BRIGHT HORIZONS FAMILY SOLUTIONS INC.
Form 424B4
January 25, 2013
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Filed pursuant to rule 424(b)(4)
Registration Statement No. 333-184579

10,100,000 Shares

Bright Horizons Family Solutions Inc.

Common Stock

This is the initial public offering of shares of common stock of Bright Horizons Family Solutions Inc.

Bright Horizons Family Solutions Inc. is offering 10,100,000 shares of common stock to be sold in the offering.

Prior to this offering, there has been no public market for the common stock. Bright Horizons Family Solutions Inc. has been approved for listing on the New York Stock Exchange under the symbol BFAM.

We are eligible to be treated as an emerging growth company as defined in Section 2(a) of the Securities Act of 1933 and, as a result, are subject to reduced public company reporting requirements. See Prospectus Summary Implications of Being an Emerging Growth Company.

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
Initial public offering price	$ 22.000	$ 222,200,000
Underwriting discounts and commissions	$ 1.485	$ 14,998,500
Proceeds, before expenses, to us	$ 20.515	$ 207,201,500

To the extent that the underwriters sell more than 10,100,000 shares of common stock, the underwriters have the option for a period of 30 days to purchase from us up to an additional 1,515,000 shares at the initial price to the public less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on or about January 30, 2013.

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

BofA Merrill Lynch **Credit Suisse**

Baird **BMO Capital Markets** **Stifel Nicolaus Weisel** **SMBC Nikko**

Prospectus dated January 24, 2013.

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Through and including February 18, 2013 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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.

The Reclassification

In connection with this offering, on January 11, 2013, we amended our certificate of incorporation to effect a 1-for-1.9704 reverse split of our Class A common stock and then convert each outstanding share of Class L common stock into 35.1955 shares of our Class A common stock. In addition, immediately following the conversion of our Class L common stock we 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. See The Reclassification.

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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, 2012, we had more than 850 client relationships with employers across a diverse array of industries, including more than 130 Fortune 500 companies and more than 75 of *Working Mother* magazine s 2012 100 Best Companies for Working Mothers. Our service offerings include:

- Center-based full service child care and early education (representing approximately 87% of our revenue in the year ended December 31, 2011);

- 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, 2012, we operated a total of 776 child care and early education centers across a wide range of customer industries with the capacity to serve approximately 87,700 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 25-year track record of providing high-quality services and a history of strong financial performance. From 2001 through 2011, we have achieved year-over-year revenue and adjusted EBITDA growth at a compound annual growth rate of 11% for revenue and 17% 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, our net income grew $14.8 million over the prior year to $4.8 million. 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 year-over-year tuition increases. We have also increased our adjusted EBITDA margin in each year from 2001 through 2011. For the year ended December 31, 2011 and the nine months ended September 30, 2012, we generated revenue of $973.7 million and $797.5 million, net income of $4.8 million and $4.3 million, adjusted EBITDA of $148.5 million and $132.4 million, and adjusted net

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income of $23.4 million and $27.6 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.

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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.

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 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 2011 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* 13 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 ten 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, we have completed acquisitions of 123 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, representing in aggregate approximately $160 million in annualized revenue.

Experienced Management Team

Our management team has an established track record of operational excellence and has an average tenure of 16 years at Bright Horizons. We have successfully operated Bright Horizons both as a publicly traded company and, since 2008, as a private company. The management team has a proven track record of performance, having increased revenue from $345.9 million in 2001 to $973.7 million in 2011, and increased adjusted EBITDA from $29.8 million in 2001 to $148.5 million in 2011, representing 670 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. In 2011, our net income increased $14.8 million over the prior year to $4.8 million. Our net income since 2008 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.

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, 2012, we operated approximately 200 centers for 50 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 and the first nine months of 2012. We expect to further close the gap between current utilization rates and our target run rate over the next few years.

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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 five 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, 2012, on an as-adjusted basis after giving effect to this offering and the application of the net proceeds therefrom, we would have had total indebtedness of $730.7 million, or $790.0 million, after also giving effect to the debt refinancing described elsewhere in this prospectus. See Management s Discussion and Analysis of Financial Condition and Results of Operations Debt Refinancing of Senior Credit Facilities and Notes. Our substantial debt could limit our ability to pursue our growth strategy.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our most recently completed fiscal year as of the initial filing date of the registration statement of which this prospectus forms a part, we qualify as an emerging growth company as defined in Section 2(a) of the Securities Act of 1933, as amended, which we refer to as the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies that are not emerging growth companies. These provisions include:

- Reduced disclosure about our executive compensation arrangements;

- No non-binding shareholder advisory votes on executive compensation or golden parachute arrangements; and

- Exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we

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have more than $1.0 billion in annual revenues as of the end of our fiscal year, we have more than $700.0 million in market value of our stock held by non-affiliates as of the end of our second fiscal quarter, or we issue more than $1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced disclosure obligations. We have taken advantage of reduced disclosure regarding executive compensation arrangements in this prospectus, and we may choose to take advantage of some but not all of these reduced disclosure obligations in future filings. If we do, the information that we provide stockholders may be different than you might get from other public companies in which you hold stock.

The JOBS Act permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to opt out of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We expect to determine that we ceased to be an emerging growth company as of January 1, 2013, subject to applicable interpretations of the Securities and Exchange Commission regarding our treatment as an emerging growth company in connection with this offering.

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 $66 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.

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 us	10,100,000 shares (or 11,615,000 shares if the underwriters exercise their option to purchase additional shares in full).
Common stock to be outstanding immediately after completion of this offering	62,871,119 shares (or 64,386,119 shares if the underwriters exercise their option to purchase additional shares in full).
Underwriters option to purchase additional shares	We have granted the underwriters a 30-day option to purchase an additional 1,515,000 shares.
Use of proceeds	We expect to receive net proceeds, after deducting estimated offering expenses and underwriting discounts and commissions, of approximately $202.2 million (or approximately $233.3 million if the underwriters exercise their option to purchase additional shares in full). We intend to use the net proceeds from this offering, together with available cash, as necessary, to repay all amounts outstanding under the Bright Horizons Capital Corp. 13.0% senior notes due 2018, and to use any remaining net proceeds for working capital and for general corporate purposes. As of September 30, 2012, there was $191.6 million in aggregate principal amount of, and accumulated interest on, the Bright Horizons Capital Corp. 13.0% senior notes outstanding. See Use of Proceeds.
Dividend policy	Our board of directors does not currently intend to pay regular dividends on our common stock. See Dividend Policy.
Principal stockholders	Upon completion of this offering, investment funds affiliated with the Sponsor will indirectly beneficially own a controlling interest in us. For more information, see Management Board Structure and Committee Composition.
Trading symbol	BFAM

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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.
Conflict of interest	Certain affiliates of Goldman, Sachs & Co. beneficially own all of the Bright Horizons Family Solutions LLC 11.5% senior subordinated notes due 2018 and the Bright Horizons Capital Corp. 13.0% senior notes due 2018. Goldman, Sachs & Co. is an underwriter in this offering and will be deemed to have a conflict of interest within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc. We intend to use the net proceeds of this offering to redeem all of the outstanding principal amount of the 13.0% senior notes due 2018 and to pay accrued interest thereon. See Use of Proceeds. As a result, certain affiliates of Goldman, Sachs & Co. will receive all or a substantial portion of the net proceeds of this offering. Accordingly, this offering will be made in compliance with the applicable provisions of Rule 5121 of the Financial Industry Regulatory Authority, Inc. Rule 5121 requires that a qualified independent underwriter meeting certain standards participate in the preparation of the registration statement and prospectus and exercise the usual standards of due diligence with respect thereto. J.P. Morgan Securities LLC has agreed to act as a qualified independent underwriter within the meaning of Rule 5121 in connection with this offering. Goldman, Sachs & Co. will not confirm sales of the shares to any account over which they exercise discretionary authority without the prior written approval of the customer.

The number of shares of our common stock to be outstanding after this offering is based on the number of shares outstanding after our reclassification and excludes 5,062,017 shares of our common stock issuable upon the exercise of outstanding options under our 2008 Equity Incentive Plan at a weighted average exercise price equal to $13.84 per share, of which options to purchase 1,806,986 shares were exercisable as of December 1, 2012, and an additional 5,000,000 shares of our common stock that will be issuable under our 2012 Omnibus Long-Term Incentive Plan, including upon exercise of the options granted in connection with this offering described in Management 2012 Omnibus Plan.

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Summary Consolidated Financial and Other Data

The following table sets forth our summary historical and other data as of the dates and for the periods indicated. The summary historical financial data as of December 31, 2010 and 2011 and for the three years in the period ended December 31, 2011 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, 2012 and for the nine months ended September 30, 2011 and 2012 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The summary consolidated balance sheet data as of December 31, 2009 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, 2011 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, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2012. The data in the following table related to adjusted EBITDA, adjusted net income, child care and early education centers and licensed capacity are unaudited for all periods presented.

