BRIGHT HORIZONS FAMILY SOLUTIONS INC.
Form S-1
November 08, 2013
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As filed with the Securities and Exchange Commission on November 8, 2013

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

BRIGHT HORIZONS FAMILY SOLUTIONS INC.

(Exact name of registrant as specified in its charter)

Delaware	**8351**	**80-0188269**
(State or other jurisdiction of incorporation or organization)	(Primary standard industrial classification code number)	(I.R.S. employer identification number)

200 Talcott Avenue South

Watertown, Massachusetts 02472

(617) 673-8000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

David Lissy

Chief Executive Officer

200 Talcott Avenue South

Watertown, Massachusetts 02472

(617) 673-8000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated Filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, $0.001 par value per share	8,625,000	$37.48	$323,265,000	$41,637

(1) Includes 1,125,000 shares of common stock issuable upon exercise of the underwriters option to purchase additional shares of common stock.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933, as amended. In accordance with Rule 457(c) of the Securities Act of 1933, as amended, the price shown is the average of the high and low selling prices of the common stock on November 7, 2013 as reported on the New York Stock Exchange.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion dated November 8, 2013

7,500,000 Shares

Bright Horizons Family Solutions Inc.

Common Stock

The selling stockholders identified in this prospectus are selling 7,500,000 shares of common stock of Bright Horizons Family Solutions Inc. We will not receive any proceeds from the sale of shares by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol BFAM. On November 7, 2013, the last sale price of our common stock as reported on the New York Stock Exchange was $37.62 per share.

Investing in our common stock involves substantial risks. See Risk Factors beginning on page 15 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per share	Total
Public offering price	$	$

Underwriting discounts and commissions(1)	$	$
Proceeds, before expenses, to selling stockholders	$	$

(1) We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See Underwriting.

The selling stockholders have granted the underwriters an option for a period of up to 30 days to purchase up to an additional 1,125,000 shares of common stock at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on or about , 2013.

Goldman, Sachs & Co. J.P. Morgan Barclays

BofA Merrill Lynch Credit Suisse

Baird William Blair BMO Capital Markets RBC Capital Markets Stifel

Prospectus dated , 2013

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We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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Market and Other Industry Data

Although we are responsible for all of the disclosure contained in this prospectus, we rely on and refer to information regarding the child care industry, which has been compiled from market research reports, census data and other publicly available information. Other industry and market data included in this prospectus are from internal analyses based upon data available from known sources or other proprietary research and analysis. We believe this data to be accurate as of the date of this prospectus. However, this information cannot always be verified with complete certainty due to the limitations on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties.

Trademarks, Service Marks and Copyrights

We own or have rights to trademarks, service marks, trade names and copyrights that we use in connection with the operation of our business, including our corporate names, logos and website names. Other trademarks, service marks and trade names appearing in this prospectus are the property of their respective owners. The trademarks we own include Bright Horizons®. Solely for convenience, some of the trademarks, service marks, trade names and copyrights referred to in this prospectus are listed without the ©, ® and symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, service marks, trade names and copyrights.

Our Initial Public Offering

On January 30, 2013, we completed our initial public offering. Prior to the completion of our initial public offering, we amended our certificate of incorporation to effect a 1-for-1.9704 reverse split of our Class A common stock, converted each outstanding share of Class L common stock into 35.1955 shares of our Class A common stock and reclassified our Class A common stock into common stock. At the time of such conversion and reclassification, in accordance with the terms of our equity incentive plans and our outstanding awards thereunder, outstanding options to purchase shares of our Class A common stock and Class L common stock became options to purchase shares of our common stock with appropriate adjustments to the exercise price per share and the number of shares underlying each such award. Unless otherwise indicated, all share data gives effect to the reverse split of our Class A common stock, the conversion of all shares of our Class L common stock into shares of our Class A common stock and the subsequent reclassification of our Class A common stock into common stock and related adjustments to our outstanding options to purchase shares of our Class A common stock and Class L common stock, which we refer to collectively as the reclassification.

PROSPECTUS SUMMARY

This summary highlights information appearing elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should carefully read the entire prospectus, including the financial data and related notes and the section entitled Risk Factors before deciding whether to invest in our common stock. Unless otherwise indicated or the context otherwise requires, references in this prospectus to the Company , Bright Horizons , we , us and our refer to Bright Horizons Family Solutions Inc. and its consolidated subsidiaries. References in this prospectus to years are to our fiscal years, which end on December 31. All information in this prospectus assumes no exercise of the underwriters option to purchase additional shares, unless otherwise noted.

Our Company

We are a leading provider of high-quality child care and early education services as well as other services designed to help employers and families better address the challenges of work and life. We provide services primarily under multi-year contracts with employers who offer child care and other dependent care solutions as part of their employee benefits packages to improve employee engagement, productivity, recruitment and retention. As of September 30, 2013, we had more than 850 client relationships with employers across a diverse array of industries, including more than 130 Fortune 500 companies and 80 of *Working Mother* magazine s 2013 100 Best Companies for Working Mothers. Our service offerings include:

- Center-based full service child care and early education (representing approximately 86% of our revenue in the year ended December 31, 2012);

- Back-up dependent care; and

- Educational advisory services.

We believe we are a provider of choice for each of the solutions we offer. As of September 30, 2013, we operated a total of 880 child care and early education centers across a wide range of customer industries with the capacity to serve approximately 99,300 children in the United States, as well as in the United Kingdom, the Netherlands, Ireland, Canada and India. We have achieved satisfaction ratings of greater than 95% among respondents in our employer and parent satisfaction surveys over each of the past five years and an annual client retention rate of 97% for employer-sponsored centers over each of the past ten years.

We have a more than 25-year track record of providing high-quality services and a history of strong financial performance. From 2001 through 2012, we have achieved year-over-year revenue and adjusted EBITDA growth at a compound annual growth rate of 11% for revenue and 18% for adjusted EBITDA. We also achieved year-over-year net income growth at a compound annual growth rate of 23% from 2001 to 2007. In 2008 through 2010, we incurred net losses due primarily to the additional debt service obligations and amortization expense incurred in connection with our going private transaction. In 2011 and 2012, our net income grew $14.8 million and $3.7 million, respectively, over the prior year to $4.8 million and $8.5 million, respectively. Our strong revenue growth has been driven by additions to our center base through organic center growth and acquisitions, expansions of our service offerings to back-up dependent care and educational advisory services and consistent annual tuition increases. We have also increased our adjusted EBITDA margin in each year from 2001 through 2012. For the year ended December 31, 2012, and the nine months ended September 30, 2013, we generated revenue of $1.07 billion and $899.6 million, net income (loss) of $8.5 million and $(11.3) million, which net loss included a loss on extinguishment of debt of $63.7 million related to our

debt refinancing in January 2013, adjusted EBITDA of $180.9 million and $155.2 million and adjusted net income of $37.8 million and $57.1 million, respectively. Additional information regarding adjusted EBITDA and adjusted net income, including a reconciliation of adjusted EBITDA and adjusted net income to net income, is included in Summary Consolidated Financial and Other Data.

Our Business Models

We provide our center-based child care services under two general business models: a profit and loss (P&L) model, where we assume the financial risk of operating a child care center; and a cost-plus model, where we are paid a fee by an employer client for managing a child care center on a cost-plus basis. Our P&L model is further classified into two subcategories: (i) a sponsor model, where we provide child care and early education services on either an exclusive or priority enrollment basis for the employees of a specific employer sponsor; and (ii) a lease/consortium model, where we provide child care and early education services to the employees of multiple employers located within a specific real estate development (for example, an office building or office park), as well as to families in the surrounding community. In both our cost-plus and sponsor P&L models, the development of a new child care center, as well as ongoing maintenance and repair, is typically funded by an employer sponsor with whom we enter into a multi-year contractual relationship. In addition, employer sponsors typically provide subsidies for the ongoing provision of child care services for their employees. We also provide back-up dependent care services through our own centers and through our Back-Up Care Advantage (BUCA) program, which offers access to a contracted network of in-home care agencies and approximately 2,500 center-based providers in locations where we do not otherwise have centers with available capacity.

Industry Overview

We compete in the global market for child care and early education services as well as the market for work/life services offered by employers as benefits to employees. Families in the United States spent approximately $43 billion on licensed group child care in 2007. The child care industry can generally be subdivided into center-based and home-based child care. We operate in the center-based market, which is highly fragmented, with over 90% of providers operating fewer than 10 centers, and the top 10 providers comprising less than 10% of the market.

The center-based child care market includes both retail and employer-sponsored centers and can be further divided into full-service centers and back-up centers. The employer-sponsored model, which has been central to our business since we were founded in 1986, is characterized by a single employer or consortium of employers entering into a long-term contract for the provision of child care at a center located at or near the sponsor s worksite. The sponsor generally funds the development as well as ongoing maintenance and repair of a child care center at or near its worksite and subsidizes the provision of child care services to make them more affordable for its employees.

Additionally, we compete in the growing markets for back-up dependent care and educational advisory services, and we believe we are the largest and one of the only multi-national providers of back-up dependent care services.

Industry Trends

We believe that the following key factors contribute to growth in the markets for employer-sponsored child care and for back-up dependent care and educational advisory services:

Increasing Participation by Women and Two Working Parent Families in the Workforce

Greater Demand for High-Quality Center-Based Child Care and Early Education.

Recognized Return on Investment to Employers.

Growing Global Demand for Child Care and Early Education Services.

