

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

MONRO MUFFLER BRAKE INC

CIK: **876427** | IRS No.: **160838627** | State of Incorporation: **NY** | Fiscal Year End: **0331**
Type: **10-Q** | Act: **34** | File No.: **000-19357** | Film No.: **96665727**
SIC: **7500** Automotive repair, services & parking

Business Address
200 HOLLEDER PARKWAY
ROCHESTER NY 14615-3808
7166476100

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended September 30, 1996.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission File No. 0-19357

MONRO MUFFLER BRAKE, INC.

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of
incorporation or organization)

16-0838627

(I.R.S. Employer
Identification #)

200 Holleder Parkway, Rochester, New York

(Address of principal executive offices)

14615

(Zipcode)

Registrant's telephone number, including area code 716-647-6400

Indicate by check mark whether 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
--- ---

As of October 31, 1996, 7,470,326 shares of the Registrant's Common Stock, par value \$.01 per share, were outstanding after giving effect to the five percent stock dividend, paid August 5, 1996, to stockholders of record as of June 21, 1996.

MONRO MUFFLER BRAKE, INC.

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MONRO MUFFLER BRAKE, INC.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)
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	SEPTEMBER 30, 1996 ----	MARCH 31, 1996 ----
	(DOLLARS IN THOUSANDS)	
	<C>	<C>
ASSETS		
Current assets:		
Cash and equivalents, including interest-bearing accounts of \$5,551 at September 30, 1996 and \$5,280 at March 31, 1996	\$ 5,551	\$ 5,280
Trade receivables	978	1,230
Inventories, at LIFO cost	18,406	16,538
Federal and state income taxes receivable	0	18
Deferred income tax asset	1,275	1,275
Other current assets	2,251	2,206
	-----	-----
Total current assets	28,461	26,547
	-----	-----
Property, plant and equipment	137,942	126,248
Less - Accumulated depreciation and amortization	(39,471)	(35,969)
	-----	-----
Net property, plant and equipment	98,471	90,279
Other noncurrent assets	3,108	3,229
	-----	-----
Total assets	\$130,040	\$120,055
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 3,190	\$ 3,165
Trade payables	6,822	6,897
Federal and state income taxes payable	1,122	0
Accrued expenses and other current liabilities		
Accrued interest	271	345
Accrued payroll, payroll taxes and other payroll benefits	3,702	2,836
Accrued insurance	1,736	1,552
Other current liabilities	2,759	2,861
	-----	-----
Total current liabilities	19,602	17,656
Long-term debt	45,862	45,459
Deferred income tax liability	1,053	1,053
	-----	-----
Total liabilities	66,517	64,168
	-----	-----
Commitments		
Shareholders' equity:		
Class C Convertible Preferred Stock, \$1.50 par value, \$.239 and \$.251 conversion value at September 30, 1996 and March 31, 1996, respectively; 150,000 shares authorized; 91,727 shares issued and outstanding	138	138
Common Stock, \$.01 par value, 15,000,000 shares authorized; 7,468,010 shares and 6,914,835 shares issued and outstanding at September 30, 1996 and March 31, 1996, respectively	75	69
Additional paid-in capital	22,158	17,061
Retained earnings	41,152	38,619
	-----	-----
Total shareholders' equity	63,523	55,887

</TABLE>

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-K (File No. 0-19357), filed by the Company with the Securities and Exchange Commission on June 28, 1996.

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MONRO MUFFLER BRAKE, INC.
 CONSOLIDATED STATEMENT OF INCOME
 (UNAUDITED)
 <TABLE>
 <CAPTION>

	QUARTER ENDED		SIX MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	1996	1995	1996	1995
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
Sales	\$ 37,799	\$ 31,217	\$ 75,544	\$ 60,162
Cost of sales, including distribution and occupancy costs (a)	20,291	17,004	40,957	32,869
Gross profit	17,508	14,213	34,587	27,293
Operating, selling, general and administrative expenses	10,386	8,528	21,031	17,391
Operating income	7,122	5,685	13,556	9,902
Interest expense, net of interest income for the quarter of \$3 in 1996 and \$12 in 1995 (a)	851	573	1,665	1,239
Other expense, net	55	5	71	134
Income before provision for income taxes	6,216	5,107	11,820	8,529
Provision for income taxes	2,474	2,043	4,699	3,390
Net income	\$ 3,742	\$ 3,064	\$ 7,121	\$ 5,139
Earnings per share	\$.46	\$.38	\$.87	\$.64
Weighted average number of shares of common stock and common stock equivalents used in computing earnings per share	8,202	8,072	8,168	8,081

<FN>

(a) Amounts paid under operating and capital leases with affiliated parties totaled \$500 and \$381 for the quarters ended September 30, 1996 and 1995, respectively, and \$996 and \$883 for the six months ended September 30, 1996 and 1995, respectively.

