
Table of Contents***Pre-opening Costs***

Pre-opening costs are costs incurred prior to, and directly associated with, opening a restaurant, and primarily consist of manager salaries, relocation costs, recruiting expenses, employee payroll and related training costs for new employees, including rehearsal of service activities, as well as straight line lease costs incurred prior to opening. In addition, pre-opening costs include public relations costs incurred prior to opening. We typically start incurring pre-opening costs four months prior to opening and these costs tend to increase four weeks prior to opening as we begin training activities.

Depreciation and Amortization Expense

Depreciation and amortization expense includes depreciation of fixed assets and certain definite life intangible assets. We depreciate capitalized leasehold improvements over the shorter of the total expected lease term or their estimated useful life.

Income Tax Expense

Income tax expense depends on the statutory tax rates in the countries where we operate. Historically we have generated taxable income in the United States and Brazil. Our provision includes federal, state and local current and deferred income tax expense.

Segment Reporting

We operate our restaurants using a single restaurant concept and brand. Each restaurant under our single global brand operates with similar types of products and menu, providing a continuous service style, similar contracts, customers and employees, irrespective of location. We have identified two operating segments: United States and Brazil, which is how we organize our restaurants for making operating decisions and assessing performance. Our joint venture in Mexico is included in the United States for segment reporting purposes as the operations of the joint venture are monitored by the United States segment management.