Our History

We were listed on Nasdaq from 1998 to May 2008, when we were acquired by investment funds affiliated with Bain Capital Partners, LLC, which we refer to as our going private transaction. Since then, we have continued to grow through challenging economic times while investing in our future. We have grown our international footprint to become a leader in the center-based child care market in the United Kingdom and have expanded into the Netherlands and India as a platform for further international expansion. In the United States, we have enhanced and grown our back-up dependent care services while adding a new educational advisory service for existing employer clients. We have also expanded our sales force with a specific focus on cross-selling opportunities to our employer clients. We have invested in new technologies to better support our full suite of services and expanded our marketing efforts with additional focus on maximizing occupancy levels in centers where we can improve our economics with increased enrollment. On January 30, 2013, we completed our initial public offering. Upon the completion of the initial public offering, our common stock was listed on the New York Stock Exchange under the symbol BFAM.

Our Competitive Strengths

Market Leading Service Provider

We believe we are the leader in the markets for employer-sponsored center-based child care and back-up dependent care, and that the breadth, depth and quality of our service offerings developed over a successful 25-year-plus history represent significant competitive advantages. We have approximately five times more employer-sponsored centers in the United States than our closest competitor, according to Child Care Information Exchange s *2010 Employer Child Care Trend Report*. We believe the broad geographic reach of our child care centers, with targeted clusters in areas where we believe demand is generally higher and where income demographics are attractive, provides us with an effective platform to market our services to current and new clients.

Collaborative, Long-term Relationships with Diverse Customer Base

We have more than 850 client relationships with employers across a diverse array of industries, including more than 130 of the Fortune 500 companies, with our largest client contributing less than 3% of our revenue in 2012 and our largest 10 clients representing less than 13% of our revenue in that year. Our business model places an emphasis on multi-year employer sponsorship contracts where our clients typically fund the development of new child care centers at or near to their worksites and frequently support the ongoing operations of these centers.

Our multiple touch points with both employers and employees give us unique insight into the corporate culture of our clients. This enables us to identify and provide innovative and tailored solutions to address our clients specific work/life needs. In addition to full service center-based care, we provide access to a multi-national back-up dependent care network and educational advisory support, allowing us to offer various combinations of services to best meet the needs of specific clients or specific locations for a single client. Our tailored, collaborative approach to employer-sponsored child care has resulted in an annual client retention rate for employer-sponsored centers of approximately 97% over each of the past ten years.

Commitment to Quality

Our business is anchored in the consistent provision of high-quality service offerings to employers and families. We have therefore designed our child care centers to meet or exceed applicable accreditation and rating standards in all of our key markets, including in the United States through the National Academy of Early Childhood Programs, a division of the National Association for the Education of Young Children (NAEYC), and in the United Kingdom through the ratings of the Office of Standards in Education. We believe that our voluntary commitment to achieving accreditation standards offers a competitive advantage in securing employer sponsorship opportunities and in attracting and retaining families because an increasing number of potential and existing employer clients require adherence to accreditation criteria. In the United States, NAEYC accreditation, which is optional and can take two to three years to complete, has been achieved by fewer than 10% of child care centers as compared to more than 70% of our eligible centers.

We maintain our proprietary curriculum at the forefront of early education practices by introducing elements that respond to the changing expectations and views of society and new information and theories about the ways in which children learn and grow. We also believe that strong adult-to-child ratios are a critical factor in delivering our curriculum effectively as well as helping to facilitate more focused care. Our programs often provide adult-to-child ratios that are more stringent than many state licensing standards.

Market Leading People Practices

Our ability to deliver consistently high-quality care, education and other services is directly related to our ability to attract, retain and motivate our highly skilled workforce. We have consistently been named as a top employer by third-party sources in the United States, the United Kingdom and the Netherlands, including being named as one of the 100 Best Places to Work in America by *Fortune Magazine* 14 times.

We believe the education and experience of our center leaders and teachers exceed the industry average. In addition to recurring in-center training and partial tuition reimbursement for continuing education, we have developed a training program that establishes standards for our teachers as well as an in-house online training academy (Bright Horizons University), which allows our employees to earn nationally-recognized child development credentials.

Capital Efficient Operating Model Provides Platform for Growth, with Attractive Economics

We have achieved uninterrupted year-over-year revenue, adjusted EBITDA and adjusted EBITDA margin growth for each of the last eleven years despite broader macro-economic fluctuations. With employer sponsors funding the majority of the capital required for new centers developed on their behalf, we have been able to grow our business with limited capital investment, which has contributed to strong cash flows from operations.

Proven Acquisition Track Record

We have an established acquisition team to pursue potential targets using a proven framework to effectively evaluate potential transactions with the goal of maximizing our return on investment while minimizing risk. Since 2006 and as of September 30, 2013, we have completed acquisitions of 237 child care centers in the United States, the United Kingdom and the Netherlands, as well as a provider of back-up dependent care services in the United States.

Experienced Management Team

Our management team has an established track record of operational excellence and has an average tenure of 17 years at Bright Horizons. We have successfully operated Bright Horizons both as a publicly traded company and as a private company. The management team has a proven track record of performance, having increased revenue from $345.9 million in 2001 to $1.07 billion in 2012, and increased adjusted EBITDA from $29.8 million in 2001 to $180.9 million in 2012, representing 830 basis points of adjusted EBITDA margin expansion. During this same period, our net income grew from $11.5 million in 2001 to $39.1 million in 2007 and then declined to $(6.6 million) in 2008 and to $(10.0 million) in 2010. Our net income in 2008 through 2010 reflects the incremental contributions from growth in the business, offset by the additional debt service obligations and amortization expense incurred in connection with our May 2008 going private transaction. In 2011 and 2012, our net income increased $14.8 million and $3.7 million, respectively, over the prior year to $4.8 million and $8.5 million, respectively.

Our Growth Strategy

We believe that there are significant opportunities to continue to grow our business globally and expand our leadership position by continuing to execute on the following strategies:

Grow Our Client Relationships

Secure Relationships with New Employer Clients. Our addressable market includes approximately 15,000 employers, each with at least 1,000 employees, within the industries that we currently service in the United States and the United Kingdom. Our dedicated sales force focuses on establishing new client relationships and is supported by our Horizons Workforce Consulting practice, which helps potential clients to identify the precise work/life offerings that will best meet their strategic goals.

Expand Relationships with Existing Employer Clients Through Additional Centers and Cross-Selling. As of September 30, 2013, we operated approximately 225 centers for 65 clients with multiple facilities, and we believe there is a significant opportunity to add additional employer-sponsored centers for both these and other existing clients as well as to increase the number of our clients that use more than one of our four principal service offerings.

Continue to Expand Through the Assumption of Management of Existing Sponsored Child Care Centers. We occasionally assume the management of existing centers from the incumbent management team, which enables us to develop new client relationships, typically with no capital investment and no purchase price payment.

Sustain Annual Price Increases to Enable Continued Investments in Quality

We look for opportunities to invest in quality as a way to enhance our reputation with our clients and their employees. By developing a strong reputation for high-quality services and facilities, we are able to support consistent price increases that keep pace with our cost increases. Over our history, these price increases have contributed to our revenue growth and have enabled us to drive margin expansion.

Increase Utilization at Existing Centers

We believe that our mature P&L centers (centers that have been open for more than three years) are currently operating at utilization levels below our target run rate, in part due to a general

deterioration in economic conditions from 2008 to 2010. Utilization rates at our mature P&L centers stabilized in 2010 and have grown in 2011, 2012 and the first nine months of 2013. We expect to further close the gap between current utilization rates and our target run rate over the next few years.

Selectively Add New Lease/Consortium Centers and Expand Through Selective Acquisitions

We have typically added between six and twelve new lease/consortium centers annually for the past six years, focusing on urban or city surrounding markets where demand is generally higher and where income demographics are generally more supportive of a new center. In addition, we have a long track record of successfully completing and integrating selective acquisitions. The domestic and international markets for child care and other family support services remain highly fragmented. We will therefore continue to seek attractive opportunities both for center acquisitions and the acquisition of complementary service offerings.

Risk Factors

An investment in our common stock involves a high degree of risk. Any of the factors set forth under Risk Factors may limit our ability to successfully execute our business strategy. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under Risk Factors in deciding whether to invest in our common stock. Among these important risks are the following:

- Significant deterioration in general economic conditions in our markets may lead parents to diminish the use of child care services and employers to reduce sponsorship of work and family services.

- Because of the nature of our business, we are highly susceptible to reputational damage. Even false allegations or frivolous litigation could significantly damage our reputation and subject us to significant harm.

- Our business depends largely on our ability to continue to hire and retain qualified teachers.

- As of September 30, 2013, we had total indebtedness of $804.7 million. See Management s Discussion and Analysis of Financial Condition and Results of Operations Debt. Our substantial debt could limit our ability to pursue our growth strategy.

Our Sponsor

Bain Capital, LLC is a global private investment firm headquartered in Boston, Massachusetts whose affiliates, including Bain Capital Partners LLC, our Sponsor, manage several pools of capital including private equity, venture capital, public equity, high-yield assets and mezzanine capital with approximately $70 billion in assets under management. Since its inception in 1984, funds sponsored by Bain Capital have made private equity investments and add-on acquisitions in over 350 companies in a variety of industries around the world.

Upon completion of this offering, our Sponsor will continue to hold a controlling interest in us and will continue to have significant influence over us and decisions made by our stockholders and may have interests that differ from yours. See Risk Factors Risks Related to Our Common Stock and this Offering.

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Corporate Information

Our principal executive offices are located at 200 Talcott Avenue South, Watertown, Massachusetts 02472, and our telephone number is (617) 673-8000. Our Internet website address is *www.brighthorizons.com*. The information on, or that can be accessed through, our website is not part of this prospectus, and you should not rely on any such information in making the decision whether to purchase our common stock.