</TABLE>

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-K (File No. 0-19357), filed by the Company with the Securities and Exchange Commission on June 28, 1996.

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MONRO MUFFLER BRAKE, INC.
CONSOLIDATED STATEMENT OF CHANGES IN COMMON STOCKHOLDERS' EQUITY
(UNAUDITED)
<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL	RETAINED
	SHARES	AMOUNT	PAID-IN CAPITAL	EARNINGS
(AMOUNTS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>
Balance at March 31, 1996	6,915	\$69	\$17,061	\$38,619
Net income				7,121
Exercise of stock options	200	2	513	
5% stock dividend	353	4	4,584	(4,588)
Balance at September 30, 1996	7,468	\$75	\$22,158	\$41,152

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-K (File No. 0-19357), filed by the Company with the Securities and Exchange Commission on June 28, 1996.

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MONRO MUFFLER BRAKE, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
<TABLE>
<CAPTION>

	SIX MONTHS ENDED SEPTEMBER 30,	
	1996	1995
(DOLLARS IN THOUSANDS)		
	INCREASE (DECREASE) IN CASH	
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 7,121	\$ 5,139
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	3,958	3,182
Gain on disposal of property, plant and equipment	(10)	(17)
Decrease (increase) in trade receivables	252	(45)
Increase in inventories	(1,868)	(1,782)
(Increase) decrease in other current assets	(45)	36
Increase in other noncurrent assets	(21)	(722)
(Decrease) increase in trade payables	(75)	3,522
Increase in accrued expenses	874	114
Increase in federal and state income taxes payable	1,140	908
Total adjustments	4,205	5,196
Net cash provided by operating activities	11,326	10,335
Cash flows from investing activities:		
Capital expenditures	(11,971)	(14,141)
Proceeds from the disposal of property, plant and equipment	40	44
Net cash used for investing activities	(11,931)	(14,097)

Cash flows from financing activities:		
Proceeds from the sale of common stock	515	
Proceeds from borrowings	26,615	10,000
Principal payments on long-term debt and capital lease obligations	(26,254)	(6,374)
	-----	-----
Net cash used for financing activities	876	3,626
	-----	-----
Increase (decrease) in cash	271	(136)
Cash at beginning of year	5,280	4,855
	-----	-----
Cash at September 30	\$ 5,551	\$ 4,719
	=====	=====

</TABLE>

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-K (File No. 0-19357), filed by the Company with the Securities and Exchange Commission on June 28, 1996.

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MONRO MUFFLER BRAKE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Stock Dividend

On January 26, 1996, the Board of Directors declared a five percent stock dividend, paid August 5, 1996, to stockholders of record as of June 21, 1996. The consolidated financial statements, including all share information therein, have been restated to reflect this dividend.

Additionally, in accordance with antidilution provisions of the Class C Convertible Preferred Stock, the conversion value of the preferred stock was restated from \$.251 per share to \$.239 per share.

Shares reserved for issuance to officers and key employees under outstanding options and under the 1984, 1987 and 1989 Incentive Stock Option Plans have also been retroactively adjusted for the five percent stock dividend.

Note 2 - Inventories

The Company's inventories consist of automotive parts and tires.

Substantially all merchandise inventories are valued under the last-in, first-out (LIFO) method. Under the first-in, first-out (FIFO) method, these inventories would have been \$758,000 and \$646,000 higher at September 30, 1996 and March 31, 1996, respectively. The FIFO value of inventory approximates the current replacement cost.

Note 3 - Cash and Equivalents

The Company's policy is to invest cash in excess of operating requirements in income producing investments. Cash equivalents of \$5,551,000 at September 30, 1996 and \$5,280,000 at March 31, 1996 include money market accounts, which have maturities of three months or less.

Note 4 - Supplemental Disclosure of Cash Flow Information

The following transactions represent noncash investing and financing activities during the periods indicated:

SIX MONTHS ENDED SEPTEMBER 30, 1996:

Capital lease obligations of \$162,000 were incurred under various lease obligations.

