

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 2020

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-35780

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**80-0188269**  
(I.R.S. Employer  
Identification Number)

**200 Talcott Avenue**  
**Watertown, Massachusetts**  
(Address of principal executive offices)

**02472**  
(Zip code)

**Registrant's telephone number, including area code: (617) 673-8000**

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value per share	BFAM	New York Stock Exchange

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). Yes  No

As of April 24, 2020, there were 60,319,026 shares of common stock outstanding.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.  
FORM 10-Q**

**For the quarterly period ended March 31, 2020**

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**PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements (Unaudited)**

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share data)  
(Unaudited)

	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 49,230	\$ 27,872
Accounts receivable — net of allowance for credit losses of \$1,836 and \$1,226 at March 31, 2020 and December 31, 2019, respectively	171,566	148,855
Prepaid expenses and other current assets	63,369	52,161
Total current assets	284,165	228,888
Fixed assets — net	609,459	636,153
Goodwill	1,389,649	1,412,873
Other intangible assets — net	295,337	304,673
Operating lease right-of-use assets	724,053	700,956
Other assets	48,331	46,877
Total assets	\$ 3,350,994	\$ 3,330,420
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 10,750	\$ 10,750
Accounts payable and accrued expenses	188,423	167,059
Current portion of operating lease liabilities	86,252	83,123
Deferred revenue	184,400	191,117
Other current liabilities	27,356	31,241
Total current liabilities	497,181	483,290
Long-term debt — net	1,025,844	1,028,049
Operating lease liabilities	722,602	685,910
Other long-term liabilities	101,352	92,865
Deferred revenue	10,484	10,098
Deferred income taxes	56,003	58,940
Total liabilities	2,413,466	2,359,152
Stockholders' equity:		
Preferred stock, \$0.001 par value; 25,000,000 shares authorized and no shares issued or outstanding at March 31, 2020 and December 31, 2019	—	—
Common stock, \$0.001 par value; 475,000,000 shares authorized; 57,920,154 and 57,884,020 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	58	58
Additional paid-in capital	627,337	648,031
Accumulated other comprehensive loss	(94,109)	(50,331)
Retained earnings	404,242	373,510
Total stockholders' equity	937,528	971,268
Total liabilities and stockholders' equity	\$ 3,350,994	\$ 3,330,420

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(In thousands, except share data)**  
**(Unaudited)**

	<b>Three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Revenue	\$ 506,323	\$ 501,758
Cost of services	397,464	374,811
Gross profit	108,859	126,947
Selling, general and administrative expenses	57,369	55,875
Amortization of intangible assets	8,209	8,162
Income from operations	43,281	62,910
Interest expense — net	(10,206)	(11,948)
Income before income tax	33,075	50,962
Income tax expense	(2,343)	(8,920)
Net income	\$ 30,732	\$ 42,042
Earnings per common share:		
Common stock — basic	\$ 0.53	\$ 0.73
Common stock — diluted	\$ 0.52	\$ 0.71
Weighted average common shares outstanding:		
Common stock — basic	57,930,909	57,679,041
Common stock — diluted	58,878,784	58,752,384

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(In thousands)**  
**(Unaudited)**

	<b>Three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income	\$ 30,732	\$ 42,042
Other comprehensive income (loss):		
Foreign currency translation adjustments	(39,508)	6,978
Unrealized loss on interest rate swaps and investments, net of tax	(4,270)	(2,867)
Total other comprehensive income (loss)	(43,778)	4,111
Comprehensive income (loss)	\$ (13,046)	\$ 46,153

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(In thousands, except share data)  
(Unaudited)

Three months ended March 31, 2020							
	Common Stock		Additional Paid-in Capital	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
<b>Balance at January 1, 2020</b>	57,884,020	\$ 58	\$ 648,031	\$ —	\$ (50,331)	\$ 373,510	\$ 971,268
Stock-based compensation expense			4,283				4,283
Issuance of common stock under the Equity Incentive Plan	298,876	1	12,461				12,462
Shares received in net share settlement of stock option exercises and vesting of restricted stock	(31,429)	—	(5,231)				(5,231)
Purchase of treasury stock				(32,208)			(32,208)
Retirement of treasury stock	(231,313)	(1)	(32,207)	32,208			—
Other comprehensive loss					(43,778)		(43,778)
Net income						30,732	30,732
<b>Balance at March 31, 2020</b>	<b>57,920,154</b>	<b>\$ 58</b>	<b>\$ 627,337</b>	<b>\$ —</b>	<b>\$ (94,109)</b>	<b>\$ 404,242</b>	<b>\$ 937,528</b>

Three months ended March 31, 2019							
	Common Stock		Additional Paid-in Capital	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
<b>Balance at January 1, 2019</b>	57,494,468	\$ 57	\$ 648,651	\$ —	\$ (62,355)	\$ 193,124	\$ 779,477
Stock-based compensation expense			3,106				3,106
Issuance of common stock under the Equity Incentive Plan	303,929	1	11,054				11,055
Shares received in net share settlement of stock option exercises and vesting of restricted stock	(24,718)	—	(2,779)				(2,779)
Other comprehensive income					4,111		4,111
Net income						42,042	42,042
<b>Balance at March 31, 2019</b>	<b>57,773,679</b>	<b>\$ 58</b>	<b>\$ 660,032</b>	<b>\$ —</b>	<b>\$ (58,244)</b>	<b>\$ 235,166</b>	<b>\$ 837,012</b>

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Three months ended March 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 30,732	\$ 42,042
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,221	26,462
Impairment losses on long-lived assets	4,970	—
Stock-based compensation expense	4,283	3,106
Deferred income taxes	(5,048)	3,796
Other non-cash adjustments — net	(691)	1,460
Changes in assets and liabilities:		
Accounts receivable	(23,421)	2,587
Prepaid expenses and other current assets	(11,422)	565
Accounts payable and accrued expenses	24,529	(1,099)
Income taxes	1,367	2,073
Deferred revenue	(5,299)	23,927
Leases	16,839	2,551
Other assets	1,894	(1,307)
Other current and long-term liabilities	(2,871)	850
Net cash provided by operating activities	64,083	107,013
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(17,094)	(24,195)
Proceeds from the disposal of fixed assets	4,454	3,134
Proceeds from the maturity of debt securities and sale of other investments	3,247	—
Purchases of other investments and debt securities	(42)	(20,011)
Payments and settlements for acquisitions — net of cash acquired	(3,529)	(19,490)
Net cash used in investing activities	(12,964)	(60,562)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings under revolving credit facility	10,500	110,500
Payments under revolving credit facility	(10,500)	(178,650)
Principal payments of long-term debt	(2,688)	(2,688)
Purchase of treasury stock	(32,658)	(60)
Taxes paid related to the net share settlement of stock options and restricted stock	(5,231)	(2,779)
Proceeds from issuance of common stock upon exercise of options and restricted stock upon purchase	15,962	11,414
Payments of contingent consideration for acquisitions	(1,088)	—
Net cash used in financing activities	(25,703)	(62,263)
Effect of exchange rates on cash, cash equivalents and restricted cash	(1,203)	548
Net increase (decrease) in cash, cash equivalents and restricted cash	24,213	(15,264)
Cash, cash equivalents and restricted cash — beginning of period	31,192	38,478
Cash, cash equivalents and restricted cash — end of period	\$ 55,405	\$ 23,214

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**(In thousands)**  
**(Unaudited)**

	Three months ended March 31,	
	2020	2019
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONSOLIDATED BALANCE SHEETS:</b>		
Cash and cash equivalents	\$ 49,230	\$ 20,129
Restricted cash and cash equivalents, included in prepaid expenses and other current assets	6,175	3,085
Total cash, cash equivalents and restricted cash — end of period	<u>\$ 55,405</u>	<u>\$ 23,214</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash payments of interest	\$ 9,535	\$ 11,383
Cash payments of income taxes	\$ 6,026	\$ 3,094
Cash paid for amounts included in the measurement of lease liabilities	\$ 29,130	\$ 30,034
<b>NON-CASH TRANSACTIONS:</b>		
Fixed asset purchases recorded in accounts payable and accrued expenses	\$ 3,514	\$ 4,869
Contingent consideration issued for acquisitions	\$ —	\$ 16,375
Operating right-of-use assets obtained in exchange for operating lease liabilities — net	\$ 56,825	\$ 24,496

See accompanying notes to condensed consolidated financial statements.



**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

## 1. ORGANIZATION AND BASIS OF PRESENTATION

**Organization** — Bright Horizons Family Solutions Inc. (“Bright Horizons” or the “Company”) provides center-based child care and early education, back-up child and adult/elder dependent care, tuition assistance and student loan repayment program administration, educational advisory services, and other support services for employers and families in the United States, the United Kingdom, the Netherlands, Puerto Rico, Canada, and India. The Company provides services designed to help families, employers and their employees better integrate work and family life, primarily under multi-year contracts with employers who offer child care, dependent care, and workforce education services, as part of their employee benefits packages in an effort to support employees across life and career stages and improve employee engagement.

**Basis of Presentation** — The accompanying unaudited condensed consolidated balance sheet as of March 31, 2020 and the condensed consolidated statements of income, comprehensive income (loss), changes in stockholders’ equity, and cash flows for the interim periods ended March 31, 2020 and 2019 have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP” or “GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required in accordance with U.S. GAAP for complete financial statements and should be read in conjunction with the audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019. Certain reclassifications have been made to prior period amounts within the operating section of the condensed consolidated statements of cash flows to conform to the current period presentation.

In the opinion of the Company’s management, the Company’s unaudited condensed consolidated balance sheet as of March 31, 2020 and the condensed consolidated statements of income, comprehensive income (loss), changes in stockholders’ equity, and cash flows for the interim periods ended March 31, 2020 and 2019, reflect all adjustments (consisting only of normal and recurring adjustments) necessary to present fairly the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

**Stockholders’ Equity** — The board of directors of the Company authorized a share repurchase program of up to \$300 million of the Company’s outstanding common stock effective June 12, 2018. The share repurchase program has no expiration date. The shares may be repurchased from time to time in open market transactions at prevailing market prices, in privately negotiated transactions, under Rule 10b5-1 plans, or by other means in accordance with federal securities laws. At March 31, 2020, \$194.9 million remained available under the repurchase program. The Company has temporarily suspended share repurchases due to the impact of COVID-19 as the Company prioritizes investments to the most critical operating areas.