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The Offering

Common stock offered by the selling stockholders	7,500,000 shares.
Option to purchase additional shares	The selling stockholders have granted the underwriters a 30-day option to purchase up to 1,125,000 additional shares.
Use of proceeds	We will not receive any proceeds from the sale of common stock by the selling stockholders in this offering.
Dividend policy	We do not currently pay cash dividends on our common stock.
Principal stockholders	Upon completion of this offering, investment funds affiliated with the Sponsor will indirectly beneficially own a controlling interest in us. As a result, we will continue to avail ourselves of the controlled company exception under the New York Stock Exchange listing rules. For more information, see Management Board Structure and Committee Composition.
Risk factors	You should read carefully the Risk Factors section of this prospectus for a discussion of factors that you should consider before deciding to invest in shares of our common stock.
New York Stock Exchange Trading Symbol	BFAM

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Summary Consolidated Financial and Other Data

The following table sets forth our summary historical and unaudited pro forma consolidated financial data as of the dates and for the periods indicated. The summary historical financial data as of December 31, 2011 and 2012 and for the three years in the period ended December 31, 2012 presented in this table have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical financial data as of September 30, 2013 and for the nine months ended September 30, 2012 and September 30, 2013 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The summary consolidated balance sheet data as of December 31, 2010 has been derived from our audited consolidated financial statements for such year, which are not included in this prospectus. The summary consolidated balance sheet data as of September 30, 2012 has been derived from our unaudited consolidated financial statements for such period, which are not included in this prospectus. Historical results are not necessarily indicative of the results to be expected for future periods and operating results for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2013. The data in the following table related to adjusted EBITDA, adjusted income from operations, adjusted net income, child care and early education centers and licensed capacity are unaudited for all periods presented.

The unaudited pro forma consolidated statements of operations data for the year ended December 31, 2012 and for the nine months ended September 30, 2013 have been derived from our historical financial statements for such year and period, which are included elsewhere in this prospectus, after giving effect to the transactions specified in note 1 below.

This summary historical consolidated financial and other data should be read in conjunction with the disclosures set forth under Capitalization and Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

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	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(In thousands, except share and operating data)				
Consolidated Statement of Operations Data:					
Revenue	$ 878,159	$ 973,701	$ 1,070,938	$ 797,512	$ 899,599
Cost of services	698,264	766,500	825,168	614,847	689,879
Gross profit	179,895	207,201	245,770	182,665	209,720
Selling, general and administrative expenses	83,601	92,938	123,373	94,847	109,048
Amortization	27,631	27,427	26,933	20,298	22,049
Income from operations	68,663	86,836	95,464	67,520	78,623
Gains from foreign currency transactions	-	835	-	-	-
Loss on extinguishment of debt	-	-	-	-	(63,682)
Interest income	28	824	152	106	76
Interest expense	(88,999)	(82,908)	(83,864)	(61,808)	(31,463)
Net interest expense and other	(88,971)	(81,249)	(83,712)	(61,702)	(95,069)
(Loss) income before income taxes	(20,308)	5,587	11,752	5,818	(16,446)
Income tax benefit (expense)	10,314	(825)	(3,243)	(1,536)	5,114
Net (loss) income	(9,994)	4,762	8,509	4,282	(11,332)
Net income (loss) attributable to non-controlling interest	-	3	347	294	(212)
Net (loss) income attributable to Bright Horizons Family Solutions Inc.	$ (9,994)	$ 4,759	$ 8,162	$ 3,988	$ (11,120)
Accretion of Class L preference	64,712	71,568	79,211	58,401	-
Accretion of Class L preference for vested options	1,251	1,274	5,436	4,660	-
Net loss available to common shareholders	$ (75,957)	$ (68,083)	$ (76,485)	$ (59,073)	$ (11,120)
Allocation of net (loss) income to common stockholders basic and diluted:					
Class L	$ 64,712	$ 71,568	$ 79,211	$ 58,401	$ -
Common	$ (75,957)	$ (68,083)	$ (76,485)	$ (59,073)	$ (11,120)
Earnings (loss) per share:					
Class L basic and diluted	$ 49.21	$ 54.33	$ 59.73	$ 44.05	$ -
Common basic and diluted	$ (12.64)	$ (11.32)	$ (12.62)	$ (9.75)	$ (0.18)
Weighted average number of common shares outstanding:					
Class L basic and diluted	1,315,153	1,317,273	1,326,206	1,325,903	-
Common basic and diluted	6,006,960	6,016,733	6,058,512	6,057,128	61,815,607
Pro Forma Consolidated Statements of Operations Data:(1)					
Pro forma net income			$ 39,044		$ 40,777
Pro forma earnings per share:					
Basic			$ 0.61		$ 0.63
Diluted			$ 0.60		$ 0.61
Pro forma weighted average shares outstanding					
Basic			64,349,995		64,701,425
Diluted			65,167,776		66,561,701
Consolidated Balance Sheet Data (at period end):					
Total cash and cash equivalents	$ 15,438	$ 30,448	$ 34,109	$ 45,057	$ 35,010
Total assets	1,721,692	1,771,164	1,916,108	1,902,079	2,087,767
Total liabilities, excluding debt	362,034	389,986	401,125	397,262	443,680
Total debt, including revolving line of credit and current maturities	795,458	799,257	906,643	898,897	786,044
Total redeemable non-controlling interest	-	15,527	8,126	15,825	8,093
Class L common stock	699,533	772,422	854,101	832,516	-
Total stockholders equity (deficit)	(135,333)	(206,028)	(253,887)	(242,421)	849,950
Other Financial and Operating Data:					
Adjusted EBITDA(2)(4)	132,238	148,519	180,851	133,800	155,163
Adjusted income from operations(2)	68,663	86,836	112,482	84,037	95,249

Adjusted net income(2)(4)	9,496	23,413	37,807	28,444	57,106
Diluted adjusted earnings per pro forma common share(3)(4)			$ 0.71		$ 0.87
Capital expenditures for new and existing centers	$ 39,522	$ 42,517	$ 69,086	$ 47,791	$ 55,244
Child care and early education centers (at period end)	705	743	765	776	880
Licensed capacity (at period end)	78,900	83,400	87,100	87,700	99,300

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(1) The pro forma consolidated statements of operations data for fiscal 2012 and the nine months ended September 30, 2013 give effect to (a) the conversion of our Class L common stock into Class A common stock and the reclassification of our Class A common stock into common stock in connection with our initial public offering (b) the issuance of common stock in our initial public offering, including the exercise of the underwriters option to purchase additional shares, and the application of the net proceeds to the repayment of the 13% senior notes, (c) performance-based compensation expense for stock options that vested upon the initial public offering, (d) the termination of our management agreement with the Sponsor in connection with the initial public offering (see Related Party Transactions) and (e) the refinancing of all of our remaining debt as of January 30, 2013 as if each had occurred on the first day of the period presented, and also reflects the income tax expense using the estimated rate that would have been in effect after considering the foregoing adjustments, which was approximately 37% for the year ended December 31, 2012 and for the nine months ended September 30, 2013. The above adjustments are illustrated in the following table (in thousands, except share data):

	Year Ended December 31, 2012	Nine Months Ended September 30, 2013
Net income (loss) attributable to Bright Horizons Family Solutions Inc.	$ 8,162	$ (11,120)
Interest on 13.0% senior notes	23,755	2,143
Performance-based stock compensation expense	-	4,968
Sponsor management fee	2,500	7,674
Loss on extinguishment of debt	-	63,682
Reduction in interest expense as a result of refinancing,	25,114	2,368
Tax effect	(20,487)	(28,938)
Pro forma net income	$ 39,044	$ 40,777
Weighted average number of common shares outstanding, basic	6,058,512	61,815,607
Conversion of Class L common stock	46,676,483	46,708,475
Class L common shares converted and already included in weighted average common shares	-	(44,978,546)
Shares issued in initial public offering	11,615,000	11,615,000
Shares issued in initial public offering already included in weighted average shares outstanding	-	(10,459,111)
Pro forma weighted average number of common shares outstanding, basic	64,349,995	64,701,425
Weighted average number of common shares outstanding, diluted	6,058,512	61,815,607
Conversion of Class L common stock	46,676,483	46,708,475
Class L common shares converted and already included in weighted average common shares	-	(44,978,546)
Shares issued in initial public offering	11,615,000	11,615,000
Shares issued in initial public offering already included in weighted average shares outstanding	-	(10,459,111)
Dilutive impact of options	817,781	1,860,276
Pro forma weighted average number of common shares outstanding, diluted	65,167,776	66,561,701

(2) Adjusted EBITDA, adjusted income from operations and adjusted net income, as presented below, are metrics used by management to measure operating performance. Adjusted EBITDA represents our earnings before interest, taxes, depreciation, amortization, loss on extinguishment of debt, straight line rent expense, stock compensation expense, the Sponsor management fee and acquisition-related costs. Adjusted income from operations represents income from operations before stock compensation expense, the sponsor management fee and acquisition-related costs. Adjusted net income represents our net income (loss) determined in accordance with generally accepted accounting principles in the United States, or GAAP, adjusted for stock compensation expense, amortization expense, the sponsor management fee and the income tax benefit thereon.

