

MONRO MUFFLER BRAKE INC

Form 11-K

September 27, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 11-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 (FEE REQUIRED)**

**For the fiscal year ended March 31, 2007**

OR

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 (NO FEE REQUIRED)**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission File Number 0-19357

**MONRO MUFFLER BRAKE, INC.  
PROFIT SHARING PLAN  
(Full title of the plan)**

**MONRO MUFFLER BRAKE, INC.  
200 HOLLEDER PARKWAY  
ROCHESTER, NY 14615**

(Name of issuer of the securities held pursuant to the  
plan and address of its principal executive office)

**MONRO MUFFLER BRAKE, INC.  
PROFIT SHARING PLAN  
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All other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.	
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**INDEPENDENT AUDITORS REPORT**

The Participants and Administrator of  
Monro Muffler Brake, Inc. Profit Sharing Plan

We have audited the accompanying statement of net assets available for plan benefits of the Monro Muffler Brake, Inc. Profit Sharing Plan as of March 31, 2007 and 2006 and the related statement of changes in net assets available for plan benefits for the year ended March 31, 2007. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Monro Muffler Brake, Inc. Profit Sharing Plan as of March 31, 2007 and 2006, and the changes of net assets available for plan benefits for the year ended March 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audits of the Plan's net assets available for plan benefits as of March 31, 2007 and 2006 and the related statement of changes in net assets available for plan benefits for the year ended March 31, 2007, were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in the schedule of assets (held at end of year) as of March 31, 2007 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental information is the responsibility of the Plan's management. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended March 31, 2007, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Davie Kaplan, CPA, P.C.

August 20, 2007

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**MONRO MUFFLER BRAKE, INC.**  
**PROFIT SHARING PLAN**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS**

	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Investments	\$ 28,219,526	\$ 24,616,625
Cash and cash equivalents	17,527	12,881
Receivables:		
Employer's contributions	159,709	150,549
Participants' contributions	151,828	138,507
Total receivables	311,537	289,056
Total assets	28,548,590	24,918,562
<b>Liabilities</b>		
Accrued expenses	59,238	35,739
Net assets available for plan benefits	\$ 28,489,352	\$ 24,882,823

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

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**Table of Contents****MONRO MUFFLER BRAKE, INC.****PROFIT SHARING PLAN****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS**

	<b>Year ended March 31, 2007</b>
<b>Additions to net assets attributed to:</b>	
Contributions:	
Employer	\$ 638,602
Participant	2,124,888
Rollover	484,131
Total contributions	3,247,621
Investment Income:	
Net appreciation in fair value of investments:	
Mutual funds	1,203,326
Common stocks	54,469
	1,257,795
Dividend income	627,357
Interest income	91,365
Total investment income	1,976,517
Total additions	5,224,138
<b>Deductions from net assets attributed to:</b>	
Benefits paid to participants	1,577,960
Administrative expenses	39,649
Total deductions	1,617,609
Increase in net assets available for benefits	3,606,529
Net assets available for plan benefits:	
Beginning of year	24,882,823

End of year	\$	28,489,352
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The accompanying notes are an integral part of the financial statements.

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**MONRO MUFFLER BRAKE, INC.  
PROFIT SHARING PLAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 DESCRIPTION OF THE PLAN:**

The following brief description of the Monro Muffler Brake, Inc. Profit Sharing Plan (the Plan ) is provided for general information purposes only. Participants should refer to the Plan documents for more complete information.

**General**

Monro Muffler Brake, Inc. (the employer and Plan sponsor) (the Company ) voluntarily contributes funds to provide for retirement, termination, disability and death benefits of plan participants.

On November 18, 1999, the Board of Directors approved amending the Plan to add a 401(k) salary deferral option. Prior to this amendment, participant fund balances consisted solely of employer-contributed Profit Sharing amounts adjusted for related gains/losses. In connection with this amendment, a new trustee (the Trustee ) and custodian were appointed by the Board of Directors. Plan assets are invested in funds designated by each participant. Participant contributions under the 401(k) salary deferral option began in March 2000. The legal effective date of the Plan amendment was March 1, 2000.

**Participation**

Full-time, permanent employees of Monro Muffler Brake, Inc. become participants of the Plan on the first of the month following the completion of 90 days of service. To participate, an employee must be 21 years of age. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ( ERISA ).