**COVID-19 Pandemic** — In March 2020, the Company began to experience the impact of the COVID-19 pandemic on its global operations, as required business and school closures and shelter-in-place government mandates in response to the pandemic resulted in the temporary closure of a significant portion of the Company’s child care centers. The Company continues to operate critical health care client and “hub” centers to provide care and support services to the children and families of first responders, scientists, health care and medical professionals, and other essential workers, as well as the many support industries facilitating their work. As of March 31, 2020, the Company operated 1,094 child care and early education centers with the capacity to serve approximately 120,000 children and their families, of which approximately 250 child care centers with the capacity to serve approximately 32,000 children remained open after the temporary center closures in response to the COVID-19 pandemic. These open centers are operating with special COVID-19 protocols in place in order to protect the health and safety of the children and staff, including social distancing procedures for pick-up and drop-off, daily health checks, the use of face masks by the Company’s staff, limited capacity, and enhanced hygiene and cleaning practices. The Company’s back-up care and educational advisory services remain operational and available to clients.

As a result of the economic effects of the COVID-19 pandemic, including the Company’s temporary closure of a significant portion of its centers and the related negative financial impact to its results of operations, the Company considered whether these conditions indicated it was more likely than not that the Company’s \$1.4 billion in goodwill and \$180.6 million in indefinite-lived intangible assets were impaired. Based on the facts and circumstances as of March 31, 2020, the Company determined it was more likely than not that the fair value of its reporting units and indefinite-lived intangible assets exceeded their carrying amount and therefore, interim impairment analysis was not required.

In addition, the Company reviewed its long-lived assets, including amortizable intangible assets, to determine whether these conditions indicated that the carrying amount of such assets may not be recoverable. During the three months ended March 31, 2020, the Company recognized a \$5.0 million impairment loss on long-lived assets for certain centers that are unlikely to recover the carrying amount as a result of the operational disruption caused by recent closures and events. Given the current risks and uncertainties associated with the COVID-19 pandemic, additional impairment losses may occur.

The broad effects of COVID-19, its duration and scope of the ongoing disruption, including the pace of re-opening temporarily closed centers, cannot be predicted and is affected by many interdependent variables and decisions by government authorities and the Company's client partners. Based on the current guidance and directives of state and local health authorities, in conjunction with recommendations from medical experts and the Centers for Disease Control and Prevention, the temporary closure of the Company's centers is expected to continue in the second quarter of 2020 and, potentially, in subsequent periods. The timing and cadence of re-opening the temporarily closed centers will vary by jurisdiction and other factors and the Company cannot anticipate when the majority of our centers will re-open. The Company will continue to evaluate the conditions and factors which would govern the re-opening of temporarily closed centers, including health and safety protocols. While the Company recently experienced increased demand for back-up care services, such as in-home care, and minimal disruption to providing educational advisory services, these conditions and trends may not continue in subsequent periods. Given these factors, the Company expects the effects of COVID-19 to its business to continue to adversely impact the results of its operations in the second quarter of 2020, and potentially in subsequent periods.

In response to these developments, the Company has implemented measures in an effort to manage costs and improve liquidity and access to financial resources, and thereby mitigate the impact on the Company's financial position and operations. These measures include, but are not limited to, the following:

- furloughing a significant portion of the Company's employees in proportion to the number of center closures, including center personnel for temporarily closed centers and related support functions in the Company's corporate offices;
- reducing discretionary spending and overhead costs, while prioritizing investments that support current operations and deferring to future periods nonessential and discretionary investments;
- temporary voluntary reductions in compensation to certain executive officers and board members;
- temporary suspension of share repurchases;
- amending the Company's credit agreement in April 2020 and May 2020 to increase the borrowing capacity of its revolving credit facility from \$225 million to \$400 million; and,
- raising \$250 million in gross proceeds from the issuance and sale of common stock in April 2020.

In light of these actions and based on the Company's assumptions about the continued impact of COVID-19 on its operations, the Company believes it has sufficient liquidity to satisfy its obligations for at least the next twelve months. Refer to Note 12, *Subsequent Events*, for additional information on the issuance and sale of common stock and the amendments to the Company's credit agreement.

**Recently Adopted Pronouncements** — On January 1, 2020, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the existing guidance on the accounting for credit losses of certain financial instruments. This guidance requires entities to recognize the expected credit loss over the lifetime of certain financial instruments and modifies the impairment model for available-for-sale debt securities. This standard is applied by recording a cumulative effect adjustment to retained earnings upon adoption. There was no impact to the Company's consolidated financial statements from the adoption of this guidance.

The Company generates accounts receivable from fees charged to parents and employer sponsors, which are generally billed monthly as services are rendered or in advance, and are classified as short term. The Company monitors collections and maintains a provision for expected credit losses based on historical trends, current conditions, and relevant forecasted information, in addition to provisions established for specific collection issues that have been identified. Activity in the allowance for credit losses is as follows (in thousands):

	<b>Three months ended March 31, 2020</b>
Beginning balance at January 1, 2020	\$ 1,226
Provision	910
Write offs and recoveries	(300)
Ending balance at March 31, 2020	<u>\$ 1,836</u>

The Company's investments in debt securities, which were classified as available-for-sale, are further disclosed in Note 9, *Fair Value Measurements*. As of March 31, 2020, the available-for-sale debt securities are not in an unrealized loss position, and therefore there is no allowance for credit losses.

**Recently Issued Pronouncements** — In December 2019, the Financial Accounting Standards Board issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The standard removes certain exceptions to the general principles in Topic 740 and improves the consistent application of U.S. GAAP by clarifying and amending certain areas of the existing guidance. This ASU is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements and related disclosures.

## 2. REVENUE RECOGNITION

### Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers into segments and geographical regions. Revenue disaggregated by segment and geographical region was as follows (in thousands):

	Full service center-based child care	Back-up care	Educational advisory services	Total
<b>Three months ended March 31, 2020</b>				
North America	\$ 298,067	\$ 70,557	\$ 20,765	\$ 389,389
Europe	113,324	3,610	—	116,934
	<u>\$ 411,391</u>	<u>\$ 74,167</u>	<u>\$ 20,765</u>	<u>\$ 506,323</u>
<b>Three months ended March 31, 2019</b>				
North America	\$ 304,312	\$ 62,007	\$ 18,744	\$ 385,063
Europe	114,008	2,687	—	116,695
	<u>\$ 418,320</u>	<u>\$ 64,694</u>	<u>\$ 18,744</u>	<u>\$ 501,758</u>

The classification “North America” is comprised of the Company’s United States, Canada, and Puerto Rico operations and the classification “Europe” includes the United Kingdom, Netherlands, and India operations.

### Deferred Revenue

The Company records deferred revenue when payments are received in advance of the Company’s performance under the contract, which are recognized as revenue as the performance obligation is satisfied. During the three months ended March 31, 2020, \$123.8 million was recognized as revenue related to the deferred revenue balance recorded at December 31, 2019. During the three months ended March 31, 2019, \$113.4 million was recognized as revenue related to the deferred revenue balance recorded at December 31, 2018.

### Remaining Performance Obligations

The transaction price allocated to the remaining performance obligations relates to services that are paid or invoiced in advance. The Company does not disclose the value of unsatisfied performance obligations for contracts with an original contract term of one year or less, or for variable consideration allocated to the unsatisfied performance obligation of a series of services. The Company’s remaining performance obligations not subject to the practical expedients were not material.

## 3. LEASES

The Company has operating leases for certain of its full service and back-up child care and early education centers, corporate offices, call centers, and to a lesser extent, various office equipment, in the United States, the United Kingdom, the Netherlands, and Canada. Most of the leases expire within 10 to 15 years and many contain renewal options and/or termination provisions. The Company does not have any finance leases as of March 31, 2020.

### Lease Expense

The components of lease expense were as follows (in thousands):

	Three months ended March 31,	
	2020	2019
Operating lease expense <sup>(1)</sup>	\$ 33,861	\$ 30,960
Variable lease expense <sup>(1)</sup>	9,233	8,333
Total lease expense	<u>\$ 43,094</u>	<u>\$ 39,293</u>

(1) Excludes short-term lease expense and sublease income, which were immaterial for the periods presented.

**Other Information**

The weighted average remaining lease term and the weighted average discount rate were as follows:

	March 31, 2020	December 31, 2019
Weighted average remaining lease term (in years)	10	10
Weighted average discount rate	6.1%	6.2%

**Maturity of Lease Liabilities**

The following table summarizes the maturity of lease liabilities as of March 31, 2020 (in thousands):

	Operating Leases
Remainder of 2020	\$ 90,468
2021	124,795
2022	120,283
2023	111,985
2024	101,015
Thereafter	555,120
Total lease payments	1,103,666
Less imputed interest	(294,812)
Present value of lease liabilities	808,854
Less current portion of operating lease liabilities	(86,252)
Long-term operating lease liabilities	\$ 722,602

As of March 31, 2020, the Company had entered into additional operating leases that have not yet commenced with total fixed payment obligations of \$52.0 million. The leases are expected to commence between the second quarter of fiscal 2020 and the fourth quarter of fiscal 2021 and have initial lease terms of approximately 15 years.

**4. ACQUISITIONS**

The Company's growth strategy includes expansion through strategic and synergistic acquisitions. The goodwill resulting from these acquisitions arises largely from synergies expected from combining the operations of the businesses acquired with our existing operations, as well as from benefits derived from gaining the related assembled workforce.

**2020 Acquisitions**

During the three months ended March 31, 2020, the Company acquired one center in the United States, which was accounted for as a business combination. The center was acquired for cash consideration of \$3.5 million, including fixed assets of \$2.3 million in relation to the real estate acquired. The Company recorded goodwill of \$1.2 million to the full service center-based child care segment, all of which will be deductible for tax purposes.

The allocation of purchase price consideration is based on preliminary estimates of fair value; such estimates and assumptions are subject to change within the measurement period (up to one year from the acquisition date). As of March 31, 2020, the purchase price allocation for this acquisition remains open as the Company gathers additional information regarding the assets acquired and the liabilities assumed. The operating results for the acquired business are included in the consolidated results of operations from the date of acquisition, and were not material to the Company's financial results.

During the three months ended March 31, 2020, the Company paid \$1.1 million for contingent consideration related to an acquisition completed in 2018, which had been recorded as a liability at the date of acquisition.

## 2019 Acquisitions

During the year ended December 31, 2019, the Company acquired three centers and the tuition program management division of another company in the United States, four centers in the Netherlands, and one back-up care provider in the United Kingdom, in eight separate business acquisitions, which were each accounted for as business combinations. These businesses were acquired for cash consideration of \$53.3 million, net of cash acquired of \$1.2 million, and consideration payable of \$0.7 million. Additionally, contingent consideration of up to \$20.0 million may be payable over the next three years if certain future performance targets are met. The Company recorded a fair value estimate of the contingent consideration of \$13.9 million. The Company recorded goodwill of \$25.4 million related to the back-up care segment, which will not be deductible for tax purposes, \$14.0 million related to the educational advisory services segment, which will be deductible for tax purposes, and \$15.2 million related to the full service center-based child care segment, of which \$3.9 million will be deductible for tax purposes. In addition, the Company recorded intangible assets of \$14.6 million primarily consisting of customer relationships that will be amortized over five years, as well as fixed assets and technology of \$3.1 million, and deferred tax liabilities of \$1.9 million in relation to these acquisitions.