In connection with the termination of a capital lease, the Company reduced debt and fixed assets by \$112,000.

In connection with the declaration of a five percent dividend (see Note 1), the Company increased common stock and additional paid-in capital by \$4,000 and \$4,584,000, respectively, and decreased retained earnings by \$4,588,000.

SIX MONTHS ENDED SEPTEMBER 30, 1995:

In connection with the declaration of a five percent stock dividend, the Company increased common stock and additional paid-in capital by \$4,000 and \$5,998,000, respectively, and decreased retained earnings by \$6,002,000.

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MONRO MUFFLER BRAKE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CASH PAID DURING THE PERIOD:

<TABLE>
<CAPTION>

	SIX MONTHS ENDED SEPTEMBER 30, -----	
	1996 -----	1995 ----
<S>	<C>	<C>
Interest, net	\$1,897,000	\$1,463,000
Income taxes	3,560,000	2,482,000

Note 5 - Other

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-K (File No. 0-19357), filed by the Company with the Securities and Exchange Commission on June 28, 1996.

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MONRO MUFFLER BRAKE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The statements contained in this Form 10-Q which are not historical facts, including (without limitation) statements made in the Management's Discussion and Analysis of Financial Condition and Results of Operations, may contain statements of future expectations and other forward-looking statements that are subject to important factors that could cause actual results to differ materially from those in the forward-looking statements, including (without limitation) product demand, the effect of economic conditions, the impact of competitive services and pricing, product development, parts supply restraints or difficulties, industry regulation, the continued availability of capital resources and financing and other risks set forth or incorporated elsewhere herein and in the Company's Securities and Exchange Commission filings.

RESULTS OF OPERATIONS

The following table sets forth income statement data of Monro Muffler Brake, Inc. ("Monro" or the "Company") expressed as a percentage of sales for the fiscal periods indicated.

<TABLE>
<CAPTION>

	Quarter ended September 30, -----		Six Months ended September 30, -----	
	1996 ----	1995 ----	1996 ----	1995 ----
<S>	<C>	<C>	<C>	<C>
Sales.....	100.0%	100.0%	100.0%	100.0%

Cost of sales, including distribution and occupancy costs.....	53.7	54.5	54.2	54.6
	-----	-----	-----	-----
Gross profit.....	46.3	45.5	45.8	45.4
Operating, selling, general and administrative expenses.....	27.5	27.3	27.9	28.9
	-----	-----	-----	-----
Operating income.....	18.8	18.2	17.9	16.5
Interest expense - net.....	2.3	1.8	2.2	2.1
Other expenses - net.....	.1	---	.1	.2
	-----	-----	-----	-----
Income before provision for income taxes.	16.4	16.4	15.6	14.2
Provision for income taxes.....	6.5	6.6	6.2	5.7
	-----	-----	-----	-----
Net income.....	9.9%	9.8%	9.4%	8.5%
	=====	=====	=====	=====

</TABLE>

SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 1995

Sales were \$37.8 million for the quarter ended September 30, 1996 compared with \$31.2 million in the quarter ended September 30, 1995. The sales increase of \$6.6 million, or 21.1%, was due to an increase in sales of approximately \$4.3 million for stores opened since the beginning of fiscal 1996, and an increase in comparable store sales of 8.5%. Sales for the six months ended September 30, 1996 were \$75.5 million compared with \$60.2 million for the comparable period of the prior year. The sales increase of \$15.4 million, or 25.6%, was due to a comparable store sales increase of 11.6% and an increase in sales of approximately \$9.1 million for stores opened since the beginning of fiscal 1996. At September 30, 1996, the Company had 293 stores in operation compared to 257 at September 30, 1995.

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Management believes that year-to-date sales increases were driven, in part, by pent up demand from previously deferred repairs, combined with a number of industry factors. These include an increase in the average age of cars, a decrease in the number of service bays, an increase in the number of registered vehicles, and a shift in the consumer mentality from "do-it-yourself" to "do-it-for-me" caused by the increased complexity of cars.

Gross profit for the quarter ended September 30, 1996 was \$17.5 million, or 46.3% of sales, compared with \$14.2 million, or 45.5% of sales, for the quarter ended September 30, 1995. Gross profit for the six months ended September 30, 1996 was \$34.6 million, or 45.8% of sales, compared to \$27.3 million, or 45.4% of sales, for the six months ended September 30, 1995. The increase in gross profit as a percentage of sales relates primarily to increases in selling prices. Additionally, certain material costs were reduced as a result of renegotiated pricing with various vendors.