**Contributions**

Participants may contribute from 1% to 30% of their annual pre-tax compensation. Participants may also contribute amounts representing rollovers from other qualified plans. Contributions are subject to certain limitations as required under the Internal Revenue Code.

Participants' contributions are matched ( 401(k) Matching Contributions ) by the Company in an amount determined by the Board of Directors of the Company. The Board has currently decided to match the amount of \$.50 for every dollar contributed up to 4% of the participant's pre-tax compensation.

Participants must complete 1,000 hours of service in order to be eligible to receive the employer match. Participants must also be employed at the end of the Plan quarter in which they are to receive an employer match.

Additionally, the Company may contribute to the Plan an additional amount, either in the form of a Profit Sharing Contribution , or in the form of an additional match on 401(k) participant contributions, based on the sole discretion of the Board of Directors. For the year ended March 31, 2007, the Company did not make a Profit Sharing Contribution. Profit Sharing Contributions are allocated by the custodian based on the proportionate share of wages earned by each participant in relation to the total qualified wages for all participants in the Plan.



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**MONRO MUFFLER BRAKE, INC.  
PROFIT SHARING PLAN  
NOTES TO FINANCIAL STATEMENTS**

**Vesting**

Participants are immediately vested in their own salary reduction contributions plus actual earnings thereon. Vesting in the Company 401(k) Matching Contribution portion of their accounts, plus actual earnings thereon, is based on years of service as defined in the Plan. A participant vests 25% at the end of his/her second year of service, and an additional 25% each year thereafter.

Participants become 100% vested in the Company's Profit Sharing Contributions at the end of five years of service with no vesting in prior years.

Forfeited balances of terminated participants' nonvested accounts are used to reduce future Company contributions and to pay administrative expenses of the Plan. Forfeited accounts used to reduce company contributions amounted to approximately \$17,000 and \$19,000 for the years ended March 31, 2007 and 2006, respectively. At March 31, 2007 and 2006, remaining forfeitures available to offset future contributions were approximately \$18,000 and \$13,000, respectively.

**Investment options**

All investment options are participant-directed. Participants may change their investment options daily.

**Participant loans**

Participants may borrow from their 401(k) and profit sharing fund accounts in various amounts as specified by the Plan. Loans must be a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balances. Loan terms range from one to five years, or up to ten years for purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the Benefits Committee. Principal and interest are paid ratably through payroll deductions. Loans of approximately \$650,000 and \$770,000 were granted during the years ended March 31, 2007 and 2006, respectively.

**Administration**

The Monro Muffler Brake, Inc. Benefits Committee is solely responsible for the general administration of the Plan and carrying out the Plan provisions. The Company reserves the right, by action of the Board of Directors, to discontinue contributions and terminate the Plan at any time. In the event of a termination of the Plan, each participant shall immediately become fully vested. The Trustee and custodian of the Plan's assets is Investors Bank & Trust Company of Boston. The investment manager of the Plan is Diversified Investment Advisors.

**Administrative expenses**

Plan expenses are primarily paid by the Plan.

**Benefit payments**

Benefits are recorded when paid.

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**MONRO MUFFLER BRAKE, INC.  
PROFIT SHARING PLAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF ACCOUNTING PRINCIPLES AND PRACTICES:**

**Basis of accounting**

The financial statements of the Plan have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

**Revenue recognition**

Income on plan assets is accrued when earned, and gains or losses on the disposition of such assets are recorded when realized.

**Valuation of investment assets**

Plan assets are reported at fair market value measured by quoted prices in an active market as of the Plan year-end date. Mutual fund investments are valued at net asset value representing the value at which shares of the fund may be purchased or redeemed.

The Plan presents, in the Statement of Changes in Net Assets, the net appreciation in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation of those investments.

Participant loans are valued at cost, which approximates fair value.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

**Risks and uncertainties**

Investment securities are exposed to various risks, such as interest rate and market risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risk in the near term would materially affect participants' account balances and the amount reported in the Statement of Net Assets Available for Plan Benefits and the Statement of Changes in Net Assets Available for Plan Benefits.