The allocation of purchase price consideration is based on preliminary estimates of fair value; such estimates and assumptions are subject to change within the measurement period (up to one year from the acquisition date). As of March 31, 2020, the purchase price allocations for six of the 2019 acquisitions remain open as the Company gathers additional information regarding the assets acquired and the liabilities assumed.

During the year ended December 31, 2019, the Company paid \$4.2 million for deferred and contingent consideration, which were accrued at the date of acquisition. Of this settlement, \$3.5 million was for deferred consideration payable related to an acquisition completed in 2018, and \$0.7 million was the final installment for contingent consideration related to an acquisition completed in 2016.

## 5. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill were as follows (in thousands):

	Full service center-based child care	Back-up care	Educational advisory services	Total
Balance at January 1, 2019	\$ 1,155,705	\$ 168,105	\$ 23,801	\$ 1,347,611
Additions from acquisitions	15,228	25,350	14,000	54,578
Adjustments to prior year acquisitions	(83)	—	—	(83)
Effect of foreign currency translation	10,380	387	—	10,767
Balance at December 31, 2019	1,181,230	193,842	37,801	1,412,873
Additions from acquisitions	1,167	—	—	1,167
Adjustments to prior year acquisitions	(328)	—	(125)	(453)
Effect of foreign currency translation	(22,196)	(1,742)	—	(23,938)
Balance at March 31, 2020	\$ 1,159,873	\$ 192,100	\$ 37,676	\$ 1,389,649

The Company also has intangible assets, which consisted of the following at March 31, 2020 and December 31, 2019 (in thousands):

March 31, 2020	Weighted average amortization period	Cost	Accumulated amortization	Net carrying amount
<b>Definite-lived intangibles:</b>				
Customer relationships	14 years	\$ 402,504	\$ (289,824)	\$ 112,680
Trade names	6 years	10,138	(8,099)	2,039
		412,642	(297,923)	114,719
<b>Indefinite-lived intangibles:</b>				
Trade names	N/A	180,618	—	180,618
		\$ 593,260	\$ (297,923)	\$ 295,337

December 31, 2019	Weighted average amortization period	Cost	Accumulated amortization	Net carrying amount
<b>Definite-lived intangibles:</b>				
Customer relationships	14 years	\$ 404,667	\$ (283,597)	\$ 121,070
Trade names	6 years	10,656	(8,144)	2,512
		415,323	(291,741)	123,582
<b>Indefinite-lived intangibles:</b>				
Trade names	N/A	181,091	—	181,091
		\$ 596,414	\$ (291,741)	\$ 304,673

The Company estimates that it will record amortization expense related to intangible assets existing as of March 31, 2020 as follows (in thousands):

	Estimated amortization expense
Remainder of 2020	\$ 23,200
2021	\$ 28,077
2022	\$ 25,774
2023	\$ 24,905
2024	\$ 11,051

## 6. CREDIT ARRANGEMENTS AND DEBT OBLIGATIONS

### Senior Secured Credit Facilities

The Company's \$1.3 billion senior secured credit facilities consist of a \$1.1 billion secured term loan facility ("term loan facility") and a \$225 million multi-currency revolving credit facility ("revolving credit facility"). The term loans mature on November 7, 2023 and require quarterly principal payments of \$2.7 million, with the remaining principal balance due on November 7, 2023. Refer to Note 12, *Subsequent Events*, for changes to the Company's senior secured credit facilities.

Outstanding term loan borrowings were as follows (in thousands):

	March 31, 2020	December 31, 2019
Term loans	\$ 1,042,750	\$ 1,045,438
Deferred financing costs and original issue discount	(6,156)	(6,639)
Total debt	1,036,594	1,038,799
Less current maturities	10,750	10,750
Long-term debt	\$ 1,025,844	\$ 1,028,049

The revolving credit facility matures on July 31, 2022. There were no borrowings outstanding on the revolving credit facility at March 31, 2020 and December 31, 2019.

All borrowings under the credit agreement are subject to variable interest. Borrowings under the term loan facility bear interest at a rate per annum of 0.75% over the base rate, or 1.75% over the eurocurrency rate, which is the one, two, three or six month LIBOR rate or, with applicable lender approval, the twelve month or less than one month LIBOR rate. With respect to the term loan facility, the base rate is subject to an interest rate floor of 1.75% and the eurocurrency rate is subject to an interest rate floor of 0.75%. Borrowings under the revolving credit facility bear interest at a rate per annum ranging from 0.50% to 0.75% over the base rate, or 1.50% to 1.75% over the eurocurrency rate. Refer to Note 12, *Subsequent Events*, for changes to interest rates applicable to the Company's revolving credit facility.

The effective interest rate for the term loans was 2.74% and 3.55% at March 31, 2020 and December 31, 2019, respectively, and the weighted average interest rate was 3.42% and 4.25% for the three months ended March 31, 2020 and 2019, respectively, prior to the effects of any interest rate swap arrangements. The weighted average interest rate for the revolving credit facility was 5.41% and 4.10% for the three months ended March 31, 2020 and 2019, respectively.

Certain financing fees and original issue discount costs are capitalized and are being amortized over the terms of the related debt instruments and amortization expense is included in interest expense. Amortization expense of deferred financing costs was \$0.4 million for the three months ended March 31, 2020 and 2019. Amortization expense of original issue discount costs was \$0.1 million for the three months ended March 31, 2020 and 2019.

All obligations under the senior secured credit facilities are secured by substantially all the assets of the Company's U.S. subsidiaries. The senior secured credit facilities contain a number of covenants that, among other things and subject to certain exceptions, may restrict the ability of Bright Horizons Family Solutions LLC, the Company's wholly-owned subsidiary, and its restricted subsidiaries, to: incur certain liens; make investments, loans, advances and acquisitions; incur additional indebtedness or guarantees; pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated indebtedness; engage in transactions with affiliates; sell assets, including capital stock of our subsidiaries; alter the business conducted; enter into agreements restricting the Company's subsidiaries' ability to pay dividends; and consolidate or merge.

In addition, the credit agreement governing the senior secured credit facilities requires Bright Horizons Capital Corp., the Company's direct subsidiary, to be a passive holding company, subject to certain exceptions. The revolving credit facility requires Bright Horizons Family Solutions LLC, the borrower, and its restricted subsidiaries, to comply with a maximum consolidated first lien net leverage ratio that is a quarterly maintenance based financial covenant. A breach of this covenant is subject to certain equity cure rights. Refer to Note 12, *Subsequent Events*, for changes to the financial covenant applicable to the Company's revolving credit facility.

Future principal payments of long-term debt are as follows for the years ending December 31 (in thousands):

	<b>Term Loans</b>
Remainder of 2020	\$ 8,062
2021	10,750
2022	10,750
2023	1,013,188
Total future principal payments	<u>\$ 1,042,750</u>

### Interest Rate Swap Agreements

The Company is subject to interest rate risk as all borrowings under the senior secured credit facilities are subject to variable interest rates. In October 2017, the Company entered into variable-to-fixed interest rate swap agreements to mitigate the exposure to variable interest arrangements on \$500 million notional amount of the outstanding term loan borrowings. These swap agreements, designated and accounted for as cash flow hedges from inception, are scheduled to mature on October 31, 2021. The Company is required to make monthly payments on the notional amount at a fixed average interest rate, plus the applicable rate for eurocurrency loans. The notional amount is subject to a total interest rate of approximately 3.65%. In exchange, the Company receives interest on the notional amount at a variable rate based on the one-month LIBOR rate, subject to a 0.75% floor.

The interest rate swaps are recorded on the Company's consolidated balance sheet at fair value and classified based on the instruments' maturity dates. The Company records gains or losses resulting from changes in the fair value of the interest rate swaps to other comprehensive income or loss. These gains or losses are subsequently reclassified into earnings and recognized to interest expense in the Company's consolidated statement of income in the period that the hedged interest expense on the term loan facility is recognized.

As of March 31, 2020 and December 31, 2019, the fair value of the interest rate swap agreements was a liability of \$8.9 million and \$2.9 million, respectively, which was recorded in other long-term liabilities on the consolidated balance sheet.

For the three months ended March 31, 2020, the effect of the interest rate swap agreements on other comprehensive income (loss) was as follows (in thousands):

Derivatives designated as cash flow hedging instruments	Amount of gain (loss) recognized in other comprehensive income (loss)	Consolidated statement of income classification	Amount of net gain (loss) reclassified into earnings	Total effect on other comprehensive income (loss)
Interest rate swaps	\$ (6,302)	Interest expense — net	\$ (285)	\$ (6,017)
Income tax effect	1,695	Income tax expense	77	1,618
Net of income taxes	<u>\$ (4,607)</u>		<u>\$ (208)</u>	<u>\$ (4,399)</u>

For the three months ended March 31, 2019, the effect of the interest rate swap agreements on other comprehensive income (loss) was as follows (in thousands):

Derivatives designated as cash flow hedging instruments	Amount of gain (loss) recognized in other comprehensive income (loss)	Consolidated statement of income classification	Amount of net gain (loss) reclassified into earnings	Total effect on other comprehensive income (loss)
Interest rate swaps	\$ (3,189)	Interest expense — net	\$ 757	\$ (3,946)
Income tax effect	858	Income tax expense	(203)	1,061
Net of income taxes	\$ (2,331)		\$ 554	\$ (2,885)

During the next twelve months, the Company estimates that a net loss of \$5.7 million, pre-tax, will be reclassified from accumulated other comprehensive income (loss) and recorded to interest expense, related to these interest rate swap agreements.

## 7. EARNINGS PER SHARE

The following tables set forth the computation of basic and diluted earnings per share using the two-class method (in thousands, except share and per share amounts):

### Basic earnings per share:

	Three months ended March 31,	
	2020	2019
Net income	\$ 30,732	\$ 42,042
<b>Allocation of net income to common stockholders:</b>		
Common stock	\$ 30,587	\$ 41,845
Unvested participating shares	145	197
	\$ 30,732	\$ 42,042

### Weighted average number of common shares:

Common stock	57,930,909	57,679,041
Unvested participating shares	274,801	271,153

### Earnings per common share:

Common stock	\$ 0.53	\$ 0.73
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### Diluted earnings per share:

	Three months ended March 31,	
	2020	2019
Earnings allocated to common stock	\$ 30,587	\$ 41,845
Earnings allocated to unvested participating shares	145	197
Adjusted earnings allocated to unvested participating shares	(143)	(193)
Earnings allocated to common stock	\$ 30,589	\$ 41,849

### Weighted average number of common shares:

Common stock	57,930,909	57,679,041
Effect of dilutive securities	947,875	1,073,343
	58,878,784	58,752,384

### Earnings per common share:

Common stock	\$ 0.52	\$ 0.71
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Options outstanding to purchase 0.5 million and 0.8 million shares of common stock were excluded from diluted earnings per share for the three months ended March 31, 2020 and 2019, respectively, since their effect was anti-dilutive. These options may become dilutive in the future.