Operating, selling, general and administrative expenses (OSG&A) for the quarter ended September 30, 1996 increased by \$1.9 million to \$10.4 million over the quarter ended September 30, 1995, and increased as a percentage of sales from 27.3% to 27.5%. For the six months ended September 30, 1996, these expenses increased by \$3.6 million to \$21.0 million over the comparable period in the prior year, and were 27.9% of sales compared to 28.9% in the prior year. The increase in total dollars expended is primarily attributable to increased store supervision and increased store support expenses related to the Company's expansion. For the quarter ended September 30, 1996, the increase in expense as a percentage of sales relates principally to the reinstatement of accruals for bonus and profit sharing programs which were eliminated in the prior year due to decreased earnings. For the six months ended September 30, 1996, these expenses declined as a percentage of sales largely due to management's continued focus on discretionary spending and controlling costs.

Net interest expense for the quarter ended September 30, 1996, increased by approximately \$.3 million compared to the comparable period in the prior year, and increased from 1.8% to 2.3% as a percentage of sales for the same periods. Net interest expense for the six months ended September 30, 1996, increased by approximately \$.4 million compared to the comparable period in the prior year, and rose from 2.1% to 2.2% as a percentage of sales for the same

periods. The increase in expense is largely due to an increase in the weighted average debt outstanding for the quarter and six months ended September 30, 1996 as compared to the same periods in the prior year.

Net income for the quarter ended September 30, 1996 of approximately \$3.7 million increased 22.1% over net income for the quarter ended September 30, 1995. For the six months ended September 30, 1996, net income of approximately \$7.1 million increased 38.6% over the prior year, due to the factors discussed above.

INTERIM PERIOD REPORTING

The data included in this report are unaudited and are subject to year-end adjustments; however, in the opinion of management, all known adjustments (which consist only of normal recurring adjustments) have been made to present fairly the Company's operating results for the unaudited periods. The results for interim periods are not necessarily indicative of results to be expected for the fiscal year.

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CAPITAL RESOURCES AND LIQUIDITY

CAPITAL RESOURCES

The Company's primary capital requirement has been the funding of its new store expansion program and the upgrading of facilities and systems in existing stores. For the six months ended September 30, 1996, the Company spent \$12.1 million for equipment and new store construction. Funds were provided primarily by cash flow from operations. Management believes that the Company has sufficient resources available (including cash and equivalents, net cash flow from operations and bank financing) to expand its business as currently planned for the next several years.

LIQUIDITY

The Company has a line of credit from a commercial bank of \$7.5 million. No amounts were outstanding under this short-term borrowing facility at September 30, 1996.

Through February 7, 1996, the Company had a real estate line of credit of \$25 million to be used for placement of mortgages. The Company had utilized \$13.2 million of the real estate line of credit for permanent mortgages as of that date.

On February 7, 1996, the Company finalized an agreement for a \$30 million revolving credit facility with two banks. The unsecured facility has a three year term and bears interest at the prime rate or other rate options based on company performance.

In October 1996, the Company completed the modification of 33 of its existing mortgages, reducing the interest rates by 25 to 60 basis points each.

The Company has outstanding \$5.5 million in principal amount of its 10.65% Senior Notes due 1999 (the "Senior Notes") with Massachusetts Mutual Life Insurance Company pursuant to a Senior Note Agreement. The third of six equal annual installments of principal in the amount of \$1.8 million was paid on April 1, 1996.

During September 1995, the Company completed financing for its new office/warehouse facility via a 10 year mortgage in the amount of \$2.9 million, amortizable over 20 years, and an eight year term loan in the amount of \$.7 million.

Certain of the Company's long-term debt agreements require, among other things, the maintenance of specified current ratios, interest and rent coverage ratios and amounts of tangible net worth, and also contain restrictions on dividend payments and capital expenditures.