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
			(in thousands)		
Net income (loss)	$ (9,994)	$ 4,762	$ 8,509	$ 4,282	$ (11,332)
Interest expense, net	88,971	82,084	83,712	61,702	31,387
Income tax (benefit) expense	(10,314)	825	3,243	1,536	(5,114)
Depreciation	25,689	28,024	34,415	24,912	31,264
Amortization(a)	27,631	27,427	26,933	20,298	22,049
EBITDA	121,983	143,122	156,812	112,730	68,254
Additional adjustments					
Loss on extinguishment of debt(b)	-	-	-	-	63,682
Straight-line rent expense(c)	5,401	1,739	2,142	1,095	1,867
Stock compensation expense(d)	2,354	1,158	17,596	16,700	9,528
Sponsor management fee(e)	2,500	2,500	2,500	1,875	7,674
Expenses related to the initial and secondary public offerings and refinancing	-	-	1,801	1,400	647
Acquisition-related costs	-	-	-	-	3,511
Total adjustments	10,255	5,397	24,039	21,070	86,909
Adjusted EBITDA	$ 132,238	$ 148,519	$ 180,851	$ 133,800	$ 155,163
Income from operations	$ 68,663	$ 86,836	$ 95,464	$ 67,520	$ 78,623
Stock compensation expense for performance-based awards (2013) and effect of option modification (2012)(d)	-	-	15,217	15,117	4,968
Sponsor termination fee(e)	-	-	-	-	7,500
Expenses related to the initial and secondary public offerings and refinancing	-	-	1,801	1,400	647
Acquisition-related costs(f)	-	-	-	-	3,511
Adjusted income from operations	$ 68,663	$ 86,836	$ 112,482	$ 84,037	$ 95,249
Net (loss) income	$ (9,994)	$ 4,762	$ 8,509	$ 4,282	$ (11,332)
Income tax (benefit) expense	(10,314)	825	3,243	1,536	(5,114)
Income before tax	(20,308)	5,587	11,752	5,818	(16,446)
Stock compensation expense(d)	2,354	1,158	17,596	16,700	9,528
Sponsor management fee(e)	2,500	2,500	2,500	1,875	7,674
Amortization(a)	27,631	27,427	26,933	20,298	22,049
Expenses related to initial and secondary public offerings and refinancing	-	-	1,801	1,400	647
Acquisition-related costs(f)	-	-	-	-	3,511
Loss on extinguishment of debt(b)	-	-	-	-	63,682
Adjusted income before tax	12,177	36,672	60,582	46,091	90,645
Adjusted income tax expense(g)	(2,681)	(13,259)	(22,775)	(17,647)	(33,539)
Adjusted net income	$ 9,496	$ 23,413	$ 37,807	$ 28,444	$ 57,106

(a) Represents amortization of intangible assets, including amounts associated with intangible assets recorded in connection with our going private transaction in May 2008.

(b) Represents redemption premiums and write off of unamortized debt issue costs and original issue discount associated with indebtedness that was repaid in connection with a refinancing.

(c) Represents rent in excess of cash paid for rent, recognized on a straight line basis over the lease life in accordance with ASC Topic 840, *Leases*.

(d) Represents non-cash stock-based compensation expense, including performance-based stock compensation expense.

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(e) Represents fees paid to our Sponsor under a management agreement, including a termination fee at the completion of our initial public offering. See Related Party Transactions Management Agreement .

(f) Represents costs associated with the acquisition of businesses.

(g) Represents income tax expense using the estimated rate that would have been in effect after considering the adjustments, which was 22% in 2010, and between approximately 36% and 38% for the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2012 and 2013.

(3) Diluted adjusted earnings per pro forma common share is calculated as follows:

	Year Ended December 31, 2012	Nine Months Ended September 30, 2013
Diluted adjusted earnings per pro forma common share:		
Adjusted net income (in thousands)	$ 37,807	$ 57,106
Pro forma weighted average number of common shares diluted:		
Weighted average number of Class L shares over period in which Class L shares were outstanding	1,326,206	1,327,115
Adjustment to weight Class L shares over respective period(a)	-	(1,277,963)
Weighted average number of Class L shares over period	1,326,206	49,152
Class L conversion factor	35.1955	35.1955
Weighted average number of converted Class L common shares	46,676,483	1,729,929
Weighted average number of common shares	6,058,512	61,815,607
Pro forma weighted average number of common shares basic	52,734,995	63,545,536
Incremental dilutive shares(b)	817,781	1,860,276
Pro forma diluted weighted average number of common shares diluted	53,552,776	65,405,812
Diluted adjusted earnings per pro forma common share	$ 0.71	$ $0.87

(a) The weighted average number of Class L shares in the actual Class L earnings per share calculation represents the weighted average from the beginning of the period up through the date of conversion of the Class L shares into common shares. As such, the pro forma weighted average number of common shares for the nine months ended September 30, 2013 includes an adjustment to the weighted average number of Class L shares outstanding to reflect the length of time the Class L shares were outstanding prior to conversion relative to the nine month period. The converted Class L shares are already included in the weighted average number of common shares outstanding for the period after their conversion.

(b) Represents the dilutive effect of stock options using the treasury stock method.

(4) Adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per pro forma common share are not presentations made in accordance with GAAP, and the use of the terms adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per pro forma common share may differ from similar measures reported by other companies. We believe that adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per pro forma common share provide investors with useful information with respect to our historical operations.

We present adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per pro forma common share as supplemental performance measures because we believe they facilitate a comparative assessment of our operating performance relative to our performance based on our results under GAAP, while isolating the effects of some items that vary from period to period. Specifically, adjusted EBITDA allows for an assessment of our operating performance and of our ability to service or incur indebtedness without the effect of non-cash charges, such as depreciation, amortization, the excess of rent expense over cash rent expense and stock compensation expense, and the effect of fees associated with our Sponsor management agreement, which was terminated in connection with the completion of our initial public offering on January 30, 2013, as well as the expenses related to the acquisition of businesses. In addition, adjusted income from operations and adjusted net income allow us to assess our performance without the impact of the specifically identified items that we believe do not directly reflect our core operations. These measures also function as benchmarks to evaluate our operating performance.

This prospectus also includes information concerning adjusted EBITDA margin, which is defined as the ratio of adjusted EBITDA to revenue. We present adjusted EBITDA margin because it is used by management as a performance measurement to judge the level of adjusted EBITDA generated from revenue. We believe its inclusion is appropriate to provide additional information to investors and other external users of our financial statements.

Adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per pro forma common share are not measurements of our financial performance under GAAP and should not be considered in isolation or as an alternative to income before taxes, net income, net cash provided by operating, investing or financing activities or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in

accordance with GAAP. We understand that although adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per pro forma common share are frequently used by securities analysts, lenders and others in their evaluation of companies, they have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per pro forma common share do not fully reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;

- adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per pro forma common share do not reflect changes in, or cash requirements for, our working capital needs;

- adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future; and,

- adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per pro forma common share do not reflect any cash requirements for such replacements.

Because of these limitations, adjusted EBITDA, adjusted income from operations, and adjusted net income should not be considered as discretionary cash available to us to reinvest in the growth of our business or as measures of cash that will be available to us to meet our obligations.

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RISK FACTORS

An investment in our common stock involves various risks. You should carefully consider the following risks and all of the other information contained in this prospectus before investing in our common stock. The risks described below are those which we believe are the material risks that we face. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment in our common stock.

Risks Related to Our Business and Industry

Changes in the demand for child care and other dependent care services, which may be negatively affected by economic conditions, may affect our operating results.

Our business strategy depends on employers recognizing the value in providing employees with child care and other dependent care services as an employee benefit. The number of employers that view such services as cost-effective or beneficial to their work forces may not continue to grow or may diminish. In addition, demographic trends, including the number of dual-income families in the work force, may not continue to lead to increased demand for our services. Such changes could materially and adversely affect our business and operating results.

Even among employers that recognize the value of our services, demand may be adversely affected by general economic conditions. For example, during the recent recession, we believe sustained uncertainty in U.S. and global economic conditions and persistently high unemployment domestically resulted in reduced enrollment levels at our mature P&L centers, and enrollment remains below pre-recession levels, and in certain locations has not begun to recover. Should the economy experience additional or prolonged weakness, employer clients may reduce or eliminate their sponsorship of work and family services, and prospective clients may not commit resources to such services. In addition, a reduction in the size of an employer s workforce could negatively impact the demand for our services and result in reduced enrollment or failure of our employer clients to renew their contracts. A deterioration of general economic conditions may adversely impact the need for our services because out-of-work parents may diminish or discontinue the use of child care services, or be unwilling to pay tuition for high-quality services. Additionally, we may not be able to increase tuition at a rate consistent with increases in our operating costs. If demand for our services were to decrease, it could disrupt our operations and have a material adverse effect on our business and operating results.

Our business depends largely on our ability to hire and retain qualified teachers.

State laws require our teachers and other staff members to meet certain educational and other minimum requirements, and we often require that teachers and staff at our centers have additional qualifications. We are also required by state laws to maintain certain prescribed minimum adult-to-child ratios. If we are unable to hire and retain qualified teachers at a center, we could be required to reduce enrollment or be prevented from accepting additional enrollment in order to comply with such mandated ratios. In certain markets, we may experience difficulty in attracting, hiring and retaining qualified teachers, which may require us to offer increased salaries and enhanced benefits in these more competitive markets. This could result in increased costs at centers located in these markets. Difficulties in hiring and retaining qualified personnel may also affect our ability to meet growth objectives in certain geographies and to take advantage of additional enrollment opportunities at our child care and early education centers in these markets.

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Our substantial indebtedness could adversely affect our financial condition.

We have a significant amount of indebtedness. As of September 30, 2013, we had total indebtedness of $804.7 million, including approximately $20.6 million of borrowings under our revolving line of credit, and $79.4 million of unused commitments under our revolving credit facility. Our high level of debt could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements and increasing our cost of borrowing;
- requiring a substantial portion of our cash flow to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flow available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit facilities, are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete; and
- placing us at a disadvantage compared to other, less leveraged competitors or competitors with comparable debt at more favorable interest rates.

We and our subsidiaries may be able to incur significant additional indebtedness in the future. Although the credit agreement governing our senior secured credit facilities contains restrictions on the incurrence of additional indebtedness, those restrictions are subject to a number of qualifications and exceptions and the additional indebtedness incurred in compliance with those restrictions could be substantial. We may also seek to amend or refinance one or more of our debt instruments to permit us to finance our growth strategy or improve the terms of our indebtedness.