## 8. INCOME TAXES

The Company's effective income tax rates were 7.1% and 17.5% for the three months ended March 31, 2020 and 2019, respectively. For the three months ended March 31, 2020, the Company's annual effective tax rate is highly sensitive to change in estimates of total ordinary income (or loss), and therefore a reliable estimate cannot be made. Accordingly, the actual effective tax rate for the year-to-date period has been used. The effective income tax rate may fluctuate from quarter to quarter for various reasons, including changes to estimated income before income tax, jurisdictional mix of estimated income before income tax, jurisdictional income tax rate changes, as well as discrete items such as the settlement of foreign, federal and state tax issues and the effects of excess tax benefits associated with the exercise of stock options and vesting of restricted stock, which is included as a reduction of tax expense. During the three months ended March 31, 2020 and 2019, the excess tax benefit from stock-based compensation expense decreased tax expense by \$6.9 million and \$4.6 million, respectively. For the three months ended March 31, 2020 and 2019, prior to the inclusion of the excess tax benefit, the effective income tax rate approximated 28% and 26%, respectively.

The Company's unrecognized tax benefits were \$4.5 million at March 31, 2020 and \$4.3 million at December 31, 2019, inclusive of interest. The Company expects the unrecognized tax benefits to change over the next twelve months if certain tax matters settle with the applicable taxing jurisdiction during this time frame, or, if the applicable statute of limitations lapses. The impact of the amount of such changes to previously recorded uncertain tax positions could range from zero to \$0.8 million.

The Company and its domestic subsidiaries are subject to audit for U.S. federal income tax as well as multiple state jurisdictions. U.S. federal income tax returns are typically subject to examination by the Internal Revenue Service ("IRS") and the statute of limitations for federal tax returns is three years. The Company's filings for the tax years 2016 through 2019 are subject to audit based upon the federal statute of limitations.

State income tax returns are generally subject to examination for a period of three to four years after filing of the respective return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. The Company's filings for the tax years from 2015 to 2019 are subject to audit and, as of March 31, 2020, there was one state audit in process.

The Company is also subject to corporate income tax at its subsidiaries located in the United Kingdom, the Netherlands, India, Canada, Ireland, and Puerto Rico. The tax returns for the Company's subsidiaries located in foreign jurisdictions are subject to examination for periods ranging from one to five years.

## 9. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are classified using a three-level hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The hierarchy gives the highest priority to observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The Company uses observable inputs where relevant and whenever possible. The three levels of the hierarchy are defined as follows:

Level 1 — Fair value is derived using quoted prices from active markets for identical investments.

Level 2 — Fair value is derived using quoted prices for similar instruments from active markets or for identical or similar instruments in markets that are not active; or, fair value is based on model-derived valuations in which all significant inputs and significant value drivers are observable from active markets.

Level 3 — Fair value is derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, and borrowings under the revolving credit facility approximates their fair value because of their short-term nature.

Financial instruments that potentially expose the Company to concentrations of credit risk consist mainly of cash and cash equivalents and accounts receivable. There were no significant changes to the Company's exposure to credit risk during the three months ended March 31, 2020.

**Long-term Debt** — The Company's long-term debt is recorded at adjusted cost, net of original issue discounts and deferred financing costs. The fair value of the Company's long-term debt is based on current bid prices, which approximates carrying value. As such, the Company's long-term debt was classified as Level 1, as defined under U.S. GAAP. As of March 31, 2020, the carrying value and estimated fair value of long-term debt was \$1.04 billion and \$1.0 billion, respectively. As of December 31, 2019, the carrying value and estimated fair value of long-term debt was \$1.05 billion.

**Interest Rate Swap Agreements** — The Company’s interest rate swap agreements are recorded at fair value, which were estimated using market-standard valuation models. Such models project future cash flows and discount the future amounts to a present value using market-based observable inputs. Additionally, the fair value of the interest rate swaps included consideration of credit risk. The Company used a potential future exposure model to estimate this credit valuation adjustment (“CVA”). The inputs to the CVA were largely based on observable market data, with the exception of certain assumptions regarding credit worthiness. As the magnitude of the CVA was not a significant component of the fair value of the interest rate swaps, it was not considered a significant input. The fair value of the interest rate swaps is classified as Level 2, as defined under U.S. GAAP. As of March 31, 2020 and December 31, 2019, the fair value of the interest rate swap agreements was a liability of \$8.9 million and \$2.9 million, respectively, which were recorded in other long-term liabilities on the consolidated balance sheets.

**Debt Securities** — The Company’s investments in debt securities, which are classified as available-for-sale, consist of U.S. Treasury and U.S. government agency securities. These securities are held in escrow by the Company’s wholly-owned captive insurance company and were purchased with restricted cash. As such, these securities are not available to fund the Company’s operations. These securities are recorded at fair value using quoted prices available in active markets. As such, the Company’s debt securities are classified as Level 1, as defined under U.S. GAAP. As of March 31, 2020, the fair value of the available-for-sale debt securities was \$22.1 million and was classified based on the instruments’ maturity dates, with \$16.2 million included in prepaid expenses and other current assets and \$5.9 million in other assets on the consolidated balance sheet. As of December 31, 2019, the fair value of the available-for-sale debt securities was \$24.9 million, with \$17.0 million included in prepaid expenses and other current assets and \$7.9 million in other assets on the consolidated balance sheet. At March 31, 2020 and December 31, 2019, the amortized cost was \$21.9 million and \$24.9 million, respectively. The debt securities held at March 31, 2020 had remaining maturities ranging from less than one to approximately 1.75 years. Unrealized gains and losses, net of tax, on available-for-sale debt securities are included in accumulated other comprehensive income (loss), and were immaterial for the three months ended March 31, 2020 and 2019. During the three months ended March 31, 2020, the Company received proceeds from the maturity of debt securities of \$3.0 million, which are included in prepaid expenses and other current assets on the consolidated balance sheet at March 31, 2020 as restricted cash. The Company did not realize any gains or losses on its debt securities during the three months ended March 31, 2020 and 2019.

**Liabilities for Contingent Consideration** — The Company is subject to contingent consideration arrangements in connection with certain business combinations as disclosed in Note 4, *Acquisitions*. Liabilities for contingent consideration are measured at fair value each reporting period, with the acquisition-date fair value included as part of the consideration payable for the related business combination and subsequent changes in fair value recorded to selling, general and administrative expenses in the Company’s consolidated statement of income. The fair value of the contingent consideration was calculated using a real options model based on probability-weighted outcomes of meeting certain future performance targets. The key inputs to the valuation are the projections of future financial results in relation to the business. The Company classified the contingent consideration liability as a Level 3 fair value measurement due to the lack of observable inputs used in the model.

The following table provides a roll forward of the fair value of recurring Level 3 fair value measurements (in thousands):

	<b>Three months ended March 31, 2020</b>
Balance at January 1, 2020	\$ 15,987
Settlement of contingent consideration liabilities	(1,088)
Changes in fair value	422
Foreign currency translation	(1,044)
Balance at March 31, 2020	<u>\$ 14,277</u>

**Nonrecurring fair value estimates** — During the three months ended March 31, 2020, the Company recognized a \$5.0 million impairment loss on long-lived assets for certain centers. The impairment loss was included in cost of services on the consolidated statement of income, which has been allocated to the full service center-based child care segment. The estimated fair value of the applicable center long-lived assets was based on the fair value of the assets, calculated using a discounted cash flow model, with unobservable inputs. The fair value of such assets was insignificant. The Company classified the center long-lived assets as a Level 3 fair value measurement due to the lack of observable inputs used in the model.

## 10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss), which is included as a component of stockholders’ equity, is comprised of foreign currency translation adjustments and unrealized gains or losses from interest rate swaps and investments, net of tax.

The changes in accumulated other comprehensive income (loss) by component were as follows (in thousands):

	Three months ended March 31, 2020			
	Foreign currency translation adjustments	Unrealized gain (loss) on interest rate swaps	Unrealized gain (loss) on investments	Total
Balance at January 1, 2020	\$ (47,835)	\$ (2,566)	\$ 70	\$ (50,331)
Other comprehensive income (loss) before reclassifications, net of tax	(39,508)	(4,607)	129	(43,986)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	—	208	—	208
Net current period other comprehensive income (loss)	(39,508)	(4,399)	129	(43,778)
Balance at March 31, 2020	\$ (87,343)	\$ (6,965)	\$ 199	\$ (94,109)

  

	Three months ended March 31, 2019			
	Foreign currency translation adjustments	Unrealized gain (loss) on interest rate swaps	Unrealized gain (loss) on investments	Total
Balance at January 1, 2019	\$ (67,648)	\$ 5,293	\$ —	\$ (62,355)
Other comprehensive income (loss) before reclassifications, net of tax	6,978	(2,331)	18	4,665
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	—	(554)	—	(554)
Net current period other comprehensive income (loss)	6,978	(2,885)	18	4,111
Balance at March 31, 2019	\$ (60,670)	\$ 2,408	\$ 18	\$ (58,244)

## 11. SEGMENT INFORMATION

The Company's services are comprised of full service center-based child care, back-up care, and educational advisory services, which also represent the Company's three operating and reportable segments. The full service center-based child care segment includes the traditional center-based child care and early education, preschool, and elementary education. The Company's back-up care segment consists of center-based back-up child care, and in-home child and adult/elder dependent care. The Company's educational advisory services segment consists of tuition assistance and student loan repayment program administration, educational consulting services, and college admissions advisory services. The Company and its chief operating decision maker evaluate performance based on revenues and income from operations. The assets and liabilities of the Company are managed centrally and are reported internally in the same manner as the consolidated financial statements; therefore, no segment asset information is produced or included herein.