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,	
	2009	2010	2011	2011	2012
	(In thousands, except per share and operating data)				
Consolidated Statement of Operations Data:					
Revenue	$ 852,323	$ 878,159	$ 973,701	$ 724,816	$ 797,512
Cost of services	672,793	698,264	766,500	571,015	614,847
Gross profit	179,530	179,895	207,201	153,801	182,665
Selling, general and administrative expenses	82,798	83,601	92,938	69,050	94,847
Amortization	29,960	27,631	27,427	20,697	20,298
Income from operations	66,772	68,663	86,836	64,054	67,520
Gains from foreign currency transactions			835	871	
Interest income	132	28	824	29	106
Interest expense(1)	(83,228)	(88,999)	(82,908)	(63,146)	(61,808)
Net interest expense and other	(83,096)	(88,971)	(81,249)	(62,246)	(61,702)
(Loss) income before income taxes	(16,324)	(20,308)	5,587	1,808	5,818
Income tax benefit (expense)	6,789	10,314	(825)	(916)	(1,536)
Net (loss) income	(9,535)	(9,994)	4,762	892	4,282
Net income attributable to noncontrolling interest			3	92	294
Net (loss) income attributable to Bright Horizons Family Solutions Inc.	$ (9,535)	$ (9,994)	$ 4,759	$ 800	3,988
Accretion of Class L preference	58,559	64,712	71,568	52,856	58,401
Accretion of Class L preference for vested options	1,171	1,251	1,274	944	4,660
Net (loss) available to common shareholders	$ (69,265)	$ (75,957)	$ (68,083)	$ (53,000)	$ (59,073)
Allocation of net (loss) income to common stockholders basic and diluted:					
Class L	$ 58,559	$ 64,712	$ 71,568	$ 52,856	$ 58,401
Class A	$ (69,265)	$ (75,957)	$ (68,083)	$ (53,000)	$ (59,073)
Earnings (loss) per share:					
Class L basic and diluted	$ 44.52	$ 49.21	$ 54.33	$ 40.13	$ 44.05
Common basic and diluted	$ (11.53)	$ (12.64)	$ (11.32)	$ (8.81)	$ (9.75)
Weighted average number of common shares outstanding:					
Class L basic and diluted	1,315,267	1,315,153	1,317,273	1,317,170	1,325,903
Common basic and diluted	6,007,482	6,006,960	6,016,733	6,016,175	6,057,128
Pro Forma Consolidated Statements of Operations Data(2):					
Pro forma net income			19,066		15,853
Pro forma earnings per share:					
Basic			$ 0.31		$ 0.25
Diluted			$ 0.30		$ 0.25
Pro forma weighted average shares outstanding:					
Basic			62,478,815		63,101,469
Diluted			63,139,620		63,363,168
Consolidated Balance Sheet Data (at period end):					
Total cash and cash equivalents	$ 14,360	$ 15,438	$ 30,448	$ 15,818	$ 45,057
Total assets	1,732,724	1,721,692	1,771,164	1,760,853	1,899,603
Total liabilities, excluding debt	364,352	362,034	389,986	353,596	394,786
Total debt, including current maturities(1)	794,881	795,458	799,257	826,173	898,897
Total redeemable noncontrolling interest			15,527	16,941	15,825
Class L common stock	633,452	699,533	772,422	753,381	832,516
Total stockholders deficit	(59,961)	(135,333)	(206,028)	(189,238)	(242,421)
Other Financial and Operating Data:					
Adjusted EBITDA(3)	126,955	132,238	148,519	109,701	132,400

Adjusted net income(3)	11,336	9,496	23,413	14,917	27,606
Capital expenditures for new and existing centers	43,616	39,522	42,517	29,631	47,791
Child care and early education centers (at period end)	694	705	743	747	776
Licensed capacity (at period end)	77,100	78,900	83,400	83,700	87,700

(1) As described under Management s Discussion of Financial Condition and Results of Operations Debt Refinancing of Senior Credit Facilities and Notes, we intend to refinance the senior credit facilities and notes with new senior secured credit facilities, and we expect that the new senior secured credit facilities will bear interest based on applicable margin percentages of 2.00% per annum for base rate loans and 3.00% per annum for LIBOR rate loans, provided that, with respect to the new senior secured term loan, the base rate may not be lower than 2.00% and LIBOR may not be lower than 1.00%. Based on these anticipated interest rates applied to the new senior secured credit facilities as if they were outstanding for the entire periods presented, we estimate that net interest expense would have decreased by approximately $47 million for the year ended December 31, 2011 and by approximately $35 million for the nine months ended September 30, 2012, in each case before taxes. As of the date of this prospectus, we have received commitments from prospective lenders for the new senior secured credit facilities, subject to customary closing conditions. However, there can be no assurance that we will be able to consummate the new senior secured credit facilities on the terms described in this prospectus or at all.

(2) The pro forma consolidated statements of operations data for fiscal 2011 and the nine months ended September 30, 2012 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, as described in The Reclassification, (b) the issuance of common stock in this offering and the application of the net proceeds therefrom as described in Use of Proceeds and (c) the termination of our management agreement with the Sponsor in connection with this offering, as if each had occurred on the first day of the period presented. See Related Party Transactions. The above adjustments are illustrated in the following table:

	Year Ended December 31, 2011	**Nine Months Ended September 30, 2012**
Net income attributable to Bright Horizons Family Solutions Inc.	$ 4,759	$ 3,988
Interest on 13.0% senior notes, net of tax	12,807	10,740
Sponsor management fee, net of tax	1,500	1,125
Pro forma net income(a)	$ 19,066	$ 15,853
Weighted average number of common shares outstanding, basic	11,855,632	11,935,227
Impact of reverse split of Class A common stock	(5,838,898)	(5,878,099)
Reclassification of Class L common stock	46,362,081	46,944,341
Shares issued to retire 13.0% senior notes	10,100,000	10,100,000
Pro forma weighted average number of common shares outstanding, basic	62,478,815	63,101,469
Weighted average number of common shares outstanding, diluted	11,855,632	11,935,227
Impact of reverse split of Class A common stock	(5,838,898)	(5,878,099)
Reclassification of Class L common stock	46,362,081	46,944,341
Shares issued to retire 13.0% senior notes	10,100,000	10,100,000
Dilutive impact of options	660,805	261,699
Pro forma weighted average number of common shares outstanding, diluted	63,139,620	63,363,168

(a) Pro forma net income does not give effect to the intended refinancing of our senior credit facilities and notes with the proceeds of a proposed $790 million new senior secured term loan and $100 million new senior secured revolving credit facility as described under Management s Discussion and Analysis of Financial Condition and Results of Operations Debt Refinancing of Senior Credit Facilities and Notes, including the impact on our interest expense as described in note 1 above.

(3) Adjusted EBITDA and adjusted net income are metrics used by management to measure operating performance. Adjusted EBITDA represents our earnings before interest, taxes, depreciation, amortization, straight line rent expense, stock compensation expense and the Sponsor management fee. 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.

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The following table presents a reconciliation of each of our adjusted EBITDA and our adjusted net income to our net income (loss) determined in accordance with GAAP:

	Year Ended December 31,			Nine Months Ended September 30,	
	2009	2010	2011	2011	2012
	(unaudited, in thousands)				
Net income (loss)	$ (9,535)	$ (9,994)	$ 4,762	$ 892	$ 4,282
Interest expense, net	83,096	88,971	82,084	63,117	61,702
Income tax (benefit) expense	(6,789)	(10,314)	825	916	1,536
Depreciation	23,400	25,689	28,024	20,293	24,912
Amortization	29,960	27,631	27,427	20,697	20,298
EBITDA	120,132	121,983	143,122	105,915	112,730
Additional Adjustments:					
Straight line rent expense(a)	1,998	5,401	1,739	1,108	1,095
Stock compensation expense(b)	2,325	2,354	1,158	803	16,700
Sponsor management fee(c)	2,500	2,500	2,500	1,875	1,875
Total adjustments	6,823	10,255	5,397	3,786	19,670
Adjusted EBITDA	$ 126,955	$ 132,238	$ 148,519	$ 109,701	$ 132,400
Net income (loss)	$ (9,535)	$ (9,994)	$ 4,762	$ 892	$ 4,282
Stock compensation expense(b)	2,325	2,354	1,158	803	16,700
Sponsor management fee(c)	2,500	2,500	2,500	1,875	1,875
Amortization(d)	29,960	27,631	27,427	20,697	20,298
Tax effect(e)	(13,914)	(12,995)	(12,434)	(9,350)	(15,549)
Adjusted net income	$ 11,336	$ 9,496	$ 23,413	$ 14,917	$ 27,606

(a) Represents rent in excess of cash paid for rent, recognized on a straight line basis over the lease life in accordance with Accounting Standards Codification (ASC) Topic 840, *Leases*.
(b) Represents non-cash stock-based compensation expense.
(c) Represents annual fees paid to our Sponsor under a management agreement, which will be terminated upon consummation of this offering. See Related Party Transactions Arrangements with Our Investors.
(d) Represents amortization of intangible assets, including $23.2 million, $21.7 million, $20.6 million, $15.5 million and $15.1 million in 2009, 2010, 2011 and for the nine months ended September 30, 2011 and 2012, respectively, associated with intangible assets recorded in connection with our going private transaction in May 2008.
(e) Represents the tax benefit, using an effective rate of 40%, associated with the expenses described in notes (b), (c) and (d).

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

We present adjusted EBITDA and adjusted net income 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 our Sponsor management fee, which we will not owe for periods after the consummation of this offering. In addition, adjusted net income allows 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 net income and adjusted EBITDA margin are not measurements of our financial performance under GAAP and should not be considered in isolation or as an alternative to 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 and adjusted net income 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 net income and adjusted EBITDA margin do not fully reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;

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- adjusted EBITDA and adjusted net income 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; and

- 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 and adjusted net income do not reflect any cash requirements for such replacements.

Because of these limitations, adjusted EBITDA 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.

Our substantial indebtedness could adversely affect our financial condition.

We have a significant amount of indebtedness. As of September 30, 2012, we had total indebtedness of $922.3 million, excluding approximately $0.7 million of undrawn letters of credit and

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$74.9 million of unused commitments under our revolving credit facility, and, giving effect to the consummation of this offering and the application of the net proceeds therefrom as described under Use of Proceeds and our intended debt refinancing as described under Management s Discussion and Analysis of Financial Condition and Results of Operations Debt Refinancing of Senior Credit Facilities and Notes, we would have had $790.0 million of total indebtedness outstanding, excluding undrawn letters of credit and $100 million of unused commitments under the new 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 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 credit facilities and the indentures governing our notes contain restrictions on the incurrence of additional indebtedness, those restrictions are subject to a number of qualifications and exceptions, and we expect that if we are able to consummate the new senior secured credit facilities as described under Management s Discussion and Analysis of Financial Condition and Results of Operations Debt Refinancing of Senior Credit Facilities and Notes, we will retain similar 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, just as we recently amended our senior credit facilities to finance the acquisition of Huntyard Limited (Huntyard), the parent company of Casterbridge Care and Education Group Ltd (Casterbridge), in the United Kingdom in May 2012 and recently initiated the refinancing of the senior credit facilities and notes, described under Management s Discussion and Analysis of Financial Condition and Results of Operations Debt Refinancing of Senior Credit Facilities and Notes.

