, processed, summarized and reported to its principal officers to allow timely decisions regarding required disclosures.

***Management s Report on Internal Control over Financial Reporting***

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

Monro 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 Monro; (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 Monro are being made only in accordance with authorizations of management and directors of Monro; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Monro s assets that could have a material effect on the financial statements.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Monro s internal control over financial reporting was effective as of March 29, 2014, the end of our fiscal year. Management has reviewed the results of its assessment with the Audit Committee of the Board of Directors. The effectiveness of Monro s internal control over financial reporting as of March 29, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

***Inherent Limitations on Effectiveness of Controls***

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

***Changes in Internal Controls over Financial Reporting***

There were no changes in Monro s internal control over financial reporting during the quarter ended March 29, 2014 that materially affected, or are reasonably likely to materially affect, Monro s internal control over financial reporting.

## PART III

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

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

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

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

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

**Item 11.** ***Executive Compensation***

Information concerning executive compensation is incorporated herein by reference to the sections captioned Compensation Discussion and Analysis and Executive Compensation in the Proxy Statement.

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

Information concerning Monro s shares authorized for issuance under its equity compensation plans at March 29, 2014 and security ownership of certain beneficial owners and management is incorporated herein by reference to the sections captioned Security Ownership of Principal Shareholders, Directors and Executive Officers and Equity Compensation Plan Information in the Proxy Statement.

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

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

**Item 14.** ***Principal Accountant Fees and Services***

Information concerning Monro s principal accounting fees and services is incorporated herein by reference to the section captioned Approval of Independent Registered Public Accounting Firm in the Proxy Statement.

## PART IV

**Item 15.** ***Exhibits and Financial Statement Schedules***

***Financial Statements***

Reference is made to Item 8 of Part II hereof.

***Financial Statement Schedules***

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

***Exhibits***

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

**SIGNATURES**

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

MONRO MUFFLER BRAKE, INC.
(Registrant)

By: /s/ JOHN W. VAN HEEL

John W. Van Heel
*Chief Executive Officer and President*

Date: May 28, 2014

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

| **Signature** | **Title** | **Date** |
|---|---|---|
| /s/ JOHN W. VAN HEEL | Chief Executive Officer, President | May 28, 2014 |
| John W. Van Heel | and Director (Principal Executive Officer) | |
| /s/ ROBERT G. GROSS* | Executive Chairman, Director | May 28, 2014 |
| Robert G. Gross | | |
| /s/ CATHERINE D AMICO | Executive Vice President-Finance, | May 28, 2014 |
| Catherine D Amico | Chief Financial Officer and Treasurer | |
| | (Principal Financial and Accounting Officer) | |
| /s/ RICHARD A. BERENSON* | Director | May 28, 2014 |
| Richard A. Berenson | | |
| /s/ FREDERICK M. DANZIGER* | Director | May 28, 2014 |
| Frederick M. Danziger | | |
| /s/ DONALD GLICKMAN* | Director | May 28, 2014 |
| Donald Glickman | | |
| /s/ STEPHEN C. MCCLUSKI* | Director | May 28, 2014 |
| Stephen C. McCluski | | |
| /s/ ROBERT E. MELLOR* | Director | May 28, 2014 |
| Robert E. Mellor | | |

| | | |
|---|---|---|
| /s/ PETER J. SOLOMON* | Director | May 28, 2014 |
| Peter J. Solomon | | |
| /s/ JAMES R. WILEN* | Director | May 28, 2014 |
| James R. Wilen | | |
| /s/ ELIZABETH A. WOLSZON* | Director | May 28, 2014 |
| Elizabeth A. Wolszon | | |