Revenue and income from operations by reportable segment was as follows (in thousands):

	Full service center-based child care	Back-up care	Educational advisory services	Total
	<b>Three months ended March 31, 2020</b>			
Revenue	\$ 411,391	\$ 74,167	\$ 20,765	\$ 506,323
Income from operations <sup>(1)</sup>	16,747	22,239	4,295	43,281
<b>Three months ended March 31, 2019</b>				
Revenue	\$ 418,320	\$ 64,694	\$ 18,744	\$ 501,758
Income from operations <sup>(2)</sup>	41,530	17,117	4,263	62,910

(1) For the three months ended March 31, 2020, income from operations included \$5.0 million of impairment costs for long-lived assets due to the impact of COVID-19 on the Company's operations, and \$0.7 million related to occupancy costs incurred for its new corporate headquarters during the construction period, which represent duplicative corporate office costs in 2020 while the Company also continues to carry the costs for its existing corporate headquarters. These costs have been allocated to the full service center-based child care segment.

(2) For the three months ended March 31, 2019, income from operations included \$0.4 million of expenses related to completed acquisitions, which have been allocated to the back-up care segment.

## 12. SUBSEQUENT EVENTS

On April 21, 2020, the Company issued and sold 2,138,580 shares of unregistered common stock, par value \$0.001 per share, to Durable Capital Master Fund LP at a price of \$116.90 per share. The Company is required to file a registration statement to register the resale of these shares within 90 days or is subject to liquidated damages. The Company received gross proceeds from the offering of \$250 million. The proceeds may be used for working capital and general corporate purposes.

On April 24, 2020, the Company amended its existing senior credit facilities to, among other things, increase the borrowing capacity of its revolving credit facility from \$225 million to \$385 million, modify the interest rates applicable to borrowings under the revolving credit facility from a range of 50 to 75 basis points over the base rate (as defined in the Credit Agreement) or a range of 150 to 175 basis points over the eurocurrency rate (as defined in the Credit Agreement) to a range of 50 to 125 basis points over the base rate or 150 to 225 basis points over the eurocurrency rate, and modify the unused commitment fee applicable to the revolving credit commitments from a range of 30 to 32.5 basis points to a range of 30 to 50 basis points. In addition, the amendment modifies the financial covenant applicable to the revolving credit facility for the following four fiscal quarters by requiring the Company, in lieu of complying with a maximum first lien net leverage ratio of 4.50 to 1.00, to comply with a maximum first lien gross leverage ratio of 6.00 to 1.00 for the fiscal quarter ending June 30, 2020, 7.50 to 1.00 for the fiscal quarter ending September 30, 2020, 8.00 to 1.00 for the fiscal quarter ending December 31, 2020 and 7.50 to 1.00 for the fiscal quarter ending March 31, 2021. Beginning with the fiscal quarter ending June 30, 2021, the Company will be required to comply with its previous maximum first lien net leverage ratio of 4.25 to 1.00.

On May 7, 2020, the Company amended its existing senior credit facilities to increase the borrowing capacity of its revolving credit facility from \$385 million to \$400 million. Refer to Item 5 of this Quarterly Report on Form 10-Q for additional information on this amendment.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q 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” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”). The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the “safe harbor” provisions of the Act. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes,” “expects,” “may,” “will,” “should,” “seeks,” “projects,” “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 Quarterly Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition and liquidity, the impact of COVID-19 on our near term or longer term operations, our expectations about center closures and timing of center re-openings, our reductions in discretionary spending and cost-saving initiatives, labor costs, government mandates, our growth, strategies, the industries in which we and our partners operate, demand for services, the impact of accounting principles, pronouncements and policies, statements regarding acquisitions and the subsequent integration and expected synergies, our fair value estimates, goodwill from business combinations, the vesting of Company equity, estimates and impact of equity transactions, unrecognized tax benefits and the impact of uncertain tax positions, our effective tax rate, the outcome of tax audits, settlements and tax liabilities, future impact of excess tax benefits, estimates and adjustments, amortization expense, the impact of foreign currency exchange rates, our credit risk, the impact of seasonality on results of operations, our share repurchase program, the outcome of litigation, legal proceedings and our insurance coverage, debt securities, our interest rate swap, interest rates and projections, interest expense, the use of derivatives or other market risk sensitive instruments, our indebtedness, borrowings under our senior credit facility and revolving credit facility, the need for additional debt or equity financings and our ability to obtain such financing, our sources and uses of cash flow, our ability to fund operations, and make capital expenditures and payments with cash and cash equivalents and borrowings, and our ability to meet financial obligations and comply with covenants of our senior credit facility.

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 included in our Annual Report on Form 10-K for the year ended December 31, 2019, as well as the risks listed in Part II, Item 1A, “Risk Factors,” of this Quarterly Report, and other factors disclosed from time to time in our other filings with the Securities and Exchange Commission.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution 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 Quarterly Report. 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 Quarterly Report, 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 Quarterly Report 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, except as required by law.

### Introduction, Overview and COVID-19 Update

The following is a discussion of the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of Bright Horizons Family Solutions Inc. (“we” or the “Company”) for the three months ended March 31, 2020, as compared to the three months ended March 31, 2019. This discussion should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations, and the Consolidated Financial Statements of the Company and Notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

We are a leading provider of high-quality child care and early education, dependent care and workforce education services that are designed to help employers and their employees better integrate work and family life, as well as to grow their careers. Our operating and reporting segments are comprised of full service center-based child care, back-up care, and educational advisory services.

We provide services primarily under multi-year contracts with employers who offer child care, back-up care, and educational advisory services as part of their employee benefits packages in an effort to support employees across life and career stages and improve employee engagement, productivity, recruitment and retention. As of March 31, 2020, we had more than 1,200 client relationships with employers across a diverse array of industries, including more than 175 Fortune 500 companies and more than 80 of *Working Mother* magazine's 2019 "100 Best Companies." At March 31, 2020, we operated 1,094 child care and early education centers, compared to 1,079 centers at March 31, 2019, and had the capacity to serve approximately 120,000 children and their families in the United States, as well as in the United Kingdom, the Netherlands, Canada and India.

In March 2020, we began to experience the impact of the COVID-19 pandemic on our business, which has now substantially disrupted our global operations. Our primary focus and attention is on the well-being, health and safety of the children and families we serve, along with the teachers and staff at our centers. Our services continue to be critically important to first responders, scientists, health care and medical professionals, and other essential workers, as well as the many support industries facilitating their work, all of whom are working tirelessly to respond to COVID-19. In mid-March, as a result of the required business and school closures and shelter-in-place government mandates in response to the pandemic, we began the temporary closure of a significant portion of our child care centers, while continuing to operate critical health care client and "hub" centers to provide care and support services to the children whose parents are working on the front lines of the response. As of March 31, 2020, approximately 250 of our child care centers remained open globally after the temporary center closures. These open centers are operating with special COVID-19 protocols in place in order to protect the health and safety of the children and staff, including social distancing procedures for pick-up and drop-off, daily health checks, the use of face masks by our staff, limited capacity, and enhanced hygiene and cleaning practices. The status of our operations is as follows:

- **United States:** We are operating approximately 150 centers, most of which are employer-sponsored centers, and have temporarily closed approximately 570 centers. We are continuously monitoring guidance and taking direction from medical experts, the Centers for Disease Control and Prevention ("CDC") and local, state and federal government authorities in order to determine the timing and cadence of re-opening our temporarily closed centers.
- **United Kingdom:** We are operating approximately 35 centers, and have temporarily closed approximately 280 centers. We are continuously monitoring guidance from the U.K. health authorities in order to determine the timing and cadence of re-opening our temporarily closed centers.
- **Netherlands:** We operate approximately 60 centers in the Netherlands which have remained operational under the Dutch government mandate that requires nurseries to remain open to serve the children of parents who work in vital professions, such as health care or emergency services. On April 21, 2020, the Dutch government announced updated protocols to begin re-opening their economy, specifically announcing that schools will begin to re-open May 11, and we expect that centers will be open to all families as of that date.
- **Back-up Care and Educational Advisory:** Our back-up care and educational advisory segments currently remain operational and available for our clients and their employees.

This is a fluid and continuously changing environment. The broad effects of COVID-19, its duration and full impact to our operations are difficult to predict, due in large part to the interdependence of our operations with the operating decisions and requirements of our client partners, as well as social distancing guidelines and government mandates for continued school and business closures that impact the timing and cadence of center re-openings. Therefore, the negative financial impact to our results and future financial or operational performance cannot be reasonably estimated. Based on the current guidance and directives of state and local health authorities, in conjunction with recommendations from medical experts and the CDC, the temporary closure of a significant portion of our centers is expected to continue in the second quarter of 2020 and, potentially, in subsequent periods. The timing and cadence of re-opening our temporarily closed centers will vary by jurisdiction and other factors and we cannot anticipate when the majority of our centers will re-open and there is no assurance that centers currently open will continue to fully operate. While we have recently experienced increased demand for back-up care services and minimal disruption to providing educational advisory services, these conditions and trends may not continue in subsequent periods. Given these factors, we expect the effects of COVID-19 to our business to continue to adversely impact our results of operations in the second quarter of 2020, and potentially in subsequent periods.

In response to these developments, we have implemented measures in an effort to manage costs and improve liquidity and access to financial resources, and thereby mitigate the impact on our financial position and operations. These measures include, but are not limited to, the following:

- furloughing a significant portion of our employees in proportion to the number of center closures, including center personnel for temporarily closed centers and related support functions in our corporate offices;
- reducing discretionary spending and overhead costs, while prioritizing investments that support current operations and deferring to future periods nonessential and discretionary investments;
- temporary voluntary reductions in compensation to certain executive officers and board members;
- temporary suspension of share repurchases;

- amending our credit agreement in April 2020 and May 2020 to increase the borrowing capacity of our revolving credit facility from \$225 million to \$400 million; and,
- raising \$250 million in gross proceeds from the issuance and sale of common stock in April 2020.

We will continue to work with our local teams on the operational decisions and prudently managing our spending to support the current operations, while preparing for the re-opening of our centers. These challenging times highlight our crisis management abilities, our critical role in the business continuity plans of our client partners, and the value that our unique service offering provides to the families and clients we serve. We remain confident in our business model, the strength of our client partnerships, and our ability to respond to changing market conditions. Refer to Note 1, *Organization and Basis of Presentation*, in our condensed consolidated financial statements for additional information on the impact of COVID-19 to our business.