In addition, the borrowings under our senior 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 credit facilities are fully drawn, a 100 basis point change in interest rates would result in a $4.1 million change in annual interest expense on our indebtedness under our senior credit facilities. Similarly, if we are able to consummate the new senior secured credit facilities as described under Management s Discussion and Analysis of Financial Condition and Results of Operations Debt Refinancing of Senior Credit Facilities and Notes and assuming all such amounts are fully drawn, a 100 basis point change in our interest rate would result in a $8.90 million change in annual interest expense under the new senior secured credit facilities based on the assumptions regarding interest rate and size of facility described therein (subject to our base rate and LIBOR floors, as applicable). For additional information regarding the impact of a change in our interest rate on our interest expense if we are able to consummate the debt refinancing, see note 1 in Prospectus Summary Summary Consolidated Financial and Other Data. 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.

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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 credit facilities and the indentures governing our notes 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. We expect that any new senior secured credit facilities will contain similar restrictions. See Description of Indebtedness and Management s Discussion and Analysis of Financial Condition and Results of Operations Debt Refinancing of Senior Credit Facilities and Notes. In addition, the restrictive covenants in the credit agreement governing our senior 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.

A breach of the covenants under the credit agreement governing our senior 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 or note holders 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, 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, 2012, we had 179 centers located in five foreign countries; therefore, we are subject to inherent risks attributed to operating in a global economy. Our international operations

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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

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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 coverages 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.

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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.

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.

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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 will qualify for, and intend 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.

After the completion of this offering, the Sponsor will continue to control a majority of the voting power of our outstanding common stock. As a result, we are a controlled company within the meaning of the corporate governance standards of the New York Stock Exchange. Under these 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.

Following this offering we intend to utilize these exemptions. As a result, we will not have a majority of independent directors, our compensation committee will not consist entirely of independent directors and the board committees will not be subject to annual performance evaluations. In addition, we will not have a nominating and corporate governance committee. Accordingly, you will 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 180 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 the offering.

We are eligible to be treated as an emerging growth company, as defined in the Securities Act, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are eligible to be treated as an emerging growth company, as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding a non-binding shareholder advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. As a result, our stockholders may not have access to certain information that they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if our total annual gross revenues exceed $1.0 billion, if we

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issue more than $1.0 billion in non-convertible debt during any three-year period, or if the market value of our common stock held by non-affiliates exceeds $700.0 million as of any June 30 before that time. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We expect to determine that we ceased to be an emerging growth company as of January 1, 2013, subject to applicable interpretations of the Securities and Exchange Commission regarding our treatment as an emerging growth company in connection with 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 the time that we were acquired by our Sponsor in May 2008, there has not been a public market for our common stock, and an active public market for our common stock may not develop or be sustained after this offering. 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;
- 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.

Following the closing of this offering, 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

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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.

After this offering, there will be 62,871,119 shares of common stock outstanding. There will be 64,386,119 shares issued and outstanding if the underwriters exercise in full their option to purchase additional shares. Of our issued and outstanding shares, all the common stock sold in 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 85.4% of our outstanding common stock (or 83.4% if the underwriters exercise in full their option to purchase additional shares from us) 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 180 days after the date of this prospectus, subject to certain exceptions and automatic extensions in certain circumstances. See Shares Eligible for Future Sale Lock-Up Agreements.

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 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
181,185	On the date of this offering (January 24, 2013)
52,589,934	180 days after the date of this offering (July 23, 2013), subject to certain exceptions and automatic extensions in certain circumstances

Beginning 180 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, after this offering, we intend to register shares of common stock that are reserved for issuance under our 2012 Omnibus Long-Term Incentive Plan. For more information, see Shares Eligible for Future Sale Registration Statements on Form S-8.

Certain participants in our directed share program must hold their shares for a minimum of 180 days following the date of the final prospectus related to this offering and accordingly will be subject to market risks not imposed on other investors in the offering.

At our request, the underwriters have reserved up to 505,000 shares of the common stock offered hereby for sale to our employees. Purchasers of these shares who have entered into a lockup agreement with the underwriters in connection with this offering, which generally include our officers, directors and significant stockholders, will be required to agree that they will not, subject to exceptions, offer, sell, contract to sell or otherwise dispose of or hedge any such shares for a period of 180 days after the date of the final prospectus relating to this offering, subject to certain specified extensions. As a result of such restriction, such purchasers may face risks not faced by other investors who have the right to sell their shares at any time following the offering. These risks include the market risk of holding our shares during the period that such restrictions are in effect. In addition, the price of our common stock may be adversely affected following expiration of the lockup period if there is an increase in the number of shares for sale in the market.

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, which dilution would have been $32.41 per share as of September 30, 2012, because the price that you pay will be substantially greater than the net tangible book value 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

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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. See 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 82.0% of our outstanding common stock (80.1% if the underwriters exercise in full their option to purchase additional shares from us). 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 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.

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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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THE RECLASSIFICATION

In connection with this offering, on January 11, 2013, we amended our certificate of incorporation to effect a 1-for-1.9704 reverse split of our Class A common stock and then convert each outstanding share of our Class L common stock into 35.1955 shares of our Class A common stock. Immediately following the conversion of our Class L common stock, we reclassified our Class A common stock into common stock. The Class L common stock was identical to the Class A common stock, except that the Class L common stock was convertible into shares of our Class A common stock, and each share of Class L common stock was entitled to a preferential payment upon any liquidating distribution by us to holders of our capital stock, whether by dividend, distribution or otherwise, equal to the base amount for such share ($405.00), which we refer to as the Class L base amount. After payment of the Class L base amount, each share of common stock and Class L common stock shared equally in all remaining liquidating distributions by us to holders of our common stock. The conversion rate of 35.1955 shares of Class A common stock for each share of Class L common stock was determined and approved by our board of directors and stockholders.

At the time of the conversion of our Class L common stock, in accordance with the terms of our equity incentive plans and our outstanding awards thereunder, outstanding options to purchase shares of our 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.

References to the reclassification throughout this prospectus refer to the 1-for-1.9704 reverse stock split of our Class A common stock, the conversion of our Class L common stock into our Class A common stock, related adjustments to our outstanding options to purchase shares of our Class A common stock and Class L common stock and the reclassification of our Class A common stock into our common stock.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of the shares of our common stock in this offering, after deducting underwriting discounts and commissions and estimated expenses payable by us, will be approximately $202.2 million (or $233.3 million if the underwriters option to purchase additional shares is exercised in full).

We intend to use the net proceeds from this offering together with available cash, as necessary, to redeem approximately $191.6 million aggregate principal amount and accumulated interest of our 13.0% senior notes and to use any remaining net proceeds for working capital and for general corporate purposes. Our 13.0% senior notes were issued by Bright Horizons Capital Corp. in the aggregate principal amount of $110.0 million in connection with our going private transaction in 2008 and mature on November 28, 2018. These notes bear interest at a rate of 13.0% per annum, and interest payments on or before May 28, 2013 may be paid in kind. As of September 30, 2012, there was $81.6 million of interest added to principal under the notes. Under the terms of the indenture relating to the notes, we may redeem the notes at a price equal to 106.500% of the principal amount thereof plus accrued and unpaid interest.

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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 credit facilities, the indentures governing our outstanding notes 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, 2012 on (1) an actual basis, (2) showing adjustments for (w) the 1-for-1.9704 reverse split of our Class A common stock, the subsequent conversion of each share of our Class L common stock into 35.1955 shares of our Class A common stock and the reclassification of our Class A common stock into common stock, each as described under The Reclassification, and in each case as if it had occurred on September 30, 2012, (x) the offering of 10,100,000 shares of our common stock hereby and the receipt of the net proceeds therefrom, (y) the application of the net proceeds from the offering as described in Use of Proceeds, including the repayment of the 13.0% senior notes, and (z) the payment of approximately $7.5 million out of available cash in fees under our management agreement with the Sponsor in connection with the offering and termination of the management agreement, as described under Related Party Transactions Management Agreement, and (3) an as adjusted basis to give effect to each of foregoing.

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, 2012					
	Actual	Adjustment for the Reclassification	Adjustment for the Offering	Adjustment for the Repayment of 13.0% Senior Notes	Adjustment for the Termination Fee	As Adjusted
	(In thousands)					
Cash and cash equivalents	$ 45,057		$ 202,202	$ (204,036)	$ (7,500)	$ 35,723
Long-term debt, including current portion	$					$
Revolving credit facility(1)(5)						
Term loan facility(2)(5)	430,686					430,686
Total secured debt	430,686					430,686
11.5% senior subordinated notes(5)	300,000					300,000
13.0% senior notes(5)	191,583			(191,583)		
Total long-term debt(3)	922,269					730,686
Class L common stock, $0.001 par value; 5,000,000 shares authorized and 1,327,115 shares issued and outstanding on an actual basis; no shares authorized, issued and outstanding on an as adjusted basis	832,516	(832,516)				
Stockholders equity (deficit)						
Common stock; $0.001 par value; 50,000,000 shares authorized and 6,062,653 shares issued and outstanding on an actual basis; 475,000,000 shares authorized and 62,871,119 shares issued and outstanding on an as adjusted basis	12	41	10			63
Additional paid-in capital	144,318	832,475	202,192			1,178,985
Accumulated deficit(4)	(377,753)			(8,593)	(4,500)	(390,846)
Accumulated other comprehensive loss	(8,998)					(8,998)
Total stockholders equity (deficit)	(242,421)					779,204
Total capitalization	$ 1,512,364					1,509,890

(1) Consists of a $75.0 million revolving credit facility. As of September 30, 2012, we had $74.9 million of unused commitments available. Excludes $0.7 million of undrawn letters of credit.
(2) Excludes remaining unamortized original issue discount of $8.8 million at September 30, 2012.
(3) Excludes deferred financing costs of $14.6 million at September 30, 2012.
(4) The as adjusted amount reflects, in the fourth column, the loss on debt extinguishment (net of tax) to be recorded in connection with the repayment of the senior notes of $8.6 million and, in the fifth column, the termination fee related to the management agreement with the Sponsor of $7.5 million ($4.5 million, net of tax). See Use of Proceeds and Related Party Transactions.
(5) We intend to refinance our existing indebtedness under the senior credit facilities and notes with the proposed $890 million new senior secured credit facilities. As of the date of this prospectus, we have received commitments from prospective lenders for the new senior secured credit facilities, subject to customary closing conditions. However, no assurance can be given that we will be able to consummate the debt refinancing on the terms described in this prospectus or at all. See Use of Proceeds and Management s Discussion and Analysis of Financial Condition and Results of Operations Debt Refinancing of Senior Credit Facilities and Notes.