*By: /s/ JOHN W. VAN HEEL
John W. Van Heel, as

Attorney-in-Fact

**INDEX TO EXHIBITS**

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

| Exhibit No. | Document |
|---|---|
| 3.01* | Restated Certificate of Incorporation of the Company, dated July 23, 1991, with Certificate of Amendment, dated November 1, 1991. (SEC File No: 0-19357, 1992 Form 10-K, Exhibit No. 3.01) |
| 3.01a* | Certificate of Change of the Certificate of Incorporation of the Company, dated January 26, 1996. (August 2004 Form S-3, Exhibit 4.1(b)) |
| 3.01b* | Certificate of Amendment to Restated Certificate of Incorporation, dated April 15, 2004. (August 2004 Form S-3, Exhibit No. 4.1(c)) |
| 3.01c* | Certificate of Amendment to Restated Certificate of Incorporation, dated October 10, 2007. (2008 Form 10-K, Exhibit 3.01c) |
| 3.01d* | Certificate of Amendment to Restated Certificate of Incorporation, dated August 1, 2012. (2013 Form 10-K, Exhibit 3.01d) |
| 3.02* | Amended and Restated By-Laws of the Company, dated August 7, 2012. (December 2012 Form 8-K, Exhibit No. 3.02) |
| 10.01* | 2007 Stock Incentive Plan, effective as of June 29, 2007. (May 2008 Form S-8, Exhibit No. 4)** |
| 10.01a* | Amendment No. 1 to the 2007 Stock Incentive Plan, dated August 9, 2007. (May 2008 Form S-8, Exhibit No. 4.1)** |
| 10.01b* | Amendment No. 2 to the 2007 Stock Incentive Plan, dated September 27, 2007. (May 2008 Form S-8, Exhibit No. 4.2)** |
| 10.01c* | Amendment No. 3 to the 2007 Stock Incentive Plan, dated August 10, 2010. (August 2010 Form 8-K, Exhibit No. 10.1)** |
| 10.01d* | Amendment No. 4 to the 2007 Stock Incentive Plan, dated, May 16, 2012. (2012 Form 10-K, Exhibit No. 10.01d)** |
| 10.01e* | Amendment No. 5 to the 2007 Stock Incentive Plan, dated June 28, 2013. (2013 Proxy, Exhibit A)** |
| 10.01f | Amendment No. 6 to the 2007 Stock Incentive Plan, dated June 28, 2013. ** |
| 10.02* | 1994 Non-Employee Directors Stock Option Plan. (March 2001 Form S-8, Exhibit No. 4.1)** |
| 10.02a* | Amendment, dated as of May 12, 1997, to the 1994 Non-Employee Directors Stock Option Plan. (March 2001 Form S-8, Exhibit No. 4.2)** |
| 10.02b* | Amendment, dated as of May 18, 1999, to the 1994 Non-Employee Directors Stock Option Plan. (March 2001 Form S-8, Exhibit No. 4.3)** |
| 10.02c* | Amendment, dated as of August 2, 1999, to the 1994 Non-Employee Directors Stock Option Plan. (2002 Form 10-K, Exhibit No. 10.02c)** |
| 10.02d* | Amendment, dated as of June 12, 2002, to the 1994 Non-Employee Directors Stock Option Plan. (2002 Form 10-K, Exhibit No. 10.02d)** |
| 10.03* | Monro Muffler Brake, Inc. Deferred Compensation Plan, dated January 1, 2005 and last amended and restated as of January 1, 2011. (2011 Form 10-K, Exhibit No. 10.03)** |
| 10.04 | Monro Muffler Brake, Inc. Retirement Plan, adopted November 19, 2013 and effective as of April 1, 2013. ** |

