

Table of Contents**Fogo de Chão, Inc.****Notes to Consolidated Financial Statements
(in thousands, except share and per share amounts)****1. Description of Business**

Fogo de Chão, Inc. and subsidiaries ("Successor" and the "Company") operates upscale Brazilian churrascaria steakhouses under the brand of Fogo de Chão. The Company was incorporated under the name Brasa (Parent) Inc. ("Brasa Parent") on May 24, 2012 (Inception) in connection with the acquisition on July 21, 2012 of Fogo de Chão Churrascaria (Holdings) LLC, a Delaware limited liability company, and its parent company, FC Holdings, Inc., a Cayman Islands exempt company ("Predecessor"), by a collaborative group consisting of funds affiliated with Thomas H. Lee Partners, L.P. ("THL") and other minority investors, which, together with THL, are referred to as the "THL Funds," (the "2012 Acquisition"). On December 17, 2014, the Company changed its name from Brasa (Parent) Inc. to Fogo de Chão, Inc. As of December 28, 2014, the Company operated, through its subsidiaries, 25 restaurants in the United States and 9 restaurants located in Brazil.

Fogo de Chão, Inc. is a holding company with no assets or operations of its own. The Company owns 100% of Brasa (Purchaser) Inc. ("Brasa Purchaser"), which owns 100% of Brasa (Holdings) Inc. ("Brasa Holdings"). Brasa Holdings owns 100% of Fogo de Chão (Holdings) Inc. ("Fogo Holdings"), which owns the Company's domestic and foreign operating subsidiaries.

The Company, Brasa Purchaser, Brasa Holdings, Brasa Merger Sub Inc. and Fogo Holdings were formed during 2012 for the purpose of effecting the 2012 Acquisition, which was consummated on July 21, 2012. Immediately prior to the 2012 Acquisition, (i) FC Holdings Inc. contributed all of its ownership interests in the Predecessor to Fogo Holdings, (ii) the Predecessor was merged with Fogo Holdings, which was the surviving corporation, and (iii) FC Holdings Inc. was domesticated into Brasa Holdings by continuation out of the Cayman Islands into the state of Delaware. Promptly thereafter, Brasa Parent acquired Brasa Holdings through a reverse subsidiary merger of its subsidiary, Brasa Merger Sub Inc., with Brasa Holdings, which was the surviving corporation. The 2012 Acquisition was financed by loans to Brasa Holdings and equity contributions by the THL Funds.

2012 Acquisition

On July 21, 2012, the Company acquired, through its wholly-owned subsidiary, Brasa Holdings, the Predecessor from FC Holdings Inc. for an aggregate consideration of \$388,494, including non-cash consideration of \$1,395 related to the exchange of share-based awards (Note 8). This transaction was financed by third-party loans to Brasa Holdings and equity contributions by the THL Funds. The 2012 Acquisition was accounted for as a business combination under the acquisition method of accounting. Accordingly, the assets acquired and liabilities assumed were recorded at fair value with the remaining purchase price recorded as goodwill.

The Company estimated the fair value of the assets acquired and liabilities assumed as part of the business combination, including working capital, property and equipment, primarily related to restaurant operations, and intangible assets. Intangible assets acquired in the 2012 Acquisition include \$107,300 attributable to the Fogo de Chão trade name and \$1,500 for various non-compete arrangements. The trade name was determined to have an indefinite life and is not being amortized. The non-compete arrangements are being amortized over 5 years, the life of the non-compete agreements.

The fair value of the trade name was estimated using an income approach, specifically known as the relief from royalty method. The relief from royalty method calculates the approximate royalty saved that is attributable to the sale of products and services using the trade names. The forecasted revenue expected to be generated under the trade name were based on the projected revenue of the Successor.

The fair value of the non-compete agreements was determined using a variation of the income approach known as the with-and-without method. The income approach estimates value based on the net economic benefit (i.e., net operating income or cash flows) to be received over the life of the asset, discounted to present value. The measurement is based on the value indicated by current market expectations about those future amounts. Weighted average amortization period for the non-compete agreements is 5 years.