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DILUTION

If you invest in our common stock, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our common stock and the net tangible book value per share of our common stock after this offering. Dilution results from the fact that the initial public offering price per share of the common stock is substantially in excess of the book value per share of common stock attributable to the existing stockholders for the presently outstanding shares of common stock. We calculate net tangible book value per share of our common stock by dividing the net tangible book value by the number of outstanding shares of our common stock.

Our net tangible book value deficiency at September 30, 2012 was approximately $856.5 million, or $16.23 per share of our common stock pro forma for the reclassification but before giving effect to this offering. Pro forma net tangible book value deficiency per share before the offering has been determined by dividing net tangible book value (total consolidated tangible assets less total consolidated liabilities, deferred financing costs and redeemable noncontrolling interests) by the number of shares of common stock outstanding at September 30, 2012, assuming that the reclassification had taken place on September 30, 2012. Dilution in net tangible book value per share represents the difference between the amount per share that you pay in this offering and the net tangible book value deficiency per share immediately after this offering.

After giving effect to the receipt of the net proceeds from our sale of shares in this offering and the application of the net proceeds as described under Use of Proceeds, our pro forma as adjusted net tangible book value deficiency at September 30, 2012 would have been approximately $654.3 million, or $10.41 per share of common stock. This represents an immediate decrease in net tangible book value deficiency per share of $5.82 to existing stockholders and an immediate dilution in net tangible book value per share of $32.41 to you. The following table illustrates this dilution per share.

Initial public offering price per share		$ 22.00
Pro forma net tangible book value (deficiency) per share at September 30, 2012	$ (16.23)	
Increase per share attributable to new investors in this offering	5.82	
Pro forma net tangible book value (deficiency) per share after this offering		(10.41)
Dilution per share to new investors		$ (32.41)

If the underwriters exercise their option to purchase additional shares in full, the pro forma as adjusted net tangible book value deficiency per share of our common stock after giving effect to this offering would be $9.68 per share of our common stock. This represents a decrease in pro forma as adjusted net tangible book value deficiency of $6.55 per share of our common stock to existing stockholders and dilution in pro forma as adjusted net tangible book value of $31.68 per share of our common stock to you.

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The following table sets forth, as of September 30, 2012 but after giving effect to the reclassification, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and to be paid by new investors purchasing shares of common stock in this offering, before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders	52,771,119	84%	$ 601,670,915	73%	$ 11.40
New investors	10,100,000	16	222,200,000(1)	27	22.00
Total	62,871,119	100%	$ 823,870,915	100%	

(1) Before underwriting discounts and commissions.

If the underwriters were to fully exercise their option to purchase additional shares of our common stock from us, the percentage of shares of our common stock held by existing stockholders would be 82%, and the percentage of shares of our common stock held by new investors would be 18%.

To the extent any outstanding options are exercised or become vested or any additional options are granted and exercised, other equity awards are granted and become vested or other issuances of shares of our common stock are made, there may be further economic dilution to new investors.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth our selected historical financial and other data as of the dates and for the periods indicated. The selected historical financial data as of December 31, 2010 and 2011 and for the three years in the period ended December 31, 2011 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, 2012 and for the nine months ended September 30, 2011 and 2012 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The selected consolidated balance sheet data as of December 31, 2009 has been derived from our audited consolidated financial statements for such year, which are not included in this prospectus. The selected consolidated balance sheet data as of September 30, 2011 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, 2012 are not necessarily indicative of the results that may be expected for the year ended December 31, 2012.

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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	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2012
	(In thousands, except share and operating data)				
Consolidated Statement of Operations Data:					
Revenue	$ 852,323	$ 878,159	$ 973,701	$ 724,816	$ 797,512
Cost of services	672,793	698,264	766,500	571,015	614,847
Gross profit	179,530	179,895	207,201	153,801	182,665
Selling, general and administrative expenses	82,798	83,601	92,938	69,050	94,847
Amortization	29,960	27,631	27,427	20,697	20,298
Income from operations	66,772	68,663	86,836	64,054	67,520
Gains from foreign currency transactions			835	871	
Interest income	132	28	824	29	106
Interest expense	(83,228)	(88,999)	(82,908)	(63,146)	(61,808)
Net interest expense and other	(83,096)	(88,971)	(81,249)	(62,246)	(61,702)
(Loss) income before income taxes	(16,324)	(20,308)	5,587	1,808	5,818
Income tax benefit (expense)	6,789	10,314	(825)	(916)	(1,536)
Net (loss) income	(9,535)	(9,994)	4,762	892	4,282
Net income attributable to noncontrolling interest			3	92	294
Net (loss) income attributable to Bright Horizons Family Solutions Inc.	$ (9,535)	$ (9,994)	$ 4,759	$ 800	$ 3,988
Accretion of Class L preference	58,559	64,712	71,568	52,856	58,401
Accretion of Class L preference for vested options	1,171	1,251	1,274	944	4,660
Net loss available to common shareholders	$ (69,265)	$ (75,957)	$ (68,083)	$ (53,000)	$ (59,073)
Allocation of net (loss) income to common stockholders basic and diluted:					
Class L	$ 58,559	$ 64,712	$ 71,568	$ 52,856	$ 58,401
Class A	$ (69,265)	$ (75,957)	$ (68,083)	$ (53,000)	$ (59,073)
Earnings (loss) per share:					
Class L basic and diluted	$ 44.52	$ 49.21	$ 54.33	$ 40.13	$ 44.05
Common basic and diluted	$ (11.53)	$ (12.64)	$ (11.32)	$ (8.81)	$ (9.75)
Weighted average shares outstanding:					
Class L basic and diluted	1,315,267	1,315,153	1,317,273	1,317,170	1,325,903
Common basic and diluted	6,007,482	6,006,960	6,016,733	6,016,175	6,057,128
Pro Forma Consolidated Statements of Operations Data (1):					
Pro forma net income			$ 19,066		$ 15,853
Pro forma earnings per share:					
Basic			$ 0.31		$ 0.25
Diluted			$ 0.30		$ 0.25
Pro forma weighted average shares outstanding:					
Basic			62,478,815		63,101,469
Diluted			63,139,620		63,363,168
Consolidated Balance Sheet Data (at period end):					
Total cash and cash equivalents	$ 14,360	$ 15,438	$ 30,448	$ 15,818	$ 45,057
Total assets	1,732,724	1,721,692	1,771,164	1,760,853	1,899,603
Total liabilities, excluding debt	364,352	362,034	389,986	353,596	394,768
Total debt, including current maturities	794,881	795,458	799,257	826,173	898,897
Total redeemable noncontrolling interest			15,527	16,941	15,825
Class L common stock	633,452	699,533	772,422	753,381	832,516
Total stockholders deficit	(59,961)	(135,333)	(206,028)	(189,238)	(242,421)

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

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UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

On May 23, 2012, we acquired 100% of the outstanding shares of Huntyard Limited (Huntyard), the parent company of Casterbridge Care and Education Group Ltd (Casterbridge), a company that operates 27 child care and early education centers in the United Kingdom, for cash consideration of $110.8 million. We acquired total tangible assets with fair values of $70.8 million, including fixed assets of $65.8 million, and assumed liabilities with fair values of $10.9 million. In conjunction with this acquisition, we recorded goodwill of $45.4 million and other intangible assets with fair values of $6.6 million, consisting of customer relationships and trade names. A deferred tax liability of $1.2 million was recorded related to the intangible assets for the amortization that is not deductible for tax purposes. See note 2 to our consolidated financial statements for details on the purchase price allocation. In connection with this acquisition, we amended our credit agreement governing our senior credit facilities to permit us to borrow an additional $85.0 million in Series C new term loans.

The following unaudited pro forma combined condensed financial information for the year ended December 31, 2011 and the nine months ended September 30, 2012 presents consolidated information as if we had acquired Huntyard on January 1, 2011. An unaudited pro forma balance sheet as of September 30, 2012 is not presented because Huntyard s balance sheet, including related acquisition adjustments, is included in the consolidated balance sheet of the Company 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 Huntyard included in this prospectus.

The historical profit and loss accounts of Huntyard have been prepared in accordance with generally accepted accounting principles in the United Kingdom (UK GAAP). For the purpose of presenting the unaudited pro forma combined condensed financial information, the profit and loss accounts for Huntyard have been adjusted to conform to generally accepted accounting principles in the United States (US GAAP) as described in note 29 in the audited financial statements for Huntyard included in this prospectus. In addition, the historical financial statements of Huntyard were presented in pounds sterling. For the purpose of presenting the unaudited pro forma combined condensed financial information, the adjusted income statements of Huntyard have been translated into U.S. dollars at the average exchange rates prevailing during the periods presented. The pro forma acquisition adjustments described in the unaudited pro forma combined condensed financial information were based on available information and certain assumptions made by us and may be revised as additional information becomes available as the purchase accounting for the acquisition is finalized.

The unaudited pro forma combined condensed financial information included in this prospectus is not intended to represent what our results of operations would have been if the acquisition had occurred on January 1, 2011 or to project our results of operations for any future period. Since the Company and Huntyard were not under common control or management for any period presented, the unaudited pro forma combined condensed financial results may not be comparable to, or indicative of, future performance.