| Exhibit No. | Document |
|---|---|
| 10.05 | Amended and Restated Profit Sharing Plan, adopted on December 9, 2013 and effective as of April 1, 2013 . ** |
| 10.05a | Amendment to the Profit Sharing Plan, adopted on May 24, 2013 and effective as of April 1, 2013.** |
| 10.06* | Employment Agreement, dated as of August 7, 2012 and effective October 1, 2012, between the Company and Robert G. Gross. (August 2012 Form 8-K, Exhibit No. 99.2)** |
| 10.07* | Employment Agreement, dated December 30, 2010 and effective January 1, 2011, between the Company and Joseph Tomarchio, Jr. (January 2011 Form 8-K, Exhibit No. 99.2)** |
| 10.08* | 1998 Employee Stock Option Plan, effective November 18, 1998. (December 1998 Form 10-Q, Exhibit No. 10.3 and March 2001 Form S-8, Exhibit No. 4)** |
| 10.08a* | Amendment, dated May 20, 2003, to the 1998 Employee Stock Option Plan. (2004 Form 10-K, Exhibit No. 10.08a)** |
| 10.08b* | Amendment, dated June 8, 2005, to the 1998 Employee Stock Option Plan. (April 2006 Form S-8 for the 1998 Plan, Exhibit No. 4.2)** |
| 10.08c* | Amendment, dated September 26, 2007, to the 1998 Employee Stock Option Plan. (2008 Form 10-K, Exhibit 10.08c)** |
| 10.09* | Kimmel Automotive, Inc. Pension Plan, as amended and restated effective January 1, 1989, adopted December 29, 1994. (2003 Form 10-K, Exhibit No. 10.09)** |
| 10.09a* | First amendment, dated January 1, 1989, to the Kimmel Automotive, Inc. Pension Plan. (2003 Form 10-K, Exhibit No. 10.09a)** |
| 10.09b* | Second amendment, dated January 1, 1989, to the Kimmel Automotive, Inc. Pension Plan. (2003 Form 10-K, Exhibit No. 10.09b)** |
| 10.09c* | Third amendment, dated May 2001, to the Kimmel Automotive, Inc. Pension Plan. (2003 Form 10-K, Exhibit No. 10.09c)** |
| 10.09d* | Fourth Amendment, dated as of December 31, 2011, to the Kimmel Automotive, Inc. Pension Plan. (2012 Form 10-K, Exhibit No. 10.09d)** |
| 10.10* | 2003 Non-Employee Directors Stock Option Plan, effective August 5, 2003. (2004 Form 10-K, Exhibit No. 10.10)** |
| 10.10a* | Amendment, dated June 8, 2005, to the 2003 Non-Employee Directors Stock Option Plan. (April 2006 Form S-8 for the 2003 Plan, Exhibit No. 4.1)** |
| 10.11* | Amended and Restated Credit Agreement, dated as of June 13, 2011, by and among the Company, RBS Citizens, N.A., as Administrative Agent, and certain lenders party thereto. (June 2011 Form 8-K, Exhibit 10.11) |
| 10.11a* | Amendment No. 1 to Amended and Restated Credit Agreement, dated as of December 17, 2012. (December 2012 Form 10-Q, Exhibit No. 10.11a) |
| 10.12* | Security Agreement, dated as of July 13, 2005, by and among the Company, Monro Service Corporation, Monro Leasing, LLC and Charter One Bank, N.A., as Administrative Agent for the lenders party to the Credit Agreement. (June 2005 Form 10-Q, Exhibit No. 10.2) |

| Exhibit No. | Document |
|---|---|
| 10.13* | Guaranty, dated as of July 13, 2005, of Monro Service Corporation. (June 2005 Form 10-Q, Exhibit No. 10.3) |
| 10.15* | Negative Pledge Agreement, dated as of July 13, 2005, by and among the Company, Monro Service Corporation, Monro Leasing, LLC and Charter One Bank, N.A., as Administrative Agent for the lenders party to the Credit Agreement. (June 2005 Form 10-Q, Exhibit No. 10.5) |
| 10.16* | Reaffirmation of Loan Papers, dated as of June 13, 2011, by Company (reaffirming, among other things, Company s agreement, obligation and continuing liability under the Security Agreement and Negative Pledge Agreement, all dated as of July 13, 2005). (2012 Form 10-K, Exhibit No. 10.16) |
| 10.17* | Reaffirmation of Loan Papers, dated as of June 13, 2011, by Monro Service Corporation (reaffirming, among other things, Monro Service Corporation s agreement, obligation and continuing liability under the Security Agreement, Guaranty and Negative Pledge Agreement, all dated as of July 13, 2005). (2012 Form 10-K, Exhibit No. 10.17) |
| 10.18* | Resale Restriction Agreement by and between the Company and each of its executive officers and certain senior-level managers, effective as of March 24, 2006. (March 2006 Form 8-K/A, Exhibit No. 10.1) |
| 10.60* | Lease Agreement, dated as of February 1, 2012, between Monro Service Corporation and the County of Monroe Industrial Development Agency. (2012 Form 10-K, Exhibit No. 10.60) |
| 10.61* | Leaseback Agreement, dated February 1, 2012 between the County of Monroe Industrial Development Agency and Monro Service Corporation. (2012 Form 10-K, Exhibit No. 10.61) |
| 10.62* | Mortgage Agreement, dated September 28, 1994, between the Company and the City of Rochester, New York. (1995 Form 10-K, Exhibit No. 10.60) |
| 10.63* | Lease Agreement, dated October 11, 1994, between the Company and the City of Rochester, New York. (1995 Form 10-K, Exhibit No. 10.61) |
| 10.66* | Amendment to Lease Agreement, dated September 19, 1995, between the Company and the County of Monroe Industrial Development Agency. (September 1995 Form 10-Q, Exhibit No. 10.00) |
| 10.67* | Employment Agreement, dated as of August 7, 2012 and effective as of October 1, 2012, between the Company and John W. Van Heel. (August 2012 Form 8-K, Exhibit No. 99.1)** |
| 10.68* | Employment Agreement, dated December 30, 2010 and effective as of January 1, 2011, between the Company and Catherine D Amico. (January 2011 Form 8-K, Exhibit No. 99.3)** |
| 10.69* | Employment Agreement, dated February 11, 2014 and effective April 1, 2014, between the Company and Joseph Tomarchio, Jr. (February 2014 Form 8-K, Exhibit No. 99.1)** |
| 10.69a* | Amendment to Employment Agreement of Joseph Tomarchio, Jr., dated May 14, 2014 and effective April 1, 2014, between the Company and Joseph Tomarchio, Jr. (May 2014 Form 8-K, Exhibit No. 99.1)** |
| 10.72* | Supply Agreement, dated as of August 1, 2012, by and between Ashland Consumer Markets (a commercial business unit of Ashland, Inc.) and Monro Service Corporation. (December 2012 Form 10-Q, Exhibit No. 10.72) |
| 10.77* | Management Incentive Compensation Plan, effective as of June 1, 2002. (2002 Form 10-K, Exhibit No. 10.77)** |
| 10.79* | Agreement, dated January 1, 1998, between F&J Properties, Inc. and Mr. Tire, Inc., as predecessor-in-interest to the Company, effective January 1, 1998, with respect to Store No. 750. (2004 Form 10-K, Exhibit No. 10.79) |
| 10.79a* | Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 750. (2004 Form 10-K, Exhibit No. 10.79a) |