### Results of Operations

The following table sets forth statement of income data as a percentage of revenue for the three months ended March 31, 2020 and 2019 (in thousands, except percentages):

	Three Months Ended March 31,			
	2020	%	2019	%
Revenue	\$ 506,323	100.0 %	\$ 501,758	100.0 %
Cost of services	397,464	78.5 %	374,811	74.7 %
Gross profit	108,859	21.5 %	126,947	25.3 %
Selling, general and administrative expenses	57,369	11.4 %	55,875	11.1 %
Amortization of intangible assets	8,209	1.6 %	8,162	1.6 %
Income from operations	43,281	8.5 %	62,910	12.6 %
Interest expense — net	(10,206)	(2.0)%	(11,948)	(2.4)%
Income before income tax	33,075	6.5 %	50,962	10.2 %
Income tax expense	(2,343)	(0.4)%	(8,920)	(1.8)%
Net income	\$ 30,732	6.1 %	\$ 42,042	8.4 %
Adjusted EBITDA <sup>(1)</sup>	\$ 81,458	16.1 %	\$ 93,838	18.7 %
Adjusted income from operations <sup>(1)</sup>	\$ 48,954	9.7 %	\$ 63,343	12.6 %
Adjusted net income <sup>(1)</sup>	\$ 43,646	8.6 %	\$ 47,812	9.5 %

(1) Adjusted EBITDA, adjusted income from operations and adjusted net income are non-GAAP measures, which are reconciled to net income below under “Non-GAAP Financial Measures and Reconciliation.”

### Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019

**Revenue.** Revenue increased \$4.6 million, or 1%, to \$506.3 million for the three months ended March 31, 2020 from \$501.8 million for the same period in 2019. Revenue growth is primarily attributable to contributions from new and ramping child care and early education centers, expanded sales and utilization of our back-up care and educational advisory services, typical annual tuition and price increases in the range of 3% to 4%, and contributions from acquisitions completed since the first quarter of 2019. The increases were offset by a decrease in tuition revenue in our full service child care centers as we began the temporary closure of a significant portion centers in March 2020 as a result of required school and business closures and shelter-in-place mandates in response to the COVID-19 pandemic. Revenue generated by the full service center-based child care segment in the three months ended March 31, 2020 decreased by \$6.9 million, or 2%, when compared to the same period in 2019, due to the decrease in tuitions from the temporary closure of centers and related tuition credits given to parents and, to a lesser extent, the effect of lower foreign currency exchange rates for our United Kingdom and Netherlands operations, which decreased revenue in the full service center-based child care segment by approximately 1% during the three months ended March 31, 2020. We expect to see the negative financial impact of the COVID-19 related center closures to be more pronounced in the second quarter of 2020 with full service revenue contracting in line with center closures, compared to the partial quarter impact in the first quarter of 2020.

Revenue generated by the back-up care segment in the three months ended March 31, 2020 increased by \$9.5 million, or 15%, when compared to the same period in 2019. Revenue growth in the back-up care segment is primarily attributable to expanded sales and increased utilization due in part to increased demand for our back-up care services (in-home care and reimbursed self-sourced care) as clients and families seek additional supports as a result of business and school closures. There is no assurance that the increased demand will continue as businesses and schools re-open. Additionally, revenue generated by educational advisory services in the three months ended March 31, 2020 increased by \$2.0 million, or 11%, when compared to the same period in the prior year. Revenue growth in the educational advisory services segment is primarily attributable to expanded sales, increased utilization and contributions from an acquisition completed in the fourth quarter of 2019.

*Cost of Services.* Cost of services increased \$22.7 million, or 6%, to \$397.5 million for the three months ended March 31, 2020 from \$374.8 million for the same period in 2019. Cost of services in the full service center-based child care segment increased \$18.1 million, or 6%, to \$346.5 million in the three months ended March 31, 2020 when compared to the same period in 2019. Personnel costs, which typically represent approximately 70% of total cost of services for this segment, increased 6% as a result of the enrollment growth at new and existing centers prior to the temporary center closures, routine wage and benefit cost increases, and labor costs associated with centers we have added since March 31, 2019 that are in the ramping stage. While we temporarily closed a significant portion of our centers beginning in March 2020, we did not see a reduction in personnel costs during the quarter as we continued to pay our staff during the transition notice period of approximately two-weeks prior to their eligibility for unemployment insurance and other benefits. We expect to see a decrease in labor costs in the second quarter as a result of these temporary closures. Program supplies, materials, food and facilities costs, which typically represent approximately 30% of total costs of services for this segment, increased 4% in connection with the enrollment growth prior to the temporary center closures, certain technology expenses for programs and services, the incremental occupancy costs associated with centers that have been added since March 31, 2019, partially offset by the effects of lower variable costs as a result of the temporary center closures. In addition, facilities costs include \$5.0 million in impairment costs for long-lived assets incurred as a result of the impact of COVID-19 on operations. Cost of services in the back-up care segment increased \$2.8 million, or 8%, to \$40.1 million in the three months ended March 31, 2020, primarily due to personnel and increased care provider fees associated with the services provided to the expanding customer base and increased utilization, as well as marketing and technology spending which supports our customer user experience, service delivery and operating efficiency. Cost of services in the educational advisory services segment increased \$1.8 million, or 20%, to \$10.9 million in the three months ended March 31, 2020 due to personnel costs related to delivering services to the expanding customer base.

*Gross Profit.* Gross profit decreased \$18.0 million, or 14%, to \$108.9 million for the three months ended March 31, 2020 from \$126.9 million for the same period in 2019. Gross profit margin as a percentage of revenue was 22% for the three months ended March 31, 2020, and decreased approximately 4% from the three months ended March 31, 2019. The decrease is primarily due to reduced margins in the full service center-based child care segment from the temporary closure of centers as well as related impairment charges on long-lived assets, partially offset by increases in gross profit from expanded back-up care services.

*Selling, General and Administrative Expenses ("SGA").* SGA increased \$1.5 million, or 3%, to \$57.4 million for the three months ended March 31, 2020 compared to \$55.9 million for the same period in 2019. SGA was 11% of revenue for the three months ended March 31, 2020, which is consistent with the same period in 2019. SGA increased over the comparable 2019 period primarily due to increases in personnel costs, including annual wage increases.

*Amortization of Intangible Assets.* Amortization expense on intangible assets was \$8.2 million for the three months ended March 31, 2020, which is consistent with the three months ended March 31, 2019, due to increases from the acquisitions completed in 2019 and 2020, offset by decreases from certain intangibles becoming fully amortized during the period.

*Income from Operations.* Income from operations decreased by \$19.6 million, to \$43.3 million for the three months ended March 31, 2020 when compared to the same period in 2019. Income from operations was 9% of revenue for the three months ended March 31, 2020, compared to 13% for the three months ended March 31, 2019. The decrease in income from operations was due to the following:

- Income from operations for the full service center-based child care segment decreased \$24.8 million, or 60%, in the three months ended March 31, 2020 when compared to the same period in 2019 due to reduced margins from the temporary center closures beginning in March 2020 as well as related impairment charges on long-lived assets of \$5.0 million, and costs incurred during the pre-opening and ramp-up of certain new lease/consortium centers opened during 2019 and 2020. These reductions were partially offset by tuition increases and enrollment gains over the prior year prior to the temporary center closures, and contributions from new centers that have been added since March 31, 2019.
- Income from operations for the back-up care segment increased \$5.1 million, or 30%, in the three months ended March 31, 2020 when compared to the same period in 2019 due to the expanding revenue base from increased sales and utilization, partially offset by increased care provider fees associated with the incremental revenue, and spending for technology to support our customer user experience, service delivery and operating efficiency.



- Income from operations for the educational advisory services segment increased 1% in the three months ended March 31, 2020 when compared with the same period in 2019 due to contributions from the expanding revenue base.

*Net Interest Expense.* Net interest expense decreased to \$10.2 million for the three months ended March 31, 2020 from \$11.9 million for the same period in 2019, due to decreased borrowings on our revolving credit facility as well as decreases in the applicable interest rates. Including the effects of the interest rate swap arrangements, the weighted average interest rates for the term loans and revolving credit facility were 3.5% and 4.0% for the three months ended March 31, 2020 and 2019, respectively. Based on our current projections of interest rates, we estimate that our overall weighted average interest rate will approximate 3.0% for the remainder of 2020.

*Income Tax Expense.* We recorded income tax expense of \$2.3 million during the three months ended March 31, 2020, at an effective income tax rate of 7%, compared to income tax expense of \$8.9 million during the three months ended March 31, 2019, at an effective income tax rate of 18%. For the three months ended March 31, 2020, our annual effective tax rate was highly sensitive to change in estimates of total ordinary income (or loss), and therefore a reliable estimate could not be made. Accordingly, the actual effective tax rate for the year-to-date period has been used. The difference between the effective income tax rates as compared to the statutory income tax rates is primarily due to the effects of excess tax benefits associated with the exercise of stock options and vesting of restricted stock. During the three months ended March 31, 2020 and 2019, the excess tax benefits reduced income tax expense by \$6.9 million and \$4.6 million, respectively. The effective income tax rate would have approximated 28% and 26% for the three months ended March 31, 2020 and 2019, respectively, prior to the inclusion of the excess tax benefits from stock-based compensation.

*Adjusted EBITDA and Adjusted Income from Operations.* Adjusted EBITDA and adjusted income from operations decreased \$12.4 million, or 13%, and \$14.4 million, or 23%, respectively, for the three months ended March 31, 2020 over the comparable period in 2019 primarily as a result of the decrease in gross profit in the full service center-based child care segment.

*Adjusted Net Income.* Adjusted net income decreased \$4.2 million, or 9%, for the three months ended March 31, 2020 when compared to the same period in 2019, primarily due to the decrease in income from operations, partially offset by a lower effective tax rate.

### Non-GAAP Financial Measures and Reconciliation

In our quarterly and annual reports, earnings press releases and conference calls, we discuss key financial measures that are not calculated in accordance with generally accepted accounting principles in the United States (“GAAP” or “U.S. GAAP”) to supplement our consolidated financial statements presented on a GAAP basis. These non-GAAP financial measures of adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share are reconciled from their respective measures determined under GAAP as follows (in thousands, except share data):

	Three Months Ended March 31,	
	2020	2019
Net income	\$ 30,732	\$ 42,042
Interest expense — net	10,206	11,948
Income tax expense	2,343	8,920
Depreciation	20,012	18,300
Amortization of intangible assets <sup>(a)</sup>	8,209	8,162
EBITDA	71,502	89,372
<b>Additional Adjustments:</b>		
Non-cash operating lease expense <sup>(b)</sup>	—	927
Stock-based compensation expense <sup>(c)</sup>	4,283	3,106
Other costs <sup>(d)</sup>	703	433
COVID-19 related costs <sup>(f)</sup>	4,970	—
Total adjustments	9,956	4,466
<b>Adjusted EBITDA</b>	<b>\$ 81,458</b>	<b>\$ 93,838</b>
Income from operations	\$ 43,281	\$ 62,910
Other costs <sup>(d)</sup>	703	433
COVID-19 related costs <sup>(f)</sup>	4,970	—
<b>Adjusted income from operations</b>	<b>\$ 48,954</b>	<b>\$ 63,343</b>
Net income	\$ 30,732	\$ 42,042
Income tax expense	2,343	8,920
Income before income tax	33,075	50,962
Stock-based compensation expense <sup>(c)</sup>	4,283	3,106
Amortization of intangible assets <sup>(a)</sup>	8,209	8,162
Other costs <sup>(d)</sup>	703	433
COVID-19 related costs <sup>(f)</sup>	4,970	—
Adjusted income before income tax	51,240	62,663
Adjusted income tax expense <sup>(e)</sup>	(7,594)	(14,851)
<b>Adjusted net income</b>	<b>\$ 43,646</b>	<b>\$ 47,812</b>
Weighted average common shares outstanding — diluted	58,878,784	58,752,384
<b>Diluted adjusted earnings per common share</b>	<b>\$ 0.74</b>	<b>\$ 0.81</b>

(a) Represents amortization of intangible assets, including \$5.0 million and \$4.7 million for the three months ended March 31, 2020 and 2019, respectively, associated with intangible assets recorded in connection with our going private transaction in May 2008.