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Bright Horizons Family Solutions Inc. and Huntyard Limited

Pro forma Combined Condensed Statement of Operations

For the nine months ended September 30, 2012

(In thousands, except for share data)

	Bright Horizons	Huntyard in US GAAP (in £) Period Ended May 22, 2012	Huntyard in US GAAP (in US $) Period Ended May 22, 2012	Pro forma Adjustments	Pro forma Combined
Revenue	$ 797,512	£10,978	$ 17,440	$	$ 814,952
Cost of services	614,847	7,685	12,206		627,053
Gross Profit	182,665	3,293	5,234		187,899
Selling, general and administrative expenses	94,847	833	1,324	(434)D	95,737
Amortization	20,298	70	110	823 A	21,231
Income from operations	67,520	2,390	3,800	(389)	70,931
Interest income	106				106
Interest expense	(61,808)	(640)	(1,011)	(888)B	(63,707)
Income (loss) before income taxes	5,818	1,750	2,789	(1,277)	7,330
Income tax benefit (expense)	(1,536)	(544)	(865)	600 C	(1,801)
Net Income (loss)	4,282	1,206	1,924	(677)	5,529
Net income attributable to non-controlling interest	294				294
Net Income (loss) available to Bright Horizons Family Solutions Inc.	$ 3,988	£1,206	$ 1,924	$ (677)	$ 5,235
Accretion of Class L preference	58,401				58,401
Accretion of Class L preference for vested options	4,660				4,660
Net loss available to common shareholders	$ (59,073)				$ (57,826)
Allocation of net (loss) income to common stockholders basic and diluted:					
Class L	$ 58,401				$ 58,401
Class A	$ (59,073)				$ (57,826)
Earnings (loss) per share:					
Class L basic and diluted	44.05				44.05
Class A basic and diluted	(9.75)				(9.55)
Weighted average number of common shares outstanding:					
Class L basic and diluted	1,325,903				1,325,903
Class A basic and diluted	6,057,128				6,057,128

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Bright Horizons Family Solutions Inc. and Huntyard Limited

Pro forma Combined Condensed Statement of Operations

For the year ended December 31, 2011

(In thousands, except for share data)

	Bright Horizons	Huntyard in US GAAP (in £)	Huntyard in US GAAP (in US$)	Pro forma Adjustments	Pro forma Combined
Revenue	$ 973,701	£26,515	$ 42,424	$	$ 1,016,125
Cost of services	766,500	15,811	25,298	6,703 E	798,501
Gross Profit	207,201	10,704	17,126	(6,703)	217,624
Selling, general and administrative expenses	92,938	6,091	9,745	(6,703)E	95,980
Amortization	27,427	131	208	2,112 A	29,747
Income (loss) from operations	86,836	4,482	7,173	(2,112)	91,897
Gains from foreign currency transactions	835				835
Interest income	824	121	193		1,017
Interest expense	(82,908)	(1,630)	(2,608)	(2,386)B	(87,902)
Income (loss) before income taxes	5,587	2,973	4,758	(4,498)	5,847
Income tax (expense) benefit	(825)	(1,298)	(2,077)	1,862 C	(1,040)
Net income (loss)	4,762	1,675	2,681	(2,636)	4,807
Net income attributable to non-controlling interest	3				3
Net income (loss) available to Bright Horizons Family Solutions Inc.	$ 4,759	£1,675	$ 2,681	$ (2,636)	$ 4,804
Accretion of Class L preference	71,568				71,568
Accretion of Class L preference for vested options	1,274				1,274
Net loss available to common shareholders	$ (68,083)				$ (68,038)
Allocation of net (loss) income to common stockholders basic and diluted:					
Class L	$ 71,568				$ 71,568
Class A	$ (68,083)				$ (68,038)
Earnings (loss) per share:					
Class L basic and diluted	54.33				54.33
Class A basic and diluted	(11.32)				(11.31)
Weighted average number of common shares outstanding:					
Class L basic and diluted	1,317,273				1,317,273
Class A basic and diluted	6,016,733				6,016,733

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Notes to Pro Forma Combined Condensed Statements of Operations

Note 1 Basis of Presentation

We accounted for the acquisition of Huntyard under the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. The acquired assets and assumed liabilities were recorded at their respective fair values as of the date of the acquisition. The assets and liabilities have been measured based on estimates and valuations using assumptions that we believe are reasonable based on information currently available. The excess of the purchase price over the estimated amounts of identifiable assets and liabilities was allocated to goodwill.

Note 2 Pro Forma Adjustments

A Amortization

Adjustments to amortization were made to reflect the amortization of acquired intangible assets as if the acquisition had taken place January 1, 2011. Intangible assets of $4.7 million were recorded related to customer relationships that will be amortized over five years, using an accelerated method. Intangible assets of $1.9 million were recorded related to trade names that will be amortized over ten years, using the straight-line method.

B Interest Expense

Adjustments to interest expense were made to reflect the following:

(1) Series C new term loans The Company borrowed the entire amount of the $85.0 million incremental facility under our credit agreement governing our senior credit facilities for the purchase of Huntyard. Adjustments were made to interest expense to reflect the new debt as being outstanding January 1, 2011, applying an annual interest rate of 5.25%, consistent with the rate in effect as of May 23, 2012, to the outstanding debt balances. In addition, adjustments were made to reflect interest expense for the amortization of the original issue discount and deferred financing fees related to the new debt.

(2) Huntyard debt Adjustments were made to reverse the interest expense recognized by Huntyard related to its long-term debt, as this interest expense is a nonrecurring expense since the debt was paid off at the time of the acquisition.

C Income Taxes

Adjustments to income taxes were made to reflect the income tax benefit of the pro forma adjustments related to the amortization of intangibles and interest expense based on the statutory rates for the respective jurisdictions.

D Deal Costs

Adjustments to selling, general and administrative expenses were made to reverse the deal costs incurred by the Company in relation to the acquisition of Huntyard, as these are nonrecurring expenses.

E Reclassifications

Certain reclassifications from selling, general, and administrative expenses to cost of services have been made to conform the presentation of the Huntyard operations with the presentation in the Company s financial statements.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the Selected Consolidated Financial and Other Data and the audited and unaudited historical consolidated financial statements and related notes. This discussion contains forward-looking statements and involves numerous risks and uncertainties. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and generally contain words such as believes, expects, may, will, should, seeks, approximately, intends, plans, estimates, anticipates or similar expressions. Our forward-looking statements are subject to risks and uncertainties, which may cause actual results to differ materially from those projected or implied by the forward-looking statement. Forward-looking statements are based on current expectations and assumptions and currently available data and are neither predictions nor guarantees of future events or performance. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. See Risk Factors and Cautionary Note Regarding Forward-Looking Statements for a discussion of factors that could cause our actual results to differ from those expressed or implied by forward-looking statements.

Overview

We are a leading provider of high-quality child care and early education as well as other services that are 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 their employee engagement, productivity, recruitment and retention. As of September 30, 2012, we had more than 850 client relationships with employers across a diverse array of industries, including more than 130 Fortune 500 companies and more than 75 of *Working Mother* magazine s 2011 100 Best Companies for Working Mothers.

At September 30, 2012, we operated 776 child care and early education centers, consisting of 599 centers in North America and 177 centers in Europe and India. We have the capacity to serve approximately 87,700 children in 42 states, the District of Columbia, the United Kingdom, Puerto Rico, Canada, Ireland, the Netherlands and India. We seek to cluster centers in geographic areas to enhance operating efficiencies and to create a leading market presence. Our North American child care and early education centers have an average capacity of 126 children per location, while the centers in Europe and India have an average capacity of approximately 69 children per location.

We operate centers for a diverse group of clients. At September 30, 2012, we managed child care centers on behalf of single employers in the following industries and also manage lease/consortium locations in approximately the following proportions:

	Percentage of Centers	
Classification	**North America**	**Europe**
Single employer locations:		
Consumer	7.5%	2.5%
Financial Services	15	2.5
Government and Education	15	17.5
Healthcare and Pharmaceuticals	17.5	5
Industrial/Manufacturing	2.5	2.5
Professional Services and Other	7.5	
Technology	5	
	70	30
Lease/consortium locations	30	70
	100%	100%

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Segments

Our primary reporting segments are full service center-based care services and back-up dependent care services. Full service center-based care includes child care and early education, preschool and elementary education. Back-up dependent care includes center-based back-up child care, in-home well child care, in home mildly ill child care and in home adult/elder care. Our remaining business services are included in the other educational advisory services segment, which includes our college preparation and admissions counseling services as well as tuition reimbursement management and educational counseling services.

Center Models

We operate our centers under two principal business models, which we refer to as profit & loss (P&L) and cost-plus. Approximately 70% of our centers operate under the P&L model. Under this model, we retain financial risk for child care and early education centers and are therefore subject to variability in financial performance due to fluctuation in enrollment levels. The P&L model is further classified into two subcategories: (i) the sponsor model and (ii) the lease/consortium model. Under the sponsor model, we provide child care and early education services on a priority enrollment basis for employees of an employer sponsor, and the employer sponsor generally pays facility, pre-opening and start-up capital equipment and maintenance costs. Our operating contracts typically have initial terms ranging from three to ten years. Under the lease/consortium model, the child care center is typically located in an office building or office park in a property that we lease, and we provide these services to the employees of multiple employers. We typically negotiate initial lease terms of 10 to 15 years for these centers, often with renewal options.

When we open a new P&L center, it generally takes two to three years for the center to ramp up to a steady state level of enrollment, as a center will typically enroll younger children at the outset and children age into the older (preschool) classrooms over time. We refer to centers that have been open for three years or less as ramping centers. A center will typically achieve breakeven operating performance between 12 to 24 months and will typically achieve a steady state level of enrollment that supports our average center operating profit at the end of three years, although the period needed to reach a steady state level of enrollment may be longer or shorter. Centers that have been open more than three years are referred to as mature centers.

Approximately 30% of our centers operate under the cost-plus business model. Under this model, we receive a management fee from the employer sponsor and an additional operating subsidy from the employer to supplement tuition paid by parents of children in the center. Under this model, the sponsor typically pays facility, pre-opening and start-up, capital equipment and maintenance costs, and the center is profitable from the outset. Our cost-plus contracts typically have initial terms ranging from three to five years. For additional information about the way we operate our centers, see Business Our Business Models.

Performance and Growth Factors

We believe that 2011 was a successful year for the company. We grew our income from operations by 26%, from $68.7 million to $86.8 million. In addition, we added 64 child care and early education centers with a total capacity of approximately 6,800 children; 22 of these centers were organic additions and 42 were added through acquisitions, including an acquisition of a majority interest in 20 centers in the Netherlands in July 2011. In 2011, we closed 26 centers, resulting in a net increase of 38 centers for the year. We expect to add approximately 25 net new centers in 2012.

Our year-over-year improvement in operating income can be attributed to enrollment gains in ramping and mature centers, disciplined pricing strategies aimed at covering anticipated cost increases

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with tuition increases, contributions from back-up dependent care services and contributions from mature centers obtained through acquisitions and added through transitions of management.