| Exhibit No. | Document |
|---|---|
| 10.79b* | Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by F&J Properties, Inc., with respect to Store No. 750. (2004 Form 10-K, Exhibit No. 10.79b) |
| 10.79c* | Renewal letter, dated April 16, 2007, from the Company to F&J Properties, Inc. with respect to Store No. 750. (2007 Form 10-K, Exhibit No. 10.79c) |
| 10.80* | Agreement, dated January 1, 1997, between The Three Marquees and Mr. Tire, Inc., as predecessor-in-interest to the Company, with respect to Store No. 753. (2004 Form 10-K, Exhibit No. 10.80) |
| 10.80a* | Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 753. (2004 Form 10-K, Exhibit No. 10.80a) |
| 10.80b* | Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by The Three Marquees, with respect to Store No. 753. (2004 Form 10-K, Exhibit No. 10.80b) |
| 10.80c* | Renewal Letter, dated March 6, 2006, from the Company to The Three Marquees, with respect to Store No. 753. (2006 Form 10-K, Exhibit No. 10.80c) |
| 10.81* | Agreement, dated April 1, 1998, between 425 Manchester Road, LLC and Mr. Tire, Inc., as predecessor-in-interest to the Company, with respect to Store No. 754. (2004 Form 10-K, Exhibit No. 10.81) |
| 10.81a* | Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 754. (2004 Form 10-K, Exhibit No. 10.81a) |
| 10.81b* | Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by 425 Manchester Road, LLC, with respect to Store No. 754. (2004 Form 10-K, Exhibit No. 10.81b) |
| 10.81c* | Renewal Letter, dated June 8, 2007, from the Company to 425 Manchester Road, LLC, with respect to Store No. 754. (2008 Form 10-K, Exhibit No. 10.81c) |
| 10.82* | Agreement, dated January 1, 1997, between The Three Marquees and Mr. Tire, Inc., as predecessor-in-interest to the Company, with respect to Store No. 756. (2004 Form 10-K, Exhibit No. 10.82) |
| 10.82a* | Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 756. (2004 Form 10-K, Exhibit No. 10.82a) |
| 10.82b* | Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by The Three Marquees, with respect to Store No. 756. (2004 Form 10-K, Exhibit No. 10.82b) |
| 10.82c* | Renewal Letter, dated March 6, 2006, from the Company to The Three Marquees, with respect to Store No. 756. (2006 Form 10-K, Exhibit No. 10.82c) |
| 10.83* | Agreement, dated January 1, 1997, between The Three Marquees and Mr. Tire, Inc., as predecessor-in-interest to the Company, with respect to Store No. 758. (2004 Form 10-K, Exhibit No. 10.83) |
| 10.83a* | Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 758. (2004 Form 10-K, Exhibit No. 10.83a) |
| 10.83b* | Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by The Three Marquees, with respect to Store No. 758. (2004 Form 10-K, Exhibit No. 10.83b) |
| 10.83c* | Renewal Letter, dated March 6, 2006, from the Company to The Three Marquees, with respect to Store No. 758. (2006 Form 10-K, Exhibit No. 10.83c) |
| 10.84* | Agreement, dated September 2, 1999, between LPR Associates and Mr. Tire, Inc., as predecessor-in-interest to the Company, with respect to Store No. 765. (2004 Form 10-K, Exhibit No. 10.84) |