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MONRO MUFFLER BRAKE, INC.
PART II - OTHER INFORMATION

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

The 1996 Annual Meeting of Shareholders of the Company (the "1996 Meeting") was held on August 7, 1996. At the 1996 Meeting, the Company's common shareholders elected management's nominees, Burton S. August, Robert W. August, Donald Glickman, Lionel B. Spiro and W. Gary Wood to Class 1 of the Board of Directors, to serve until the election and qualification of their respective successors at the 1998 Annual Meeting of Shareholders. Such nominees for director received the following votes:

<TABLE>
<CAPTION>

Name	Votes For	Votes Withheld
Burton S. August	6,656,453	38,384
Robert W. August	6,656,542	38,295
Donald Glickman	6,689,889	4,948
Lionel B. Spiro	6,693,897	947
W. Gary Wood	6,693,897	947

As required under the Company's Certificate of Incorporation, such election of directors and other matters were confirmed by the holders of all 91,727 outstanding shares of the Company's Class C Convertible Preferred Stock, par value \$1.50 per share, by written consent dated as of August 5, 1996.

In addition, Charles J. August, Frederick M. Danziger, Lawrence C. Day, Jack M. Gallagher and Peter J. Solomon will continue as Class 2 directors until the election and qualification of their respective successors at the 1997 Annual Meeting of Shareholders.

Also approved by the following votes were:

(i) a proposal to ratify the re-appointment of Price Waterhouse LLP as the independent auditors of the Company for the fiscal year ending March 31, 1997 (6,692,465 shares in favor, 868 shares against, 1,504 shares abstaining and zero broker non-votes).

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

- 10 - Mortgage Modification Agreement, dated October 11, 1996 between the Company and Chase Manhattan Bank, N.A., in connection with each of 33 mortgages for Store Nos. 78, 86, 87, 90, 137, 140, 143, 146, 160, 162, 164, 168, 169, 172, 177, 179, 183, 184, 185, 186, 190, 191, 192, 193, 205, 207, 210, 213, 216, 226, 229, 230 and 236.
- 11 - Statement of Computation of Per Share Earnings.
- 27 - Financial Data Schedule

b. Reports on Form 8-K

The Company was not required to file reports on Form 8-K during the quarter ended September 30, 1996.

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SIGNATURES

Pursuant to the requirements 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.

DATE: November 14, 1996 By /s/ Lawrence C. Day

 Lawrence C. Day
 President and Chief Executive Officer

DATE: November 14, 1996 By /s/ Catherine D'Amico

 Catherine D'Amico
 Senior Vice President-Finance, Treasurer
 and Chief Financial Officer

EXHIBIT INDEX

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Exhibit No. -----	Description -----	Page No. -----
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10	Mortgage Modification Agreement, dated October 11, 1996 between the Company and Chase Manhattan Bank, N.A., in connection with each of 33 mortgages for Store Nos. 78, 86, 87, 90, 137, 140, 143, 146, 160, 162, 164, 168, 169, 172, 177, 179, 183, 184, 185, 186, 190, 191, 192, 193, 205, 207, 210, 213, 216, 226, 229, 230 and 236.	15
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FORM OF MORTGAGE MODITICATION AGREEMENT

MONRO MUFFLER BRAKE, INC.

and

THE CHASE MANHATTAN BANK

MORTGAGE MODIFICATION AGREEMENT

\$XXXXXXXXXX

Dated as of October 11, 1996

Street Address: XXXXXXXXXXXXXXXXXXXX

XXXXXXXXXXXXXXXXXXXX

AFTER RECORDING PLEASE RETURN TO:

Nixon, Hargrave, Devans & Doyle LLP
Clinton Square

Rochester, New York 14603
Attention: Real Estate Department

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MORTGAGE MODIFICATION AGREEMENT

THIS AGREEMENT, dated as of October 11, 1996, is between MONRO MUFFLER BRAKE, INC., a New York corporation having its principal office at 200 Holleder Parkway, Rochester, New York ("Mortgagor"), and THE CHASE MANHATTAN BANK, a New York banking corporation having an office at One Chase Square, Rochester, New York 14643, as successor by merger to The Chase Manhattan Bank, N.A. ("Mortgagee").

RECITALS

WHEREAS, Mortgagor is the owner of certain real property known as XXXXXXXXXXXXXXXXXXXXXXXX in the XXXXXXXXXXXXXXXXXXXXX, XXXXX County, XXXX which is more particularly bounded and described in SCHEDULE "A" attached hereto (the

"Premises"); and

WHEREAS, Mortgagee is the owner and holder of certain mortgages covering the Premises which are more particularly described in SCHEDULE "B" attached hereto (collectively, the "Mortgage"), upon which there

now remains unpaid the aggregate principal sum of \$XXXXXXX; and

WHEREAS, Mortgagor and Mortgagee now desire to modify and amend the payment terms of the notes, bonds or other obligation secured by the Mortgage (collectively, the "Note");

NOW, THEREFORE, in consideration of the respective representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

1. Mortgagor certifies that there is now due and owing on the Note and secured by the Mortgage, without offset or defense of any kind, the unpaid principal sum of XXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX DOLLARS (\$XXXXXXXXXX), in lawful money of the United States of America.