General economic conditions and the business climate in which individual clients operate remain some of the largest variables in terms of our future performance. These variables impact client capital and operating spending budgets, industry specific sales leads and the overall sales cycle, enrollment levels, as well as labor markets and wage rates as competition for human capital fluctuates.

Our ability to increase operating income will depend upon our ability to sustain the following characteristics of our business:

- maintenance and incremental growth of enrollment in our mature and ramping centers, and cost management in response to changes in enrollment in our centers,
- effective pricing strategies, including typical annual tuition increases of 3% to 4%, consistent with typical annual increases in personnel costs, including wages and benefits,
- additional growth in expanded service offerings to clients,
- successful integration of acquisitions and transitions of management of centers, and
- successful management and improvement of underperforming centers.

Cost Factors

Our two most significant expenses are cost of services and interest expense. Cost of services consists of direct expenses associated with the operation of our centers, direct expenses to provide back-up dependent care services (including fees to back-up dependent care providers) and direct expenses to provide educational advisory services. Direct expenses consist primarily of staff salaries, taxes and benefits, food costs, program supplies and materials, parent marketing and facilities costs, including occupancy costs and depreciation. Personnel costs are the largest component of a center s operating costs, and, on a weighted average basis, comprise approximately 75% of a center s operating expenses. We are typically responsible for additional costs in a P&L model center as compared to a cost-plus model center. As a result, personnel costs in centers operating under the P&L model will typically represent a smaller proportion of overall costs when compared to the centers operating under the cost-plus model.

We are highly leveraged. As of September 30, 2012, consolidated total debt was $922.3 million ($825.0 million at December 31, 2011). Historically, a large portion of our cash flows from operations has been used to make interest payments on our indebtedness. In connection with our debt agreements, we incurred financing fees of $27.1 million in 2008 and $2.3 million in the nine months ended September 30, 2012, which are being amortized over the terms of the related debt instruments. Amortization expense relating to these deferred financing costs is included with interest expense in our consolidated statements of operations.

Seasonality

Our business is subject to seasonal and quarterly fluctuations. Demand for child care and early education and elementary school services has historically decreased during the summer months when school is not in session, at which time families are often on vacation or have alternative child care arrangements. In addition, our enrollment declines as older children transition to elementary schools. Demand for our services generally increases in September and October coinciding with the beginning of the new school year and remains relatively stable throughout the rest of the school year. In addition, use of our back-up dependent care services tends to be higher when schools are not in session and during holiday periods, which can increase the operating costs of the program and impact the results of

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operations. Results of operations may also fluctuate from quarter to quarter as a result of, among other things, the performance of existing centers, including enrollment and staffing fluctuations, the number and timing of new center openings, acquisitions and management transitions, the length of time required for new centers to achieve profitability, center closings, refurbishment or relocation, the contract model mix (P&L versus cost-plus) of new and existing centers, the timing and level of sponsorship payments, competitive factors and general economic conditions.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States. Preparation of the consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. The accounting policies we believe are critical in the preparation of our consolidated financial statements relate to revenue recognition, goodwill and other intangibles and common stock valuation and stock-based compensation. Our significant accounting policies are more fully described under the heading Organization and Significant Accounting Policies in note 1 to our consolidated financial statements contained elsewhere in this prospectus.

Revenue Recognition We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee is fixed and determinable and collectability is reasonably assured. We recognize revenue as services are performed.

Center-based care revenues consist primarily of tuition, which is comprised of amounts paid by parents, supplemented in some cases by payments from employer sponsors and, to a lesser extent, by payments from government agencies. Revenue may also include management fees, operating subsidies paid either in lieu of or to supplement parent tuition and fees for other services.

We enter into contracts under various terms with employer sponsors to manage and operate their child care centers and to provide back-up dependent care services and educational advisory services. Our contracts to operate child care and early education centers are generally three to ten years in length with varying renewal options. Our contracts for back-up dependent care arrangements and for educational advisory services are generally one to three years in length with varying renewal options.

Goodwill and Intangible Assets Goodwill represents the excess of cost over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Our intangible assets principally consist of various contractual rights and customer relationships and trade names. Identified intangible assets that have determinable useful lives are valued separately from goodwill and are amortized over the estimated period during which we derive a benefit. Intangible assets related to customer relationships include relationships with employer clients and relationships with parents. Customer relationships with parents are amortized using an accelerated method over their useful lives. All other intangible assets are amortized on a straight line basis over their useful lives.

In valuing the customer relationships, contractual rights and trade names, we utilize variations of the income approach, which relies on historical financial and qualitative information, as well as assumptions and estimates for projected financial information. We consider the income approach the most appropriate valuation technique because the inherent value of these assets is their ability to generate current and future income. Projected financial information is subject to risk if our estimates are incorrect. The most significant estimate relates to our projected revenues and profitability. If we do not meet the projected revenues and profitability used in the valuation calculations, then the intangible assets could be impaired. In determining the value of contractual rights and customer relationships, we reviewed historical customer attrition rates and determined a rate of approximately 30% per year for relationships with parents, and approximately 3.5% to 4.0% for employer client relationships. Our multi-year contracts with client customers typically result in low annual turnover, and our long-term relationships with clients make it difficult for competitors to displace us. The value of our contractual rights and customer relationships intangible assets could become impaired if future results differ significantly from any of the underlying assumptions, including a higher customer attrition rate. Contractual rights and customer relationships are considered to be finite-lived assets, with estimated lives ranging from four to 17 years. Certain trade names acquired as part of our strategy to expand by completing strategic acquisitions are considered to be finite-lived assets, with estimated lives ranging from five to ten years. The estimated lives were determined by calculating the number of years necessary to obtain 95% of the value of the discounted cash flows of the respective intangible asset.

Goodwill and certain trade names are considered indefinite-lived assets. Our trade names identify us and differentiate us from competitors, and, therefore, competition does not limit the useful life of these assets. Additionally, we believe that our primary trade names will continue to generate sales for an indefinite period. Goodwill and intangible assets with indefinite lives are not subject to amortization but are tested annually for impairment or more frequently if there are indicators of impairment. We test goodwill for impairment by comparing the fair value of each reporting unit, determined by estimating the present value of expected future cash flows, to its carrying value. We have identified three reporting segments: full service center-based care, back-up dependent care and other educational advisory services. As part of the annual goodwill impairment assessment, we estimated the fair value of each of our operating segments using the income approach. We forecasted future cash flows by operating segment for each of the next ten years and applied a long-term growth rate to the final year of forecasted cash flows. The cash flows were then discounted using our estimated discount rate. We review the difference between the estimated fair value and net book value of each operating segment. If the excess is less than $1.0 million, the operating segment would be required to perform a step two goodwill impairment analysis to determine what amount of goodwill is potentially impaired. As of December 31, 2011, each of our operating segments had estimated fair values that were at least $1.0 million greater than the net book value.

For certain trademarks that are included in our indefinite-lived intangible assets, we estimate the fair value first by estimating the total revenue attributable to each trademark and then by applying the royalty rate determined by an analysis of empirical, market-derived royalty rates for guideline intangible assets, consistent with the initial valuation, or 1% to 2% and then comparing the estimated fair value of the trademarks with the carrying value of the trademarks. The forecasts of revenue and profitability growth for use in our long-range plan and the discount rate were the key assumptions in our intangible fair value analysis. Impairment losses of $0.4 million were recorded in the year ended December 31, 2011 and in the nine months ended September 30, 2012 in relation to the carrying value of one indefinite-lived trademark. We identified no impairments in 2009 and 2010.

Long-lived assets, including definite-lived intangible assets, are reviewed for impairment when events or circumstances indicate that the carrying amount of a long-lived asset may not be recovered. Long-lived assets are considered to be impaired if the carrying amount of the asset exceeds the undiscounted future cash flows expected to be generated by the asset over its remaining useful life. If an asset is considered to be impaired, the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value and is charged to results of operations at that time. We identified impairments of long-lived assets of $0.1 million in each of 2009 and 2010, and $0.8 million in 2011.

Common Stock Valuation and Stock-Based Compensation We account for stock-based compensation using a fair value method. Stock-based compensation expense is recognized in our consolidated financial statements based on the grant-date fair value of the awards for the awards that are expected to vest. For stock options granted with a service condition only, stock-compensation expense is recognized on a straight-line basis over the requisite service period of each separately vesting tranche. For stock options granted with a service and performance condition, stock-compensation expense will be recognized upon a change in control, as defined in our 2008 Equity Incentive Plan, or the closing of an initial public offering, to the extent that the requisite service period is already fulfilled. We calculate the fair value of options using the Black-Scholes option-pricing model.

Valuations and Methodology

The fair value of our common stock and Class L common stock underlying our options was initially determined by the board of directors in May 2008 in connection with our going private transaction. The key assumption in determining the fair value of stock-based awards on the date of grant is the fair value of the underlying common stock. This fair value determination was made by the board and was based on consideration of management s estimates of projected financial performance, which included consideration of a contemporaneous valuation performed by an independent third-party valuation specialist in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, which we refer to as the AICPA Practice Aid. This valuation relied on a determination of enterprise value based on market multiples demonstrated explicitly by the going private transaction and on the probability weighted expected return method (PWERM) for the allocation of the value of the invested capital to the two classes of stock. We updated this valuation internally at the end of each of 2009 and 2010 and in the third quarter of 2011, and these internal valuations were used by our compensation committee of the board of directors in connection with a limited number of additional option grants to our employees in the subsequent year or period.

The fair value of our common stock as of December 31, 2011 was determined by the board of directors after consideration of management s estimates of projected financial performance, which included consideration of a contemporaneous valuation performed by an independent third-party valuation specialist in accordance with the guidelines outlined in the AICPA Practice Aid, which valuation was performed on a basis consistent with the third-party valuation performed in 2008. This valuation relied on a determination of enterprise value based on a discounted present value of our projected cash flows in future periods. This fair value determination was considered by our board of directors in connection with the offer to exchange outstanding employee options to purchase common stock for options to purchase a combination of shares of common stock and Class L common stock as well as for certain additional grants of options in the second quarter of 2012.