In addition, the borrowings under our senior secured credit facilities bear interest at variable rates. If market interest rates increase, variable rate debt will create higher debt service requirements, which could adversely affect our cash flow. Assuming all amounts under our senior secured credit facilities are fully drawn, a 100 basis point change in interest rates would result in a $8.90 million change in annual interest expense on our indebtedness under our senior secured credit facilities (subject to our base rate and LIBOR floors, as applicable). While we may in the future enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk.

The terms of our indebtedness restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The credit agreement governing our senior secured credit facilities contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to incur certain liens, make investments and acquisitions, incur or guarantee additional indebtedness, pay dividends or make other distributions in respect of, or repurchase or redeem, capital stock, or enter into certain other types of contractual arrangements affecting our subsidiaries or indebtedness. In addition, the restrictive covenants in the credit agreement governing our senior secured credit facilities require us to maintain specified financial ratios and satisfy other financial condition tests, and we expect that the agreements governing any new senior secured credit facilities will contain similar requirements to satisfy financial condition tests and, with respect to any new revolving credit facility, maintain specified financial ratios, subject to certain conditions. Our ability to meet those financial ratios and tests can be affected by events beyond our control.

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A breach of the covenants under the credit agreement governing our senior secured credit facilities or the indentures that govern our notes, or any replacement facility, could result in an event of default under the applicable indebtedness, unless we obtain a waiver to avoid such default. If we are unable to obtain a waiver, such a default may allow the creditors to accelerate the related debt and may result in the acceleration of or default under any other debt to which a cross-acceleration or cross-default provision applies. In the event our lenders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

Acquisitions may disrupt our operations or expose us to additional risk.

Acquisitions are an integral part of our growth strategy. Acquisitions involve numerous risks, including potential difficulties in the integration of acquired operations, such as bringing new centers through the re-licensing or accreditation processes, successfully implementing our curriculum programs, not meeting financial objectives, increased costs, including from higher overhead costs of acquired businesses pending integration into our own operations, undisclosed liabilities not covered by insurance or by the terms of the acquisition, diversion of management s attention and resources in connection with an acquisition, loss of key employees of the acquired operation, failure of acquired operations to effectively and timely adopt our internal control processes and other policies, and write-offs or impairment charges relating to goodwill and other intangible assets. We may not have success in identifying, executing and integrating acquisitions in the future.

The success of our operations in international markets is highly dependent on the expertise of local management and operating staff, as well as the political, social, legal and economic operating conditions of each country in which we operate.

The success of our business depends on the actions of our employees. In international markets that are newer to our business, we are highly dependent on our current local management and operating staff to operate our centers in these markets in accordance with local law and best practices. If the local management or operating staff were to leave our employment, we would have to expend significant time and resources building up our management or operational expertise in these markets. Such a transition could adversely affect our reputation in these markets and could materially and adversely affect our business and operating results.

If the international markets in which we compete are affected by changes in political, social, legal, economic or other factors, our business and operating results may be materially and adversely affected. As of September 30, 2013, we had 238 centers located in five foreign countries; therefore, we are subject to inherent risks attributed to operating in a global economy. Our international operations may subject us to additional risks that differ in each country in which we operate, and such risks may negatively affect our results. The factors impacting the international markets in which we operate may include changes in laws and regulations affecting the operation of child care centers, the imposition of restrictions on currency conversion or the transfer of funds or increases in the taxes paid and other changes in applicable tax laws.

In addition, instability in European financial markets or other events could cause fluctuations in exchange rates that may affect our revenues. Most of our revenues, costs and debts are denominated in U.S. dollars. However, revenues and costs from our operations outside of the United States are denominated in the currency of the country in which the center is located, and these currencies could become less valuable as a result of exchange rate fluctuations. The current European debt crisis and related European financial restructuring efforts may cause the value of the European currencies, including the British pound and the Euro, to deteriorate. The potential dissolution of the Euro, or market perceptions concerning this and related issues, could adversely affect the value of our Euro- and

British pound-denominated assets. Unfavorable currency fluctuations as a result of this and other market forces could result in a reduction in our revenues and net earnings, which in turn could materially and adversely affect our business and operating results.

Because our success depends substantially on the value of our brands and reputation as a provider of choice, adverse publicity could impact the demand for our services.

Adverse publicity concerning reported incidents or allegations of physical or sexual abuse or other harm to a child at any child care center, whether or not directly relating to or involving Bright Horizons, could result in decreased enrollment at our child care centers, termination of existing corporate relationships or inability to attract new corporate relationships, or increased insurance costs, all of which could adversely affect our operations. Brand value and our reputation can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in substantial litigation. These incidents may arise from events that are beyond our ability to control and may damage our brands and reputation, such as instances of physical or sexual abuse or actions taken (or not taken) by one or more center managers or teachers relating to the health, safety or welfare of children in our care. In addition, from time to time, customers and others make claims and take legal action against us. Whether or not customer claims or legal action related to our performance have merit, they may adversely affect our reputation and the demand for our services. Demand for our services could diminish significantly if any such incidents or other matters erode consumer confidence in us or our services, which would likely result in lower sales, and could materially and adversely affect our business and operating results. Any reputational damage could have a material adverse effect on our brand value and our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

Our business activities subject us to litigation risks that may lead to significant reputational damage, money damages and other remedies and increase our litigation expense.

Because of the nature of our business, we may be subject to claims and litigation alleging negligence, inadequate supervision or other grounds for liability arising from injuries or other harm to the people we serve, primarily children. We may also be subject to employee claims based on, among other things, discrimination, harassment or wrongful termination. In addition, claimants may seek damages from us for physical or sexual abuse, and other acts allegedly committed by our employees or agents. We face the risk that additional lawsuits may be filed which could result in damages and other costs that our insurance may be inadequate to cover. In addition to diverting our management resources, such allegations may result in publicity that may materially and adversely affect us and our brands, regardless of whether such allegations are valid. Any such claim or the publicity resulting from it may have a material adverse effect on our business, reputation, results of operations and financial condition including, without limitation, adverse effects caused by increased cost or decreased availability of insurance and decreased demand for our services from employer sponsors and families.

Our international operations may be subject to additional risks related to litigation, including difficulties enforcing contractual obligations governed by foreign law due to differing interpretations of rights and obligations, limitations on the availability of insurance coverage and limits, compliance with multiple and potentially conflicting laws, new and potentially untested laws and judicial systems and reduced or diminished protection of intellectual property. A substantial judgment against us or one of our subsidiaries could materially and adversely affect our business and operating results.

Our continued profitability depends on our ability to pass on our increased costs to our customers.

Hiring and retaining key employees and qualified personnel, including teachers, is critical to our business. Because we are primarily a services business, inflationary factors such as wage and benefits

cost increases result in significant increases in the costs of running our business. In addition, increased competition for teachers in certain markets could result in significant increases in the costs of running our business. Any employee organizing efforts could also increase our payroll and benefits expenses. Our success depends on our ability to continue to pass along these costs to our customers. In the event that we cannot increase the cost of our services to cover these higher wage and benefit costs without reducing customer demand for our services, our revenues could be adversely affected, which could have a material adverse effect on our financial condition and results of operations, as well as our growth.

Changes in our relationships with employer sponsors may affect our operating results.

We derive a significant portion of our business from child care and early education centers associated with employer sponsors for whom we provide these services at single or multiple sites pursuant to contractual arrangements. Our contracts with employers for full service center-based care typically have terms of three to ten years, and our contracts related to back-up dependent care typically have terms of one to three years. While we have a history of consistent contract renewals, we may not experience a similar renewal rate in the future. The termination or non-renewal of a significant number of contracts or the termination of a multiple-site client relationship could have a material adverse effect on our business, results of operations, financial condition or cash flows.

Significant increases in the costs of insurance or of insurance claims or our deductibles may negatively affect our profitability.

We currently maintain the following major types of commercial insurance policies: workers compensation, commercial general liability (including coverage for sexual and physical abuse), professional liability, automobile liability, excess and umbrella liability, commercial property coverage, student accident coverage, employment practices liability, commercial crime coverage, fiduciary liability, privacy breach/Internet liability and directors and officers liability. These policies are subject to various limitations, exclusions and deductibles. To date, we have been able to obtain insurance in amounts we believe to be appropriate. Such insurance, particularly coverage for sexual and physical abuse, may not continue to be readily available to us in the form or amounts we have been able to obtain in the past, or our insurance premiums could materially increase in the future as a consequence of conditions in the insurance business or in the child care industry.

Changes in laws and regulations could impact the way we conduct business.

Our child care and early education centers are subject to numerous national, state and local regulations and licensing requirements. Although these regulations vary greatly from jurisdiction to jurisdiction, government agencies generally review, among other issues, the adequacy of buildings and equipment, licensed capacity, the ratio of adults to children, educational qualifications and training of staff, record keeping, dietary program, daily curriculum, hiring practices and compliance with health and safety standards. Failure of a child care or early education center to comply with applicable regulations and requirements could subject it to governmental sanctions, which can include fines, corrective orders, placement on probation or, in more serious cases, suspension or revocation of one or more of our child care centers licenses to operate, and require significant expenditures to bring our centers into compliance. Although we expect to pay employees at rates above the minimum wage, increases in the statutory minimum wage rates could result in a corresponding increase in the wages we pay to our employees.

Our operating results are subject to seasonal fluctuations.