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**MONRO MUFFLER BRAKE, INC.**  
**PROFIT SHARING PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 INVESTMENTS:**

The following table presents the fair values of investments held by the Plan's trustees. Investments that represent five percent or more of the Plan's net assets available for benefits are separately identified.

	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Common stocks</b>	\$	\$ 1,231,240
<b>Mutual funds</b>		
Stock Index	2,461,151	2,071,295
Intermediate Horizon SAF *	3,890,433	3,517,685
Intermediate/Long Horizon SAF *	3,219,709	2,828,365
Long Horizon SAF *	5,317,837	4,431,595
Value & Income	1,692,343	1,388,636
Special Equity	1,484,123	1,469,425
International Equity	1,890,639	1,424,511
Other Investments under 5%	8,263,291	6,253,873
<b>Total Investments</b>	<b>\$ 28,219,526</b>	<b>\$ 24,616,625</b>

\* SAF Strategic Allocation Fund

\*\* Less than 5%

**NOTE 4 PARTY-IN-INTEREST TRANSACTIONS:**

The Plan held investments in Company securities with a fair value of approximately \$1,188,000 and \$1,231,000 as of March 31, 2007 and 2006, respectively.

**NOTE 5 FEDERAL INCOME TAX STATUS:**

The Plan administrator has obtained a favorable determination letter dated February 19, 2003 from the Internal Revenue Service, which qualifies the Plan under Section 401(a) of the Internal Revenue Code (the Code). The Plan has been amended since receiving the determination letter. However, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code.

**NOTE 6 RELATED PARTY TRANSACTIONS:**

The Plan invests in shares of mutual funds managed by an affiliate of Diversified Investment Advisors. Diversified acts as trustee for only those investments as defined by the Plan. Transactions in such investments qualify as party-in-interest transactions, which are exempt from prohibited transaction rules.

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PROFIT SHARING PLAN**

**Form 5500, Schedule H, Part IV, Question 4I Schedule of Assets (Held at End of Year)  
EIN # 16-0838627, Plan #001  
March 31, 2007**

(a)	(b)	(c)	(d)	(e)
Identity of Issuer, Borrower, Lessor or Similar Party	Description of Investment, including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Number of Units or Principal	Current Value	
* Diversified Investment	Money Market Fund	62,109, Mutual Funds	\$ 660,556	
* Diversified Investment	High Quality Bond Fund	54,905, Mutual Funds	625,912	
* Diversified Investment	Core Bond Fund	55,058, Mutual Funds	677,768	
* Diversified Investment	Stock Index Fund	222,930, Mutual Funds	2,461,151	
* Diversified Investment	Value & Income Fund	64,940, Mutual Funds	1,692,343	
* Diversified Investment	Growth & Income Fund	62,499, Mutual Funds	1,412,473	
* Diversified Investment	Equity Growth Fund	54,009, Mutual Funds	1,141,756	
* Diversified Investment	Special Equity Fund	61,429, Mutual Funds	1,484,123	
* Diversified Investment	International Equity Fund	103,597, Mutual Funds	1,890,639	
* Diversified Investment	Short Horizon SAF	58,035, Mutual Funds	623,871	
* Diversified Investment	Intermediate Horizon SAF	334,230, Mutual Funds	3,890,433	
* Diversified Investment	Intermediate/Long Horizon SAF	252,724, Mutual Funds	3,219,709	
*	Short/Intermediate SAF		798,254	

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Diversified Investment		80,146, Mutual Funds	
* Diversified Investment	Long Horizon SAF	496,774, Mutual Funds	5,317,837
* Diversified Investment	Monro Stock Fund	25,717, Common Stock	1,188,167
Participant Loans	Interest rates range between 5.00% to 10.00%, maturing through July 2015		1,134,534
			\$28,219,526

\* Party-in-interest

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, Monro Muffler Brake, Inc., as Administrator, has duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized.

Monro Muffler Brake, Inc.  
AS ADMINISTRATOR OF  
Monro Muffler Brake, Inc.  
Profit Sharing Plan

DATE: September 27, 2007

By /s/ Catherine D Amico  
Catherine D Amico  
Executive Vice President -- Finance and  
Chief Financial Officer

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EXHIBIT INDEX

**Exhibit**

23.1 Consent of Davie Kaplan, CPA, P.C., Independent Accountants, dated August 20, 2007.

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