In connection with the preparation of the interim financial statements included in this prospectus, we undertook to confirm that the stock compensation expense taken by the Company in connection with stock option grants during the second quarter of 2012 was reasonable. In doing so, we considered a retrospective valuation as of March 31, 2012 performed by an independent third-party valuation specialist in accordance with the guidelines outlined in the AICPA Practice Aid, which valuation was performed on a basis consistent with the third-party valuation performed in 2008. This valuation relied on a determination of enterprise value based on a discounted present value of our projected cash flows in future periods. After considering the valuation report, we determined that the valuations as of March 31, 2012 and December 31, 2011 were substantially similar and concluded that the board s determinations of fair value as of April 4, 2012 and May 2, 2012 were reasonable and appropriate as of such dates.

The total equity value at each valuation date was allocated to common stock and Class L common stock based on the PWERM methodology, which involved a forward-looking analysis of possible future exit valuations based on a range of multiples of earnings before interest, taxes,

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depreciation, amortization, straight line rent expense, stock compensation expense, transaction costs expensed in connection with acquisitions completed in the respective periods (including costs associated with our going private transaction), Sponsor management fee and the annual expense associated with certain long-term incentive plans other than stock options (which we refer to for these purposes as EBITDA) at various future exit dates, the estimation of future and present values under each outcome and the application of a probability factor to each outcome. Returns to each class of stock as of each possible future exit date and under each EBITDA multiple scenario were calculated by (i) first allocating equity value to the Class L common stock up to the amount of its preferential distribution amount at the assumed exit date and (ii) allocating any residual equity value to the common stock and Class L common stock on a participating basis. No marketability discount was imposed at each valuation date.

The significant assumptions underlying the common stock valuations at each grant date were as follows:

			Discounted Cash Flow		PWERM			
Valuation Date	**Fair Value per Class A Common Share**	**Market Approach EBITDA Multiples(1)**	**Perpetuity Growth Rate**	**Discount Rate(2)**	**EBITDA Multiple(3)**	**Weighted Average Years to Exit**	**Common Stock Discount Rate**	**Class L Common Stock Discount Rate**
May 28, 2008	$ 10.00(4)	10.5x	not used	not used	6.5x-14.5x	3.7	44.00%	16.00%
October 1 and October 11, 2011	$ 10.89(4)	9.5x	not used	not used	9.5x	2.9	54.60%	15.20%
April 4, 2012	$ 6.09(4)	9.5x	3.00%	12.80%	8.6x-9.5x	3.0	56.70%	16.30%
May 2, 2012	$ 6.09(4)	9.5x	3.00%	12.80%	8.6x-9.5x	3.0	56.70%	16.30%

(1) For the valuation at May 28, 2008, the market approach multiple represents the implied value of our company as of May 28, 2008, as the determination of the going private transaction price was based upon an arm s-length bidding process for a publicly-traded entity. For the valuation supporting the October 2011 awards, the market multiple represents the implied value based on consideration of market data for a consistent group of guideline companies in the education sector. For the valuation supporting the April 4, 2012 and May 2, 2012 grants, the market approach was considered but ultimately not relied upon for a conclusion of fair value given the lack of publicly-traded competitors in the child care industry and the resulting limited comparability of other education companies to us.

(2) Represents the weighted average cost of capital.

(3) For the valuation at May 28, 2008, core EBITDA multiples of 9.5x to 11.5x were utilized and given the greatest weighting in the analysis (70%). Extreme case multiples of 6.5x, 7.5x, 8.5x, 12.5x, 13.5x and 14.5x were also employed but were given less weight than the core multiples, with a combined weighting of 15% below 9.5x and 15% above 11.5x.

(4) Does not give effect to the reclassification.

Equity Awards

Aggregate option grants between May 28, 2008, the date of our going private transaction, and December 31, 2011 were as follows (without giving effect to the reclassification): 1,257,750 options on Class A common shares in 2008 (fair value of $10.00 per share and exercise price of $10.00 per share), 28,300 options on Class A common shares in 2009 (fair value of $10.00 per share and exercise price of $10.00 per share), 71,600 options on Class A common shares in 2010 (fair value of $5.09 per share and exercise price of $10.00 per share), 89,350 options on Class A common shares in April 2011 (fair value of $9.02 per share and exercise price of $10.00 per share) and 41,650 Class A common shares in October 2011 (fair value of $10.89 per share and exercise price of $11.00 per share). On May 2, 2012, 1,401,750 options to acquire Class A common shares were exchanged for options to acquire 815,670 Class A common shares, and options to acquire 90,630 Class L common shares. In addition, on April 4, 2012 and May 2, 2012, a total of 293,004 options to acquire our Class A common shares, and 32,556 options to acquire Class L common shares were also awarded. The fair values and exercise prices for these awards were $6.09 per Class A common share and $511.51 per Class L common share. Prior to the option exchange, our employee stock options (other than continuation options relating to our going private transaction and related awards) were options to purchase only shares of our Class A common stock. In contrast, our investor stockholders held shares of both our Class A common stock and our Class L common stock in a ratio of nine shares of our Class A common stock for every one share of our Class L common stock (or 4.9 shares of our Class A common stock for every one share of our Class L common stock after retroactively giving effect to the 1-for-1.9704 reverse split of our Class A common stock, as described in The Reclassification). Our Class L common stock had a preferential payment right upon any liquidating distribution by us to holders of our capital stock, see The Reclassification. As a result, until the entire preference amount was paid out in respect of all outstanding shares of Class L common stock, holders of only shares of Class A common stock (or options to purchase only shares of Class A common stock) were not entitled to receive any portion of such liquidating distribution and, as a result, changes in the value of our equity would not be experienced in the same manner by our investors and our employee optionholders.

We determined in late January 2012 to pursue an option exchange in an attempt to better align the interests of our investor shareholders and our employee optionholders. Specifically, the option exchange was intended to provide an opportunity for existing optionholders to participate on the same basis as our investor shareholders in any equity value that was created through the growth and performance of our business, rather than having optionholders participate in liquidating distributions only after payment of the Class L preferred return. The exchange ratio was selected to provide an approximately equivalent net equity value opportunity to optionholders as the existing option awards, with the new option grants made at the money for options to acquire both shares of Class A common stock and shares of Class L common stock.

In connection with the option exchange, as described above, we obtained a contemporaneous valuation of our equity as of December 31, 2011 from an independent third-party valuation specialist, which was conducted in accordance with the guidelines outlined in the AIPCA Practice Aid, and which valuation was performed on a basis consistent with the third-party valuation performed in 2008. The valuation relied on a determination of enterprise value based on a discounted present value of our projected cash flows in future periods. After receiving such contemporaneous valuation, our board of directors approved the option exchange offer on March 9, 2012, including the exchange ratio and the exercise price for new awards (subject to such exercise price being determined by the board to be at least equal to the fair value of the underlying shares on the date of grant). We commenced the option exchange offer on March 26, 2012 and we completed the option exchange (and issued the new option awards) on May 2, 2012. All eligible optionholders participated in the option exchange, which resulted in our equity holders holding equity in the same ratio of nine shares of Class A common stock (or options to purchase such shares) for every one share of Class L common stock (or options to purchase such shares). After giving effect to the reclassification, options to purchase an aggregate of 1,108,674 shares of our Class A common stock at an exercise price of $6.09 per share that were awarded in 2012 in connection with the option exchange or other grants became exercisable for an aggregate of 562,652 shares of our common stock at an exercise price of $12.00 per common share. In addition, options to purchase an aggregate of 123,186 shares of our Class L common stock at an exercise price of $511.51 per share that were awarded in 2012 in connection with the option exchange or other grants became exercisable for an aggregate of 4,335,592 shares of our common stock at an exercise price of $14.54 per common share. In the aggregate, as of September 30, 2012 after giving effect to the reclassification, we had outstanding options to purchase 5,062,017 shares of our common stock at a weighted average exercise price of $13.84 per common share.

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Since October 1, 2011, we have granted stock options to our employees as follows (in addition to the options granted in connection with this offering described in Management 2012 Omnibus Plan):

	Options to purchase shares of Class A common stock							
	As Granted				After Giving Effect to the Reclassification			
Grant Date	Number of Underlying Shares	Exercise Price	Fair Value of Class A Common Stock	Fair Value of Stock Option(6)	Number of Underlying Shares	Exercise Price	Fair Value of Common Stock	Fair Value of Stock Option(6)
October 1, 2011	21,000(1)	$ 11.00(2)	$ 10.89	$ 6.15	10,657	$ 21.67	$ 21.45	$ 12.11
October 11, 2011	20,650(1)	$ 11.00(2)	$ 10.89	$ 6.16	10,479	$ 21.67	$ 21.45	$ 12.13
April 4, 2012	81,684	$ 6.09(3)	$ 6.09	$ 2.90	41,454	$ 12.00	$ 12.00	$ 5.71
May 2, 2012(5)	815,670	$ 6.09(4)	$ 6.09	$ 2.90	413,952	$ 12.00	$ 12.00	$ 5.71
May 2, 2012	211,320	$ 6.09(4)	$ 6.09	$ 3.70	107,244	$ 12.00	$ 12.00	$ 7.29

	Options to purchase shares of Class L common stock							
	As Granted				After Giving Effect to the Reclassification			
Grant Date	Number of Underlying Shares	Exercise Price	Fair Value of Class L Common Stock	Fair Value of Stock Option(6)	Number of Underlying Shares	Exercise Price(7)	Fair Value of Common Stock	Fair Value of Stock Option(6)
April 4, 2012	9,076	$ 511.51(3)	$ 511.51	$ 243.96	319,434	$ 14.54	$ 14.53	$ 6.93
May 2, 2012(5)	90,630	$ 511.51(4)	$ 511.51	$ 243.96	3,189,768	$ 14.54	$ 14.53	$ 6.93
May 2, 2012	23,480	$ 511.51(4)	$ 511.51	$ 310.31	826,390	$ 14.54	$ 14.53	$ 8.82

(1) Options to purchase shares of our Class A common stock granted in October 2011 were exchanged on May 2, 2012 as part of the option exchange transaction in the ratio and on the terms discussed above and under Management Equity Plan.

(2) Determined based on the fair value of our equity, as determined by our board of directors based on an updated internal valuation as of September 30, 2011.

(3) Determined based on the fair value of our equity, as determined by the compensation committee of our board of directors, on April 4, 2012. The most recent contemporaneous valuation was as of December 31, 2011 and reflected our consideration of a third-party valuation as of December 31, 2011 that was delivered to us on March 6, 2012.