Our revenue and results of operations fluctuate with the seasonal demands for child care and the other services we provide. Revenue in our child care centers that have mature operating levels

typically declines during the third quarter due to decreased enrollments over the summer months as families withdraw children for vacations and older children transition into elementary schools. In addition, use of our back-up services tends to be higher when school is not in session and during holiday periods, which can increase the operating costs of the program and impact results of operations. We may be unable to adjust our expenses on a short-term basis to minimize the effect of these fluctuations in revenue. Our quarterly results of operations may also fluctuate based upon the number and timing of child care center openings and/or closings, acquisitions, the performance of new and existing child care and early education centers, the contractual arrangements under which child care centers are operated, the change in the mix of such contractual arrangements, competitive factors and general economic conditions. The inability of existing child care centers to maintain their current enrollment levels and profitability, the failure of newly opened child care centers to contribute to profitability and the failure to maintain and grow our other services could result in additional fluctuations in our future operating results on a quarterly or annual basis.

We depend on key management and key employees to manage our business.

Our success depends on the efforts, abilities and continued services of our executive officers and other key employees. We believe future success will depend upon our ability to continue to attract, motivate and retain highly-skilled managerial, sales and marketing, divisional, regional and child care and early education center director personnel.

Significant competition in our industry could adversely affect our results of operations.

We compete for enrollment and sponsorship of our child care and early education centers in a highly-fragmented market. For enrollment, we compete with family child care (operated out of the caregiver s home) and center-based child care (such as residential and work-site child care centers, full- and part-time nursery schools, private and public elementary schools and church-affiliated and other not-for-profit providers). In addition, substitutes for organized child care, such as relatives and nannies caring for children, can represent lower cost alternatives to our services. For sponsorship, we compete primarily with large residential child care companies with divisions focused on employer sponsorship and with regional child care providers who target employer sponsorship. We believe that our ability to compete successfully depends on a number of factors, including quality of care, site convenience and cost. We often face a price disadvantage to our competition, which may have access to greater financial resources, greater name recognition or lower operating or compliance costs. In addition, certain competitors may be able to operate with little or no rental expense and sometimes do not comply or are not required to comply with the same health, safety and operational regulations with which we comply. Therefore, we may be unable to continue to compete successfully against current and future competitors.

The growth of our business may be adversely affected if we do not execute our growth strategies successfully.

Our ability to grow in the future will depend upon a number of factors, including the ability to develop and expand new and existing client relationships, to continue to provide and expand the high-quality services we offer and to hire and train qualified personnel. Achieving and sustaining growth increases requires the successful execution of our growth strategies, which may require the implementation of enhancements to operational and financial systems, expanded sales and marketing capacity and additional or new organizational resources. We may be unable to manage our expanding operations effectively, or we may be unable to maintain or accelerate our growth.

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Governmental universal child care benefit programs could reduce the demand for our services.

National, state or local child care benefit programs comprised primarily of subsidies in the form of tax credits or other direct government financial aid provide us opportunities for expansion in additional markets. However, a universal benefit with governmentally mandated or provided child care could reduce the demand for early care services at our existing child care and early education centers due to the availability of lower cost care alternatives or could place downward pressure on the tuition and fees we charge, which could adversely affect our revenues and results of operations.

Breaches in data security could adversely affect our financial condition and operating results.

For various operational needs, we receive certain personal information including credit card information and personal information for the children and families that we serve. While we have policies and practices that protect our data, a compromise of our systems that results in unauthorized persons obtaining personal information could adversely affect our reputation and our operations, results of operations, financial condition or cash flows, and could result in litigation against us or in the imposition of penalties. In addition, a security breach could require us to expend significant additional resources related to the security of our information systems and could result in a disruption to our operations.

A regional or global health pandemic or other catastrophic event could severely disrupt our business.

A health pandemic is a disease that spreads rapidly and widely by infection and affects many individuals in an area or population at the same time. A regional or global health pandemic, depending upon its duration and severity, could severely affect our business. Enrollment in our child care centers could experience sharp declines as families might avoid taking their children out in public in the event of a health pandemic, and local, regional or national governments might limit or ban public interactions to halt or delay the spread of diseases causing business disruptions and the temporary closure of our centers. Additionally, a health pandemic could also impair our ability to hire and retain an adequate level of staff. A health pandemic may have a disproportionate impact on our business compared to other companies that depend less on the performance of services by employees.

Other unforeseen events, including war, terrorism and other international, regional or local instability or conflicts (including labor issues), embargos, natural disasters such as earthquakes, tsunamis, hurricanes, or other adverse weather and climate conditions, whether occurring in the United States or abroad, could disrupt our operations or result in political or economic instability. Enrollment in our child care centers could experience sharp declines as families might avoid taking their children out in public as a result of one or more of these events.

Risks Related to Our Common Stock and this Offering

We are a controlled company within the meaning of the New York Stock Exchange listing rules and, as a result, we qualify for, and will continue to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

We are a controlled company within the meaning of the corporate governance standards of the New York Stock Exchange and we expect that, after the completion of this offering, the Sponsor will continue to control a majority of the voting power of our outstanding common stock. Under the New York Stock Exchange rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements including:

- the requirement that a majority of the board of directors consist of independent directors;

- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;

- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and

- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

We intend to continue to utilize these exemptions. Accordingly, we do not have a majority of independent directors, our compensation committee does not consist entirely of independent directors and the board committees are not be subject to annual performance evaluations. In addition, we do not have a nominating and corporate governance committee. Accordingly, you do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the New York Stock Exchange.

The Sponsor, however, is not subject to any contractual obligation to retain its controlling interest, except that it has agreed, subject to certain exceptions, not to sell or otherwise dispose of any shares of our common stock or other capital stock or other securities exercisable or convertible therefor for a period of at least 90 days after the date of this prospectus without the prior written consent of Goldman, Sachs & Co., J.P. Morgan Securities LLC and Barclays Capital Inc. Except for this brief period, there can be no assurance as to the period of time during which the Sponsor will maintain its ownership of our common stock following this offering.

Our stock price could be extremely volatile, and, as a result, you may not be able to resell your shares at or above the price you paid for them.

Since completing our initial public offering in January 2013, the price of our common stock, as reported on the New York Stock Exchange, has ranged from a low of $27.50 on January 25, 2013 to a high of $38.39 on May 31, 2013. In addition, the stock market in general has been highly volatile. As a result, the market price of our common stock is likely to be similarly volatile, and investors in our common stock may experience a decrease, which could be substantial, in the value of their stock, including decreases unrelated to our operating performance or prospects, and could lose part or all of their investment. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including those described elsewhere in this prospectus and others such as:

- variations in our operating performance and the performance of our competitors;

- actual or anticipated fluctuations in our quarterly or annual operating results;

- publication of research reports by securities analysts about us or our competitors or our industry;

- our failure or the failure of our competitors to meet analysts projections or guidance that we or our competitors may give to the market;

- additions and departures of key personnel;

- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;

- the passage of legislation or other regulatory developments affecting us or our industry;

speculation in the press or investment community;

changes in accounting principles;

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- terrorist acts, acts of war or periods of widespread civil unrest;
- natural disasters and other calamities; and
- changes in general market and economic conditions.

In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management s attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

Your percentage ownership in us may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote.

Pursuant to our restated bylaws, our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options, or shares of our authorized but unissued preferred stock. Issuances of common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote and, in the case of issuances of preferred stock, would likely result in your interest in us being subject to the prior rights of holders of that preferred stock.

There may be sales of a substantial amount of our common stock after this offering by our current stockholders, and these sales could cause the price of our common stock to fall.

As of October 31, 2013, there were 65,138,465 shares of common stock outstanding. Of our issued and outstanding shares, all the common stock sold in our initial public offering, in the offering by certain selling shareholders completed in June 2013 (the June 2013 follow-on offering) or this offering will be freely transferable, except for any shares held by our affiliates, as that term is defined in Rule 144 under the Securities Act. Following completion of this offering, approximately 57.4% of our outstanding common stock (or 55.7% if the underwriters exercise in full their option to purchase additional shares from the selling stockholders) will be beneficially owned by investment funds affiliated with the Sponsor and members of our management and employees.

Each of our directors, executive officers and significant equity holders (including affiliates of the Sponsor) has entered into a lock-up agreement with Goldman, Sachs & Co., J.P. Morgan Securities LLC and Barclays Capital Inc., on behalf of the underwriters, which regulates their sales of our common stock for a period of 90 days after the date of this prospectus, subject to certain exceptions (including contributions to charitable organizations which may freely resell the contributed shares and up to 466,000 shares which may be transferred by directors and officers pursuant to trading plans established prior to the date of this prospectus under Rule 10b5-1 under the Exchange Act) and automatic extensions in certain circumstances.

Sales of substantial amounts of our common stock in the public market after this offering, or the perception that such sales will occur, could adversely affect the market price of our common stock and make it difficult for us to raise funds through securities offerings in the future. Of the shares to be outstanding after the offering, the shares sold in our initial public offering, the shares sold in the June 2013 follow-on offering and the shares offered by this prospectus will be eligible for immediate sale in the public market without restriction by persons other than our affiliates. Our remaining outstanding shares will become available for resale in the public market as shown in the chart below, subject to the provisions of Rule 144 and Rule 701.

Number of Shares	Date Available for Resale
823,384	On the date of this offering (, 2013)
36,248,465	90 days after the date of this offering (, 2014), subject to certain exceptions and automatic extensions in certain circumstances

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Beginning 90 days after this offering, subject to certain exceptions and automatic extensions in certain circumstances, holders of shares of our common stock may require us to register their shares for resale under the federal securities laws, and holders of additional shares of our common stock would be entitled to have their shares included in any such registration statement, all subject to reduction upon the request of the underwriter of the offering, if any. See Related Party Transactions Arrangements With Our Investors. Registration of those shares would allow the holders to immediately resell their shares in the public market. Any such sales or anticipation thereof could cause the market price of our common stock to decline.

In addition, we have registered shares of common stock that are reserved for issuance under our 2012 Omnibus Long-Term Incentive Plan.

