

Table of Contents**Fogo de Chão, Inc.****Notes to Consolidated Financial Statements (Continued)**
(in thousands, except share and per share amounts)**5. Deferred Rent**

Deferred rent consists of the following:

	December 28, 2014	December 29, 2013
Tenant allowance	\$ 6,772	\$ 5,836
Deferred rent	4,179	3,118
	10,951	8,954
Less: Current portion	(309)	(542)
Total, less current portion	\$ 10,642	\$ 8,412

Many of the Company's operating leases contain rent escalations at various periods during the applicable lease term. The Company recognizes rental expense for minimum lease payments for these leases on a straight-line basis over the base term of the lease.

Any allowances from the landlord used for tenant improvements are reflected as property and equipment with a corresponding credit to a liability account. Amounts recorded to normal tenant improvements are depreciated over the lesser of the asset's useful life or the lease term. The corresponding liability is amortized over the initial lease term.

In connection with the 2012 Acquisition discussed in Note 1, the Company recognized at fair value both favorable lease assets and unfavorable lease liabilities, representing the difference between the market rates in effect for acquired leases compared to the various lease payments on individual operating leases. Favorable lease assets and unfavorable lease liabilities are amortized to rent expense on a straight-line basis over each respective operating lease term. The amortization of favorable lease assets increases rent expense, while the amortization of unfavorable lease liabilities decreases rent expense.

Favorable lease assets and unfavorable lease liabilities:

	December 28, 2014	December 29, 2013
Favorable lease assets	\$ 738	\$ 738
Less: Accumulated amortization	(304)	(169)
Foreign exchange impact	(85)	(45)
Favorable lease assets, net	\$ 349	\$ 524
Unfavorable lease liabilities	\$ 2,128	\$ 2,128
Less: Accumulated amortization	(732)	(429)
Unfavorable lease liabilities, net	\$ 1,396	\$ 1,699

Favorable lease assets are included in other assets (noncurrent) in the consolidated balance sheets. Unfavorable lease liabilities are included in other noncurrent liabilities in the consolidated balance sheets.