(4) Determined based on the fair value of our equity, as determined by the compensation committee of our board of directors, on May 2, 2012. The most recent contemporaneous valuation was as of December 31, 2011 and reflected our consideration of a third-party valuation as of December 31, 2011 that was delivered to us on March 6, 2012.

(5) Represents stock options granted pursuant to the option exchange transaction described above and under Management Equity Plan.

(6) Calculated using the Black-Scholes option pricing model using the following weighted average assumptions: for the October 2011 Class A option awards, the expected stock price volatility was 82%, the risk free interest rate was 0.63% and the expected life of the stock options was 3.6 years. For the stock option awards in 2012, which were awarded in the ratio of options to purchase nine shares of Class A common stock for each option to purchase one share of Class L common stock, the expected stock price volatility was 87%, the risk free interest rate was 0.37% and the expected life of the stock options was 2.6 years. For all stock option awards in all periods, our expected dividend yield was 0.0%.

(7) Reflects the fair value of the common stock rounded up to the nearest whole cent.

In accordance with applicable accounting guidance for the modification of existing stock option awards, we used the Black-Scholes option pricing model to compute the fair value of the stock options immediately before and immediately after the modification. Based on this methodology, we determined that the fair value of stock options to purchase shares of Class A common stock was $3.21 per share before the modification and $2.90 per share after the modification, and the fair value of stock options to purchase shares of Class L common stock was $243.96 per share after the modification. On the basis of the foregoing, we determined an estimated total stock compensation charge, net of estimated forfeitures, of $19.0 million associated with the option exchange. We expensed $12.7 million in the quarter ended June 30, 2012 (and a total of $13.0 million through September 30, 2012) of this total

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compensation charge for the requisite service period already fulfilled. We will expense the remainder of this stock compensation charge as the service period and performance conditions are met. Approximately $5 million of the portion of the compensation expense yet to be recognized relates to the stock options that have a performance condition that will be met upon completion of this offering, at which time we will expense such amount.

Results of Operations

The following table sets forth statement of operations data as a percentage of revenue for the three years ended December 31, 2011, and for the nine months ended September 30, 2012 and 2011 (in thousands, except percentages).

	Years Ended December 31,						Nine Months Ended September 30,			
	2009		2010		2011		2011		2012	
Revenue	$ 852,323	100.0%	$ 878,159	100.0%	$ 973,701	100.0%	$ 724,816	100.0%	$ 797,512	100.0%
Cost of services(1)	672,793	79.0%	698,264	79.5%	766,500	78.7%	571,015	78.8%	614,847	77.1%
Gross profit	179,530	21.0%	179,895	20.5%	207,201	21.3%	153,801	21.2%	182,665	22.9%
Selling, general and administrative expenses(2)	82,798	9.7%	83,601	9.5%	92,938	9.5%	69,050	9.5%	94,847	11.9%
Amortization	29,960	3.5%	27,631	3.2%	27,427	2.9%	20,697	2.9%	20,298	2.5%
Income from operations	66,772	7.8%	68,663	7.8%	86,836	8.9%	64,054	8.8%	67,520	8.5%
Net interest expense and other	83,096	9.7%	88,971	10.1%	81,249	8.3%	62,246	8.6%	61,702	7.8%
Income (loss) before tax	(16,324)	(1.9)%	(20,308)	(2.3)%	5,587	0.6%	1,808	0.2%	5,818	0.7%
Income tax (expense) benefit	6,789	0.8%	10,314	1.2%	(825)	(0.1)%	(916)	(0.1)%	(1,536)	(0.2)%
Net income (loss)	(9,535)	(1.1)%	(9,994)	(1.1)%	4,762	0.5%	892	0.1%	4,282	0.5%

(1) Cost of services consists of direct expenses associated with the operation of child care centers, and direct expenses to provide back-up dependent care services, including fees to back-up care providers, and educational advisory services. Direct expenses consist primarily of salaries, taxes and benefits for personnel, food costs, program supplies and materials, parent marketing and facilities costs, which include occupancy costs and depreciation.

(2) Selling, general and administrative (SGA) expenses consist primarily of salaries, payroll taxes and benefits (including stock compensation costs) for corporate, regional and business development personnel. Other overhead costs include information technology, occupancy costs for corporate and regional personnel, professional services fees, including accounting and legal services, and other general corporate expenses.

Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

Revenue. Revenue increased $72.7 million, or 10.0%, to $797.5 million for the nine months ended September 30, 2012 from $724.8 million for the same period in the prior year. Revenue growth is primarily attributable to contributions from new and ramping child care and early education centers, expanded sales of our back-up dependent care services and typical annual tuition increases of 3% to 4%. Revenue generated by full service center-based care services in the nine months ended September 30, 2012 increased by $59.0 million, or 9.4%, when compared to the same period in 2011. Revenue generated by back-up dependent care services in the nine months ended September 30, 2012 increased by $11.1 million, or 13.2%, when compared to the same period in 2011. Additionally, revenue generated by other educational advisory services in the nine months ended September 30, 2012 increased by $2.6 million, or 24.6%, when compared to the same period in 2011.

Our acquisition of the 27 Casterbridge centers in the United Kingdom on May 23, 2012 contributed approximately $15.9 million of revenue in the nine months ended September 30, 2012 from the date of the acquisition. The acquisition of a majority interest in 20 centers in the Netherlands on July 20, 2011 contributed approximately $18.6 million of revenue in the nine months ended September 30, 2012 compared to $4.9 million in the nine months ended September 30, 2011 from the date of acquisition. Enrollment of children through kindergarten age in our mature P&L model centers increased approximately 0.7% in the first nine months of 2012 over the first nine months of the prior year. Enrollment is not a direct driver of revenue from our cost-plus model centers because the revenue we earn in these centers does not typically vary with enrollment. At September 30, 2012, we operated 776 child care and early education centers compared to 747 centers at September 30, 2011.

Cost of Services. Cost of services increased $43.8 million, or 7.7%, to $614.8 million for the nine months ended September 30, 2012 when compared to the same period in the prior year. Cost of services in the full service centers segment increased $38.3 million, or 7.5%, to $551.5 million in 2012. Personnel costs typically represent approximately 75% of total cost of services for this segment, and personnel costs increased 6.9% as a result of a 6.2% increase in overall enrollment and routine wage increases. In addition, program supplies, materials, food and facilities costs increased 6.9% in connection with the enrollment growth and the incremental occupancy costs associated with centers that have been added in 2011 and 2012. Cost of services in the back-up dependent care segment increased $4.7 million, or 9.2%, to $56.2 million in the first nine months of 2012, primarily for personnel costs and for increased care provider fees associated with the higher levels of back-up services provided. Cost of services in the other educational advisory services segment increased by $0.8 million, or 13.1%, to $7.1 million in the first nine months of 2012, as we realized economies of scale with existing personnel on the incremental sales of these services.

Gross Profit. Gross profit increased $28.9 million, or 18.8%, to $182.7 million for the nine months ended September 30, 2012 when compared to the same period in the prior year, and as a percentage of revenue, increased to 22.9% in the nine months ended September 30, 2012 from 21.2% in the nine months ended September 30, 2011. The increase is primarily due to the new and ramping P&L centers, which achieve proportionately lower levels of operating costs in relation to revenue as they ramp up enrollment to steady state levels, increased enrollment in our mature P&L centers and expanded back-up services revenue with proportionately lower direct cost of services.

Selling, General and Administrative Expenses. SGA increased $25.8 million, or 37.4%, to $94.8 million for the nine months ended September 30, 2012 compared to $69.0 million for the same period in the prior year, and as a percentage of revenue increased to 11.9% from 9.5% in the same period in the prior year. The increase in SGA was primarily due to an increase in stock compensation expense. Stock compensation expense increased $15.9 million, from $0.8 million in the nine months ended September 30, 2011 to $16.7 million in the nine months ended September 30, 2012. The increase primarily relates to the exchange of existing options to purchase shares of our Class A common stock for options to purchase a combination of shares of our Class A common stock and Class L common stock, which was completed on May 2, 2012. For additional information, see the description of the option exchange under Management Equity Plan and note 12 to our consolidated financial statements appearing elsewhere in this prospectus. The increase was also due to the award of additional options to purchase shares of a combination of our Class A and Class L common stock in the second quarter of 2012. The modification of the previously existing awards resulted in total incremental stock compensation expense of $12.7 million, and the new option awards resulted in total incremental stock compensation expense of $2.5 million, for a combined total incremental charge of $15.2 million in the quarter ended June 30, 2012 related to the requisite service period already fulfilled. We estimate that stock compensation expense for outstanding awards will approximate $23.0 million for the full year in 2012, including approximately $4.0 million associated with satisfaction of the performance condition which would occur on completion of this offering, and will approximate $4.0 million in 2013, as the expense is recognized over the remaining service period of each separately vesting tranche. See note 12 to our consolidated financial statements included elsewhere in this prospectus.

Excluding the incremental stock compensation expense totaling $15.2 million in 2012, SGA increased by $10.6 million, or 15.3%, for the nine months ended September 30, 2012 compared to the same 2011 period. The additional increase in SGA is related to investments in technology and marketing, to incremental overhead associated with acquisitions, including $1.8 million for our Netherlands operations acquired in July 2011 and $1.5 million for the 27 Casterbridge centers acquired on May 23, 2012, and to routine increases in costs compared to the prior year, including annual wage increases.

Amortization. Amortization expense on intangible assets totaled $20.3 million for the nine months ended September 30, 2012, compared to $20.7 million for the nine months ended September 30, 2011. The decrease relates to certain intangible assets becoming fully amortized, offset in part by additional amortization for acquisitions completed since September 30, 2011.

Income from Operations. Income from operations increased by $3.5 million, or 5.4%, to $67.5 million for the nine months ended September 30, 2012 when compared to the same period in 2011. Income from operations was 8.5% of revenue for the nine months ended September 30, 2012, compared to 8.8% of revenue for the nine months ended September 30, 2011. Excluding the impact of the incremental stock compensation charge of $15.2 million in the second quarter of 2012 described above, income from operations would have been $82.7 million, or 10.4% of revenue, an increase of $18.7 mil