Provisions in our charter documents and Delaware law may deter takeover efforts that could be beneficial to stockholder value.

In addition to the Sponsor s beneficial ownership of a controlling percentage of our common stock, our certificate of incorporation and by-laws and Delaware law contain provisions that could make it harder for a third party to acquire us, even if doing so might be beneficial to our stockholders. These provisions include a classified board of directors and limitations on actions by our stockholders. In addition, our board of directors has the right to issue preferred stock without stockholder approval that could be used to dilute a potential hostile acquiror. Our certificate of incorporation also imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock other than the Sponsor. As a result, you may lose your ability to sell your stock for a price in excess of the prevailing market price due to these protective measures, and efforts by stockholders to change the direction or management of the company may be unsuccessful. See Description of Capital Stock.

Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our certificate of incorporation provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our by-laws, or (iv) any other action asserting a claim against us that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our certificate of incorporation described above. This choice of forum provision may limit a stockholder s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

If you purchase shares in this offering, you will suffer immediate and substantial dilution.

If you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the pro forma book value of your stock of $48.44 per share based on an

assumed public offering price of $37.62 (the closing price of our common stock on November 7, 2013) because the price that you pay will be substantially greater than the net tangible book value deficiency per share of the shares you acquire. You will experience additional dilution upon the exercise of options and warrants to purchase our common stock, including those options currently outstanding and those granted in the future, and the issuance of restricted stock or other equity awards under our stock incentive plans. To the extent we raise additional capital by issuing equity securities, our stockholders will experience substantial additional dilution.

The Sponsor will continue to have significant influence over us after this offering, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of key transactions, including a change of control.

We are currently controlled, and after this offering is completed will continue to be controlled, by the Sponsor. Upon completion of this offering, investment funds affiliated with the Sponsor will beneficially own 52.8% of our outstanding common stock (51.1% if the underwriters exercise in full their option to purchase additional shares from the selling stockholders). For as long as the Sponsor continues to beneficially own shares of common stock representing more than 50% of the voting power of our common stock, it will be able to direct the election of all of the members of our board of directors and could exercise a controlling influence over our business and affairs, including any determinations with respect to mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional common stock or other equity securities, the repurchase or redemption of common stock and the payment of dividends. Similarly, the Sponsor will have the power to determine matters submitted to a vote of our stockholders without the consent of our other stockholders, will have the power to prevent a change in our control and could take other actions that might be favorable to it. Even if its ownership falls below 50%, the Sponsor will continue to be able to strongly influence or effectively control our decisions.

Additionally, the Sponsor is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. The Sponsor may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

Because we have no current plans to pay cash dividends on our common stock for the foreseeable future, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our senior secured credit facilities. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, forward-looking statements. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms believes, expects, may, will, should, seeks, proje approximately, intends, plans, estimates or anticipates, or, in each case, their negatives or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we and our partners operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the Risk Factors section of this prospectus, which include but are not limited to the following:

Changes in the demand for child care and other dependent care services;

Our ability to hire and retain qualified teachers;

Our substantial indebtedness and our ability to refinance our indebtedness on the terms described in this prospectus or at all;

That the terms of our indebtedness could restrict our current and future operations;

The possibility that acquisitions may disrupt our operations and expose us to additional risk;

Our reliance on the expertise of operating staff, especially in international markets;

The possibility that adverse publicity would have a negative impact on the demand for our services and the value of our brand;

The possibility that our business activities subject us to litigation risks that could result in significant money or reputational damages;

Our ability to pass on our increased costs;

Changes in our relationships with employer sponsors;

Our ability to obtain and maintain adequate insurance coverage at a reasonable cost;

Changes in laws or regulations that govern our business;

Our ability to withstand seasonal fluctuations in the demand for our services;

Our ability to retain and attract key management and key employees;

Significant competition within our industry;

Our ability to implement our growth strategies successfully;

Our susceptibility to the economic impact of governmental or universal child care programs in the countries in which we operate;

Breaches in data security; and

The impact of a regional or global health pandemic or other catastrophic event.

These factors should not be construed as exhaustive and should be read with the other cautionary statements in this prospectus.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this prospectus speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

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USE OF PROCEEDS

We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

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MARKET PRICE OF OUR COMMON STOCK

Our common stock has been listed on the New York Stock Exchange under the symbol BFAM since January 25, 2013. Prior to that time, there was no public market for our common stock. The following table sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on the New York Stock Exchange:

	High	Low
2013:		
First quarter(1)	$ 36.26	$ 27.50
Second quarter	$ 38.39	$ 30.35
Third quarter	$ 37.40	$ 32.88
Fourth quarter (through November 7, 2013)	$ 37.99	$ 33.91

(1) Represents the period from January 25, 2013, the date on which our common stock first began to trade on the New York Stock Exchange after pricing our initial public offering, through March 31, 2013, the end of our first quarter.

A recent reported closing price for our common stock is set forth on the cover page of this prospectus. Wells Fargo Transfer Agent Services is the transfer agent and registrar for our common stock. As of October 31, 2013, there were 17 holders of record of our common stock.

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DIVIDEND POLICY

Our board of directors does not currently intend to pay regular dividends on our common stock. However, we expect to reevaluate our dividend policy on a regular basis following this offering and may, subject to compliance with the covenants contained in our senior secured credit facilities and other considerations, determine to pay dividends in the future.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and our consolidated capitalization as of September 30, 2013. This table should be read in conjunction with Use of Proceeds, Selected Consolidated Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of September 30, 2013 (In thousands)
Cash and cash equivalents	$ 35,010
Long-term debt, including current portion	
Revolving credit facility(1)	20,600
Term loans(2)	784,075
Total long-term debt, net	804,675
Stockholders equity	
Preferred stock, $0.001 par value; 25,000,000 shares authorized and no shares issued and outstanding	
Common stock; $0.001 par value; 475,000,000 shares authorized and 65,126,829 shares issued and outstanding	65
Additional paid-in capital	1,261,361
Accumulated other comprehensive loss	(5,191)
Accumulated deficit	(406,285)
Total stockholders equity	849,950
Total capitalization	$ 1,654,625

(1) Consists of $20.6 million of borrowings under our $100 million revolving line of credit. At September 30, 2013, $79.4 million remained available for borrowing.

(2) Excludes remaining unamortized deferred financing costs and original issue discount of $18.6 million at September 30, 2013.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth our selected historical and unaudited pro forma consolidated financial data as of the dates and for the periods indicated. The selected historical financial data as of December 31, 2011 and December 31, 2012 and for each of the three years ended December 31, 2012 presented in this table have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical financial data as of September 30, 2013 and for the nine months ended September 30, 2012 and September 30, 2013 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The selected consolidated balance sheet data as of September 30, 2012 has been derived from our unaudited consolidated financial statements as of such date, which are not included in this prospectus. The selected historical financial data as of December 31, 2009, December 31, 2010 and for the year ended December 31, 2009 have been derived from our audited consolidated financial statements for such years and periods, which are not included in this prospectus. The selected historical financial data for the period from January 1, 2008 through May 28, 2008 which are under the predecessor ownership and for the period May 29, 2008 through December 31, 2008 have been derived from unaudited consolidated financial statements for such periods, which have not been included in this prospectus. Historical results are not necessarily indicative of the results to be expected for future periods, and operating results for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. The unaudited pro forma consolidated statements of operations data for the year ended December 31, 2012 and for the nine months ended September 30, 2013 have been derived from our historical financial statements for such year and period, which are included elsewhere in this prospectus, after giving effect to the transactions specified in note 1 to Summary Consolidated Financial and Other Data.

This selected historical consolidated financial and other data should be read in conjunction with the disclosures set forth under Capitalization and Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

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	Predecessor(2)		Fiscal Year ended December 31,				Nine Months Ended September 30,	
	January 1 May 28, 2008	May 29 December 31, 2008(2)	2009	2010	2011	2012	2012	2013
			(In thousands, except share and operations data)					
Consolidated Statement of Operations Data:								
Revenue	$ 331,349	$ 482,783	$ 852,323	$ 878,159	$ 973,701	$ 1,070,938	$ 797,512	$ 899,599
Cost of services	261,073	389,854	672,793	698,264	766,500	825,168	614,847	689,879
Gross profit	70,276	92,929	179,530	179,895	207,201	245,770	182,665	209,720
Selling, general and administrative expenses	58,109	46,933	82,798	83,601	92,938	123,373	94,847	109,048
Amortization	1,878	16,957	29,960	27,631	27,427	26,933	20,298	22,049
Income from operations	10,289	29,039	66,772	68,663	86,836	95,464	67,520	78,623
Gains from foreign currency transactions	-	-	-	-	835	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	(63,682)
Interest income	153	539	132	28	824	152	106	76
Interest expense	(164)	(49,233)	(83,228)	(88,999)	(82,908)	(83,864)	(61,808)	(31,463)
Net interest expense and other	(11)	(48,694)	(83,096)	(88,971)	(81,249)	(83,712)	(61,702)	(95,069)
Income (loss) before income taxes	10,278	(19,655)	(16,324)	(20,308)	5,587	11,752	5,818	(16,446)
Income tax (expense) benefit	(4,770)	7,577	6,789	10,314	(825)	(3,243)	(1,536)	5,114
Net income (loss)	5,508	(12,078)	(9,535)	(9,994)	4,762	8,509	4,282	(11,332)
Net income (loss) attributable to non-controlling interest	-	-	-	-	3	347	294	(212)
Net income (loss) attributable to Bright Horizons Family Solutions Inc.	$ 5,508	$ (12,078)	$ (9,535)	$ (9,994)	$ 4,759	$ 8,162	$ 3,988	$ (11,120)
Accretion of Class L preference	N/A	91,443	58,559	64,712	71,568	79,211	58,401	-
Accretion of Class L preference for vested options	N/A	1,853	1,171	1,251	1,274	5,436	4,660	-
Net income (loss) available to common shareholders	$ 5,508	$ (105,374)	$ (69,265)	$ (75,957)	$ (68,083)	$ (76,485)	$ (59,073)	$ (11,120)
Allocation of net income (loss) to common stockholders basic and diluted:								
Class L	N/A	$ 91,443	$ 58,559	$ 64,712	$ 71,568	$ 79,211	$ 58,401	$ -
Common	$ 5,508	(105,374)	(69,265)	(75,957)	(68,083)	(76,485)	(59,073)	(11,120)
Earnings (loss) per share:								
Class L basic and diluted	N/A	$ 69.51	$ 44.52	$ 49.21	$ 54.33	$ 59.73	$ 44.05	$ -
Common basic	0.21	(17.54)	(11.53)	(12.64)	(11.32)	(12.62)	(9.75)	(0.18)
Common diluted	0.20	(17.54)	(11.53)	(12.64)	(11.32)	(12.62)	(9.75)	(0.18)
Weighted average shares outstanding:								
Class L basic and diluted	N/A	1,315,545	1,315,267	1,315,153	1,317,273	1,326,206	1,325,903	-
Common basic	26,197,127	6,008,843	6,007,482	6,006,960	6,016,733	6,058,512	6,057,128	61,815,607
Common diluted	27,085,336	6,008,843	6,007,482	6,006,960	6,016,733	6,058,512	6,057,128	61,815,607