| Exhibit No. | Document |
|---|---|
| 10.84a* | Assignment and Assumption of Lease, dated March 1, 2004, between Mr. Tire, Inc. and the Company, with respect to Store No. 765. (2004 Form 10-K, Exhibit No. 10.84a) |
| 10.84b* | Landlord s Consent and Estoppel Certificate, dated as of February 27, 2004, by LPR Associates, with respect to Store No. 765. (2004 Form 10-K, Exhibit No. 10.84b) |
| 10.84c* | Renewal Letter, dated October 29, 2008, from the Company to LPR Associates with respect to Store No. 765. (2009 Form 10-K, Exhibit No. 10.84c) |
| 10.84d | Renewal Letter, dated December 4, 2013, from the Company to LPR Associates with respect to Store No. 765. |
| 21.01 | Subsidiaries of the Company. |
| 23.01 | Consent of PricewaterhouseCoopers LLP. |
| 24.01 | Powers of Attorney. |
| 31.1 | Certification of John W. Van Heel, Chief Executive Officer. |
| 31.2 | Certification of Catherine D Amico, Executive Vice President Finance and Chief Financial Officer. |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002). |
| | 101.INS XBRL Instance Document |
| | 101.LAB XBRL Taxonomy Extension Label Linkbase |
| | 101.PRE XBRL Taxonomy Extension Presentation Linkbase |
| | 101.SCH XBRL Taxonomy Extension Schema Linkbase |
| | 101.DEF XBRL Taxonomy Extension Definition Linkbase |

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

(17) the Company s Annual Report on Form 10-K for fiscal year ended March 29, 2008 ( 2008 Form 10-K ); (18) the Company s Registration Statement on Form S-8 (Registration No. 333-151196) filed with the Securities and Exchange Commission on May 27, 2008 ( May 2008 Form S-8 ); (19) the Company s Annual Report on Form 10-K for the fiscal year ended March 28, 2009 ( 2009 Form 10-K ); (20) Company s Current Report on Form 8-K, filed on August 12, 2010 ( August 2010 Form 8-K ); (21) the Company s Current Report on Form 8-K, filed on January 4, 2011 ( January 2011 Form 8-K ); (22) the Company s Annual Report on Form 10-K for the fiscal year ended March 26, 2011 ( 2011 Form 10-K ); (23) the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2012 ( 2012 Form 10-K ); (24) the Company s Current Report on Form 8-K, filed on June 16, 2011 ( June 2011 Form 8-K ); (25) the Company s Current Report on Form 8-K, filed August 9, 2012 ( August 2012 Form 8-K ); (26) the Company s Current Report on Form 8-K, filed on December 20, 2012 ( December 2012 Form 8-K ); (27) the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended December 29, 2012 ( December 2012 Form 10-Q ); (28) the Company s Current Report on Form 8-K, filed February 11, 2014 ( February 2014 Form 8-K ); (29) the Annual Report on Form 10-K for the fiscal year ended March 30, 2013 ( 2013 Form 10-K ); (30) the Company s Definitive Proxy Statement on Form DEF14A, filed June 10, 2013 ( 2013 Proxy ); and (31) the Company s Current Report on Form 8-K, filed May 20, 2014 ( May 2014 Form 8-K ). The appropriate document and exhibit number are indicated in parentheses.

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

Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment in accordance with Rule 24b-2 of the Securities Exchange Act of 1934.

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