

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

Certain lease arrangements have contingent rental payments based on net sales thresholds per the lease agreement. Accrued liability for contingent rent was \$148 and \$123 as of December 28, 2014 and December 29, 2013, respectively. These balances are included in accounts payable and accrued expenses in the consolidated balance sheets.

Future minimum lease payments for non-cancelable leases (excluding contingent rental payments) are as follows:

2015	\$ 15,530
2016	15,901
2017	14,669
2018	12,359
2019	11,035
Thereafter	72,580
<b>Total</b>	<b>\$142,074</b>

Rent expense, attributable to non-cancelable operating leases for the Company's corporate office and restaurant locations, for the fiscal years ended December 28, 2014 and December 29, 2013, the period from May 24, 2012 to December 30, 2012 (successor period), and for the period from January 2, 2012 to July 20, 2012 (predecessor period) was \$16,875, \$15,533, \$5,696 and \$7,165, respectively.

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 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. The net decrease in rent expense, resulting from the amortization of these favorable lease assets and unfavorable lease liabilities, was \$153, \$179 and \$73 for the fiscal years ended December 28, 2014 and December 29, 2013 and the period from May 24, 2012 to December 30, 2012, respectively. Amortization of these lease assets and lease liabilities is expected to result in a net decrease in rent expense of approximately \$177 for each of the fiscal years 2015 and 2016; \$158 for fiscal year 2017; \$140 for fiscal year 2018; and, \$97 for fiscal year 2019.

**Litigation**

The Company is engaged in ordinary and routine litigation incidental to its business. Management does not anticipate that any amounts that the Company may be required to pay by reason of such litigation will have a materially adverse effect on its financial position or the results of its operations.

**12. Concentration of Credit Risk**

The Company relies on three food distributors for the majority of its beef and grocery purchases. However, the products purchased through the distributors are widely available at similar prices from multiple distributors. The Company does not anticipate any risk to the business in the event that one or both of these distributors is no longer available to provide their goods or services. However, a change in suppliers could potentially result in increased costs.

**13. Segment Reporting**

The Company owns and operates full-service, Brazilian steakhouses in the United States and Brazil under the brand name Fogo de Chão. Each restaurant operates with similar types of products and menus, providing a continuous service style, irrespective of location. Sales from external customers are derived principally from food and beverage sales, and the Company does not rely on any major customers as a source of sales. The Company's 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. The significant accounting policies of the segments are the same as those described in Note 2 – "Summary of Significant Accounting Policies."