2. The terms, conditions, provisions, covenants, agreements, warranties and privileges, including prepayment privileges, if any, contained in the Note are hereby modified and amended as hereafter set forth:

(a) The definition of "Libor Rate" contained on page 3 of

the Note is hereby replaced in its entirety by the following:

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"Libor Rate" means a rate per annum determined by the Bank to be equal to the sum of (i) 100 basis points, plus (ii) the rate per annum (rounded upwards, if necessary, to the nearest 1/16 of 1%) quoted by the Reference Bank at approximately 11:00 a.m. London time (or as soon thereafter as practicable) two Business Days prior to the first day of each Interest Period for the offering by the Reference Bank to leading banks in the London interbank market of Dollar deposits having a term equal to the Interest

Period and in a principal amount comparable to the Loan.

3. In all other respects, the terms and conditions of the Note and the Mortgage shall remain the same and are hereby ratified, confirmed and approved.

IN WITNESS WHEREOF, Mortgagor and Mortgagee have caused this Agreement to be duly executed as of the day and year first above written.

MONRO MUFFLER BRAKE, INC.

By: _____

Catherine D'Amico

Vice President of Finance

THE CHASE MANHATTAN BANK

By: _____

Philip M. Hendrix

Vice President

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STATE OF NEW YORK)

: SS.:

COUNTY OF MONROE)

On this ___ day of October, 1996, before me personally came CATHERINE D'AMICO, to me known, who, being by me duly sworn, did depose and say that she resides at 200 Hollender Parkway, Rochester, New York; that she is the Vice President of Finance of MONRO MUFFLER BRAKE, INC., the corporation described in and which executed the within instrument; and that she signed her name thereto by authority of the Board of Directors of said corporation.

Notary Public

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STATE OF NEW YORK)

: SS.:

COUNTY OF MONROE)

On this ___ day of October, 1996, before me personally came PHILIP M. HENDRIX, to me known, who, being by me duly sworn, did depose and say that he resides at 37 Stoneham Drive, Rochester, New York; that he is a Vice President of THE CHASE MANHATTAN BANK, the New York banking corporation described in and which executed the within instrument; and that he signed his name thereto by authority of the Board of Directors of said corporation.

Notary Public

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SCHEDULE "A"

METES AND BOUNDS DESCRIPTION OF PREMISES

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SCHEDULE "B"

DESCRIPTION OF THE MORTGAGE

Mortgage and Security Agreement given by Monro Muffler Brake, Inc. to The Chase Manhattan Bank, N.A. to secure the principal sum of \$XXXXXXX, dated as of January 1, 1993 and recorded in the XXXXXXXX County Clerk's Office on

XXXXXXXXXXXXXXXXXXXXX.

MONRO MUFFLER BRAKE, INC.
STATEMENT OF COMPUTATION OF PER SHARE EARNINGS

Exhibit 11

Earnings per share for each period was computed by dividing net income for such period by the weighted average number of shares of Common Stock and common stock equivalents outstanding during such period. All share data have been restated to reflect the 5% stock dividend paid August 5, 1996. (See Note 1 of Notes to Consolidated Financial Statements).

<TABLE>
<CAPTION>

	QUARTER ENDED SEPTEMBER 30, -----		SIX MONTHS ENDED SEPTEMBER 30, -----	
	1996 ----	1995 ----	1996 ----	1995 ----
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
EARNINGS				
Net Income	\$3,742 =====	\$3,064 =====	\$7,121 =====	\$5,139 =====
SHARES				
Weighted average number of shares of Common Stock	7,452	7,201	7,379	7,201
Assuming conversion of Class C Convertible Preferred Stock	576	576	576	576
Dilutive effect of outstanding options	174 -----	295 -----	213 -----	304 -----
Weighted average number of common and common equivalent shares	8,202 =====	8,072 =====	8,168 =====	8,081 =====
EARNINGS PER SHARE	\$.46 =====	\$.38 =====	\$.87 =====	\$.64 =====

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