(b) Represents the excess of lease expense over cash lease expense (for periods prior to 2020).

(c) Represents non-cash stock-based compensation expense in accordance with Accounting Standards Codification Topic 718, Compensation-Stock Compensation.

(d) Other costs in the three months ended March 31, 2020 relate to occupancy costs incurred for our new corporate headquarters during the construction period, which represent duplicative corporate office costs in 2020 while we also continue to carry the costs for our existing corporate headquarters. Other costs in the three months ended March 31, 2019 relate to transaction costs incurred in connection with completed acquisitions.

- (e) Represents income tax expense calculated on adjusted income before income tax at an effective tax rate of approximately 15% and 24% for the three months ended March 31, 2020 and 2019, respectively. The tax rate for 2020 represents a tax rate of approximately 27% applied to the expected adjusted income before income tax, less the estimated effect of excess tax benefits related to equity transactions. However, the jurisdictional mix of the expected adjusted income before income tax for the full year, and the timing and volume of the tax benefits associated with such future equity activity will affect these estimates and the estimated effective tax rate for the year.
- (f) Represents impairment costs for long-lived assets incurred as a result of the impact of COVID-19 on our operations.

Adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share (collectively referred to as the “non-GAAP financial measures”) are not presentations made in accordance with GAAP, and the use of the terms adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share may differ from similar measures reported by other companies. We believe the non-GAAP financial measures provide investors with useful information with respect to our historical operations. We present the non-GAAP financial measures 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 lease expense over cash lease expense (prior to fiscal 2020), stock-based compensation expense, impairment costs, and transaction costs and other nonrecurring costs, such as duplicative corporate office costs. In addition, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share allow us to assess our performance without the impact of the specifically identified items that we believe do not directly reflect our core operations. These non-GAAP financial measures also function as key performance indicators used to evaluate our operating performance internally, and they are used in connection with the determination of incentive compensation for management, including executive officers. Adjusted EBITDA is also used in connection with the determination of certain ratio requirements under our credit agreement. Adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share are not measurements of our financial performance under GAAP and should not be considered in isolation or as an alternative to income before taxes, net income, diluted earnings per common share, net cash provided by (used in) 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. Consequently, our non-GAAP financial measures should not be evaluated in isolation or supplant comparable GAAP measures, but rather, should be considered together with our consolidated financial statements, which are prepared in accordance with GAAP and included in Part I, Item 1 of this Quarterly Report on Form 10-Q. We understand that although adjusted EBITDA, adjusted income from operations, adjusted net income and diluted adjusted earnings per common share are frequently used by securities analysts, lenders and others in their evaluation of companies, they have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- adjusted EBITDA, adjusted income from operations and adjusted net income do not fully reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- adjusted EBITDA, adjusted income from operations 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 debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future; and adjusted EBITDA, adjusted income from operations and adjusted net income do not reflect any cash requirements for such replacements.

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

### **Liquidity and Capital Resources**

The COVID-19 pandemic has substantially disrupted our global operations and we are in a fluid and continuously changing environment. The broad effects of COVID-19, its duration and full impact to our operations are difficult to predict, due in large part to the interdependence of our operations with the operating decisions and requirements of our client partners, as well as social distancing guidelines and government mandates for continued school and business closures that impact the timing and cadence of center re-openings. As a result, we have taken a number of actions described below to increase our liquidity and strengthen our financial position as we navigate these uncertain times.

Our primary cash requirements are for the ongoing operations of our existing child care centers, back-up care and educational advisory services, and debt financing obligations. Our primary sources of liquidity are our existing cash, cash flows from operations and borrowings available under our revolving credit facility. Our revolving credit facility is part of our \$1.3 billion senior secured credit facilities, which consist of a \$1.1 billion secured term loan facility and a \$225 million revolving credit facility. There were no borrowings outstanding on our revolving credit facility at March 31, 2020 and December 31, 2019. In April and May 2020, we amended our existing senior credit facilities to, among other changes, increase the borrowing capacity of our revolving credit facility by \$175 million, to a total of \$400 million, modify the interest rates applicable to borrowings outstanding on the revolving credit facility, and modify the terms of the applicable covenants. Refer to Note 12, *Subsequent Events*, in our condensed consolidated financial statements for additional information on the amendments to our credit agreement.

We had \$49.2 million in cash (\$55.4 million including restricted cash) at March 31, 2020, of which \$27.1 million was held in foreign jurisdictions, compared to \$27.9 million in cash (\$31.2 million including restricted cash) at December 31, 2019, of which \$14.2 million was held in foreign jurisdictions. Operations outside of North America accounted for 23% of our consolidated revenue for both the three months ended March 31, 2020 and 2019. The net impact on our liquidity from changes in foreign currency exchange rates was not material for the three months ended March 31, 2020 and 2019, and we do not currently expect that the effects of changes in foreign currency exchange rates will have a material net impact on our liquidity, capital resources or results from operations for the remainder of 2020.

On April 21, 2020, we issued and sold 2,138,580 shares of unregistered common stock to Durable Capital Master Fund LP at a price of \$116.90 per share. We received gross proceeds from the offering of \$250 million, which further strengthens our liquidity and financial position.

We had a working capital deficit of \$213.0 million and \$254.4 million at March 31, 2020 and December 31, 2019, respectively. Our working capital deficit has primarily arisen from using cash generated from operations to make long-term investments in fixed assets and acquisitions, and from share repurchases. We anticipate that our cash flows from operating activities will be adversely impacted at least during the closure of our centers, which will be supplemented with our existing cash, cash proceeds from the April 2020 sale of common stock, as well as borrowings available under our revolving credit facility to fund operations. As we prepare to re-open our temporarily closed centers in the coming months, we will continue to reduce our discretionary operating and capital spending and prioritize investments that support current operations, as well as our principal and interest payments on our debt.

The board of directors authorized a share repurchase program of up to \$300 million of our outstanding common stock, effective June 12, 2018. During the three months ended March 31, 2020, we repurchased 231,313 shares for \$32.2 million, and at March 31, 2020, \$194.9 million remained available under the repurchase program. All repurchased shares have been retired. At this time, we have temporarily suspended share repurchases as we prioritize investments to the most critical operating areas.

We believe that funds provided by operations, our existing cash balances, the proceeds from the April 2020 common stock issuance, and borrowings available under our revolving credit facility will be adequate to fund all obligations and liquidity requirements for at least the next twelve months. However, prolonged disruptions to our operations as a result of continued required school, child care and business closures and shelter-in-place government mandates in response to the COVID-19 pandemic, may require financing beyond our existing cash and borrowing capacity, and it may be necessary for us to obtain additional debt or equity financing. We may not be able to obtain such financing on reasonable terms.

### Cash Flows

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
Net cash provided by operating activities	\$ 64,083	\$ 107,013
Net cash used in investing activities	\$ (12,964)	\$ (60,562)
Net cash used in financing activities	\$ (25,703)	\$ (62,263)
Cash, cash equivalents and restricted cash — beginning of period	\$ 31,192	\$ 38,478
Cash, cash equivalents and restricted cash — end of period	\$ 55,405	\$ 23,214

### Cash Provided by Operating Activities

Cash provided by operating activities was \$64.1 million for the three months ended March 31, 2020, compared to \$107.0 million for the same period in 2019. The decrease in cash provided by operating activities primarily resulted from the \$11.3 million decrease in net income from the prior year, and from changes in working capital arising from the timing of billings and payments when compared to the prior year.

### Cash Used in Investing Activities

Cash used in investing activities was \$13.0 million for the three months ended March 31, 2020 compared to \$60.6 million for the same period in 2019 and was related to fixed asset additions, acquisitions, and other investments. The decrease in cash used in investing activities was primarily related to a lower volume of fixed asset additions and acquisitions in 2020 as we prioritize investments to the most critical operating areas as we navigate the impact and response to the COVID-19 pandemic, and a nonrecurring investment of \$19.8 million in debt securities in 2019, which were purchased by our wholly-owned captive insurance company using restricted cash. During the three months ended March 31, 2020, we invested \$12.6 million, net of proceeds from the sale of fixed assets, in fixed asset purchases for new child care centers, maintenance and refurbishments in our existing centers, compared to a net investment of \$21.1 million in the prior year. We used \$3.5 million to acquire one center in the three months ended March 31, 2020, compared to \$19.5 million used to acquire a provider of back-up care and one center in the three months ended March 31, 2019. These uses of cash during the three months ended March 31, 2020 were partially offset by \$3.2 million in restricted cash proceeds generated from the maturity of debt securities held by our wholly-owned captive insurance company.

### Cash Used in Financing Activities

We used \$25.7 million in financing activities in the three months ended March 31, 2020 compared to \$62.3 million for the same period in 2019. Cash used in financing activities for the three months ended March 31, 2020 was primarily for share repurchases of \$32.7 million, taxes paid related to the net share settlement of stock awards totaling \$5.2 million and payments of debt principal of \$2.7 million. These uses of cash were partially offset by proceeds from the exercise of stock options and the issuance and sale of restricted stock of \$16.0 million. Cash used in financing activities for the three months ended March 31, 2019 consisted primarily of repayments of \$68.2 million, net of borrowings, on the revolving credit facility, taxes paid related to the net share settlement of stock awards totaling \$2.8 million, and payments of debt principal of \$2.7 million. These uses of cash were partially offset by proceeds from the exercise of stock options and the issuance and sale of restricted stock of \$11.4 million.

## Debt

As of March 31, 2020, our \$1.3 billion senior secured credit facilities consisted of a \$1.1 billion secured term loan facility and a \$225 million revolving credit facility. The term loans mature on November 7, 2023 and require quarterly principal payments of \$2.7 million, with the remaining principal balance due on November 7, 2023.