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	Predecessor(1)		Fiscal Year ended December 31,				Nine Months Ended September 30,	
	January 1 May 28, 2008	May 29 December 31, 2008(2)	2009	2010	2011	2012	2012	2013
	(In thousands, except share and operations data)							
Pro Forma Consolidated Statements of Operations Data:(2)								
Pro forma net income						$ 39,044		$ 40,777
Pro forma earnings per share:								
Basic						$ 0.61		$ 0.63
Diluted						$ 0.60		$ 0.61
Pro forma weighted average shares outstanding								
Basic						64,349,995		64,701,425
Diluted						65,167,776		66,561,701
Consolidated Balance Sheet Data (at period end):								
Total cash and cash equivalents	$ 19,851	$ 9,878	$ 14,360	$ 15,438	$ 30,448	$ 34,109	$ 45,057	$ 35,010
Total assets	483,032	1,701,352	1,732,724	1,721,692	1,771,164	1,916,108	1,902,079	2,087,767
Total liabilities, excluding debt	198,038	354,444	364,352	362,034	389,986	401,125	397,262	443,680
Total debt, including revolving line of credit and current maturities	821	770,007	794,881	795,458	799,257	906,643	898,897	786,044
Total redeemable non-controlling interest	-	-	-	-	15,527	8,126	15,825	8,093
Class L common stock	-	574,028	633,452	699,533	772,422	854,101	832,516	-
Total stockholders equity (deficit)	284,173	2,873	(59,961)	(135,333)	(206,028)	(253,887)	(242,421)	849,950

(1) The selected historical financial data prior to our going private transaction (the Predecessor) as of May 28, 2008 and for the period from January 1, 2008 to May 28, 2008, and as of December 31, 2008 and our selected historical financial data for the period from May 29, 2008 to December 31, 2008, have been derived from our unaudited consolidated financial statements.

(2) See note (1) in Prospectus Summary Summary Consolidated Financial and Other Data.

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UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION RELATED TO THE ACQUISITION OF KIDSUNLIMITED GROUP LIMITED

On April 10, 2013, we acquired 100% of the outstanding shares of Kidsunlimited Group Limited (Kidsunlimited), which operates 64 nurseries throughout the United Kingdom, for an aggregate cash purchase price of $69.0 million, subject to certain adjustments. The purchase price was financed with available cash on hand.

The following presents unaudited pro forma combined condensed financial information for the nine months ended September 30, 2013 and the year ended December 31, 2012. An unaudited pro forma balance sheet as of September 30, 2013 is not presented because Kidsunlimited s balance sheet, including related acquisition adjustments, is included in our consolidated balance sheet as of such date. The unaudited pro forma combined condensed financial information has been prepared from, and should be read in conjunction with, the respective historical consolidated financial statements and related notes of the Company and Kidsunlimited included in this prospectus.

The unaudited pro forma combined condensed statements of operations and explanatory notes of the Company set forth below for the nine months ended September 30, 2013 and the year ended December 31, 2012 give effect to the acquisition as if the transaction had occurred on January 1, 2012.

The unaudited pro forma combined condensed statements of operations are based upon the historical consolidated financial statements of the Company and Kidsunlimited after giving effect to the transaction, accounted for as a business combination, and after applying the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined condensed financial statements.

The historical consolidated financial statements of Kidsunlimited were prepared in accordance with accounting principles generally accepted in the United Kingdom (U.K. GAAP), which differs in certain respects from accounting principles generally accepted in the United States of America (U.S. GAAP). Necessary adjustments have been made to reconcile the historical consolidated financial statements of Kidsunlimited to U.S. GAAP. These adjustments relate primarily to differences such as the accounting for identifiable intangible assets and goodwill as well as interest rate swap agreements.

The unaudited pro forma combined condensed statements of operations are provided for informational purposes only and do not purport to reflect the results of our operations had the transaction actually been consummated on January 1, 2012. We have made, in our opinion, all adjustments that are necessary to present fairly the pro forma financial information. The pro forma combined provision for income taxes may not represent the amounts that would have resulted had the Company and Kidsunlimited filed consolidated income tax returns during the periods presented.

The historical financial statements of Kidsunlimited are prepared in its local currency (pounds sterling). Therefore, for the purpose of presenting the unaudited pro forma combined condensed financial information, the statements of operations for Kidsunlimited have been translated into U.S. dollars at the average exchange rates prevailing during the periods presented.

The historical financial statements of Kidsunlimited had been prepared using an April 30 fiscal year-end. In accordance with the rules of the Securities and Exchange Commission, the periods presented herein must be within 93 days of the Company s fiscal year end. Therefore, the statement of operations for Kidsunlimited is presented for the twelve months ended January 31, 2013 for purposes of combining such statement with the Company s pro forma statement of operations for the year ended December 31, 2012. The pro forma statement of operations data for the nine months ended September 30, 2013 includes the unaudited results of the period from January 1, 2013 through April 10, 2013 of Kidsunlimited.

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Bright Horizons Family Solutions Inc. and Kidsunlimited Group Limited

Pro forma Combined Condensed Statement of Operations

For the nine months ended September 30, 2013

(In thousands, except for share data)

	Bright Horizons	Kidsunlimited in US GAAP (in US $) Period from January 1, 2013 through April 10, 2013 (Date of Acquisition)	Pro forma Adjustments	Pro forma Combined
Revenue	$ 899,599	$ 19,631	$ -	$ 919,230
Cost of services	689,879	15,553	(21)A	705,411
Gross Profit	209,720	4,078	21	213,819
Selling, general and administrative expenses	109,048	8,444	(4,926)C	112,566
Amortization	22,049	325	(100)A	22,274
Income (loss) from operations	78,623	(4,691)	5,047	78,979
Loss on extinguishment of debt	(63,682)	-	-	(63,682)
Interest income	76	-	-	76
Changes in the fair value of interest rate swap	-	95	(95)B	-
Interest expense	(31,463)	(2,705)	2,705 B	(31,463)
(Loss) income before income taxes	(16,446)	(7,301)	7,657	(16,090)
Income tax benefit (expense)	5,114	191	(354)D	4,951
Net (loss) income	(11,332)	(7,110)	7,303	(11,139)
Net loss attributable to non-controlling interest	(212)	-	-	(212)
Net (loss) income available to Bright Horizons Family Solutions Inc.	$ (11,120)	$ (7,110)	$ 7,303	$ (10,927)
Accretion of Class L preference	-			-
Accretion of Class L preference for vested options	-			-
Net loss available to common shareholders	$ (11,120)			$ (10,927)
Allocation of net loss to common stockholders basic and diluted:				
Class L	$ -			$ -
Common	$ (11,120)			$ (10,927)
Loss per share:				
Class L basic and diluted	-			-
Common basic and diluted	$ (0.18)			$ (0.18)
Weighted average number of common shares outstanding:				

Class L basic and diluted	-	-
Common basic and diluted	61,815,607	61,815,607

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Bright Horizons Family Solutions Inc. and Kidsunlimited Group Limited

Pro forma Combined Condensed Statement of Operations

For the year ended December 31, 2012

(In thousands, except for share data)

	Bright Horizons	Kidsunlimited in US GAAP (in US $) Twelve Months Ended January 31, 2013	Pro forma Adjustments	Pro forma Combined
Revenue	$ 1,070,938	$ 67,905	$ -	$ 1,138,843
Cost of services	825,168	54,323	(77)A	879,414
Gross Profit	245,770	13,582	77	259,429
Selling, general and administrative expenses	123,373	9,168	(267)C	132,274
Amortization	26,933	1,277	2,619 A	30,829
Income (loss) from operations	95,464	3,137	(2,275)	96,326
Interest income	152	-	-	152
Changes in the fair value of interest rate swap	-	388	(388)B	-
Interest expense	(83,864)	(7,737)	7,737 B	(83,864)
Income (loss) before income taxes	11,752	(4,212)	5,074	12,614
Income tax (expense) benefit	(3,243)	43	247 D	(2,953)
Net income (loss)	8,509	(4,169)	5,321	9,661
Net income attributable to non-controlling interest	347	-	-	347
Net income (loss) available to Bright Horizons Family Solutions Inc.	$ 8,162	$ (4,169)	$ 5,321	$ 9,314