Outstanding term loan borrowings were as follows (in thousands):

	March 31, 2020	December 31, 2019
Term loans	\$ 1,042,750	\$ 1,045,438
Deferred financing costs and original issue discount	(6,156)	(6,639)
<b>Total debt</b>	<b>1,036,594</b>	<b>1,038,799</b>
Less current maturities	10,750	10,750
<b>Long-term debt</b>	<b>\$ 1,025,844</b>	<b>\$ 1,028,049</b>

There were no borrowings outstanding on the revolving credit facility at March 31, 2020 and December 31, 2019, with the full line available for borrowings. The revolving credit facility matures on July 31, 2022. In April and May 2020, we amended our existing senior credit facilities to, among other changes, increase the borrowing capacity of our revolving credit facility by \$175 million, to a total borrowing capacity of \$400 million, modify the interest rates applicable to borrowings outstanding on the revolving credit facility, and modify the terms of the applicable covenants. Refer to Note 12, *Subsequent Events*, in our condensed consolidated financial statements for additional information on the amendments to our credit agreement.

Borrowings under the credit agreement are subject to variable interest. We mitigate our interest rate exposure with variable-to-fixed interest rate swap agreements with an underlying fixed notional amount of \$500 million. These swap agreements, designated and accounted for as cash flow hedges from inception, are scheduled to mature on October 31, 2021. The weighted average interest rate for the term loans was 3.53% and 3.97% for the three months ended March 31, 2020 and 2019, respectively, including the impact of the interest rate swap agreements.

All obligations under the senior secured credit facilities are secured by substantially all the assets of our U.S. subsidiaries. The senior secured credit facilities contain a number of covenants that, among other things and subject to certain exceptions, may restrict the ability of Bright Horizons Family Solutions LLC, our wholly-owned subsidiary, and its restricted subsidiaries, to: incur certain liens; make investments, loans, advances and acquisitions; incur additional indebtedness or guarantees; pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated indebtedness; engage in transactions with affiliates; sell assets, including capital stock of our subsidiaries; alter the business conducted; enter into agreements restricting our subsidiaries' ability to pay dividends; and consolidate or merge.

In addition, the credit agreement governing the senior secured credit facilities requires Bright Horizons Capital Corp., our direct subsidiary, to be a passive holding company, subject to certain exceptions. The revolving credit facility requires Bright Horizons Family Solutions LLC, the borrower, and its restricted subsidiaries, to comply with a maximum consolidated first lien net leverage ratio that is a quarterly maintenance based financial covenant. A breach of this covenant is subject to certain equity cure rights.

The credit agreement governing the senior secured credit facilities contains certain customary affirmative covenants and events of default. We were in compliance with our financial covenant at March 31, 2020 and, in connection with the April 2020 amendment to our credit agreement, have obtained amendments related to our future covenant requirements. Refer to Note 6, *Credit Arrangements and Debt Obligations*, and Note 12, *Subsequent Events*, in our condensed consolidated financial statements for additional information on our debt and credit arrangements and amendments to our credit agreement and financial covenant.

### **Off-Balance Sheet Arrangements**

As of March 31, 2020, we had no off-balance sheet arrangements.

### **Critical Accounting Policies**

For a discussion of our “Critical Accounting Policies,” refer to Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our Annual Report on Form 10-K for the year ended December 31, 2019. There have been no material changes to our critical accounting policies since December 31, 2019.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from changes in interest rates and fluctuations in foreign currency exchange rates. Other than the broad effects of the COVID-19 pandemic as a result of its negative impact on the global economy and major financial markets, there have been no material changes in our exposure to interest rate or foreign currency exchange rate fluctuations since December 31, 2019. See Part II, Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in our Annual Report on Form 10-K for the year ended December 31, 2019 for further information regarding market risk. Refer to Note 12, *Subsequent Events*, in our condensed consolidated financial statements for additional information on recent amendments to our credit agreement.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

As of March 31, 2020, we conducted an evaluation under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), regarding the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”). The term “disclosure controls and procedures” means controls and other procedures that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the requisite time periods and that such disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act are accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of March 31, 2020.

#### *Changes in Internal Control over Financial Reporting*

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal control over financial reporting due to the COVID-19 pandemic. We are continually monitoring and assessing its impact on the design, implementation and operating effectiveness of our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are, from time to time, subject to claims, suits and matters arising in the ordinary course of business, some of which have not been fully adjudicated. Such claims have in the past generally been covered by insurance. We believe the resolution of such legal matters will not have a material adverse effect on our financial condition, results of operations or cash flows, although we cannot predict the ultimate outcome of any such actions. Furthermore, there can be no assurance that our insurance will be adequate to cover all liabilities that may arise out of claims or matters brought against us.

### Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those disclosed in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which could adversely affect our business, financial condition and operating results. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial, may also materially impair our business, financial condition or results of operations. There have been no material changes to our risk factors since our Annual Report on Form 10-K for the year ended December 31, 2019, with the exception of the addition of the following risk factor:

***The global COVID-19 pandemic has significantly disrupted our business and our financial condition and operating results and will continue to adversely impact our business.***

The COVID-19 pandemic has disrupted our global operations as a result of required school and business closures and shelter-in-place mandates in response to the COVID-19 pandemic. We expect to continue to be impacted as the situation remains dynamic and subject to rapid and potentially material changes. As of March 31, 2020, we operated 1,094 child care and early education centers with the capacity to serve approximately 120,000 children and their families, of which approximately 250 child care centers with the capacity to serve approximately 32,000 children remained open after the temporary center closures in response to the COVID-19 pandemic. The continued or additional disruptions to our business and potential adverse impacts to our financial condition and results of operations resulting from the COVID-19 pandemic include, but are not limited to:

- significant changes in the conditions of the markets we operate in, including required school and business closures and shelter-in-place mandates, limiting our ability to provide our services, especially center-based child care and center-based back-up child care;
- reduced enrollment upon the re-opening of centers as families may limit their participation in various public activities and gatherings, including group child care, or as social distancing protocols and other licensing regulations may reduce group sizes or otherwise affect the overall capacity of children we can serve;
- inability to hire and maintain an adequate level of center staff requiring us to reduce enrollment in order to comply with mandated ratios, inability to retain teachers after long periods of furlough, and the impact to our operations if a significant percentage of our workforce is unable to return to work because of illness, quarantine, worker absenteeism, limitations on travel, government or social distancing restrictions, which may have a disproportionate impact on our business compared to other companies that depend less on the in-person provision of services;
- reduced or shifting demand for our services due to adverse and uncertain economic conditions, including as a result of clients that have been adversely impacted, and/or increased unemployment, continued school and business closures, long-term shift to an at-home workforce, and general effects of a broad-based economic recession;
- potential incremental costs associated with mitigating the effects of the pandemic and/or additional procedures and protocols required to maintain health and safety at our centers;
- a decrease in revenues due to clients requesting refunds or renegotiating contracts for reduced or changing services, including in our cost-plus and employer sponsor model centers;
- the potential deterioration in the collectability of our existing accounts receivable and a decrease in the generation of new accounts receivable due to the potential diminished financial health of our clients;
- inability to implement our growth strategies due to prolonged business contraction and reduced capital expenditures and cost-saving initiatives;
- delayed re-opening of centers outside of our control due in large part to the interdependence of our operations with our client partners' operating decisions and requirements as well as decisions by governmental authorities regarding school and business closures;
- legal actions or proceedings related to COVID-19;

- reduction in our liquidity position limiting our ability to service our indebtedness and our future ability to incur additional indebtedness or financing; and
- further downgrades to our credit rating by ratings agencies which could reduce our ability to access capital markets.

These factors could place limitations on our ability to operate effectively and could have a material adverse effect on our operations, financial condition and operating results. As the situation continues to evolve and more information and guidance becomes available, we may adjust our current plans, policies and procedures to address the rapidly changing variables related to the pandemic. Additional impacts may arise of which we are currently not aware, the nature and extent of which will depend on future developments which are highly uncertain and cannot be predicted.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Issuer Purchases of Equity Securities

The table below sets forth information regarding purchases of our common stock during the quarter ended March 31, 2020:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) (c)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (In thousands) (1) (d)
January 1, 2020 to January 31, 2020 <sup>(2)</sup>	34,083	\$ 161.14	31,500	\$ 221,982
February 1, 2020 to February 29, 2020 <sup>(2) (3)</sup>	65,994	\$ 157.60	36,000	\$ 215,957
March 1, 2020 to March 31, 2020 <sup>(3)</sup>	167,563	\$ 127.72	163,813	\$ 194,850
	<u>267,640</u>		<u>231,313</u>	

- (1) The board of directors authorized a share repurchase program of up to \$300 million of our outstanding common stock effective June 12, 2018. The share repurchase program has no expiration date. All repurchased shares have been retired.
- (2) During the months of January and February 2020, we retired a total of 26,757 shares that had been issued pursuant to restricted stock award agreements in connection with the payment of tax withholding obligations arising as a result of the vesting of such restricted stock awards. The shares were valued using the transaction date and closing stock price for purposes of such tax withholdings. Shares retired in connection with the payment of tax withholding obligations are not included in, and are not counted against, our \$300 million share repurchase authorization.
- (3) During February and March 2020, we repurchased 9,570 shares of unvested restricted stock awards that were subject to forfeiture resulting from the grantees' termination of service with us for an aggregate \$0.6 million pursuant to the certain restricted stock award agreements. The purchase price was equal to the purchase price paid by the grantees on the date of grant as provided in the restricted stock award agreements.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

On May 7, 2020, Bright Horizons Family Solutions LLC (the "Borrower"), a wholly-owned indirect subsidiary of the Company, entered into a Fifth Amendment to Credit Agreement (the "Amendment"), by and among the Borrower, Bright Horizons Capital Corp., the Fifth Amendment Incremental Revolving Credit Lender, and JPMorgan Chase Bank, N.A., as Administrative Agent and L/C Issuer (each term as defined in the Amendment). The Amendment amends the Borrower's Credit Agreement, dated as of January 30, 2013, by and among the Borrower, Bright Horizons Capital Corp., JPMorgan Chase Bank, N.A., as Administrative Agent and L/C Issuer, the Lenders and other parties party thereto from time to time (as amended and restated by the Incremental and Amendment and Restatement Agreement, dated as of November 7, 2016 and as further amended by the Amendment Agreement, dated as of May 8, 2017, the Amendment to Credit Agreement, dated as of November 30, 2017, the Third Amendment to Credit Agreement, dated as of May 31, 2018, and the Fourth Amendment to Credit Agreement, dated as of April 24, 2020, the "Credit Agreement").

The Amendment amends the Credit Agreement to increase the revolving credit commitments under the Credit Agreement from \$385,000,000 to \$400,000,000. The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Amendment, which is filed as Exhibit 10.5 to this Quarterly Report on Form 10-Q and is incorporated by reference into this Item 5.



**Item 6. Exhibits**

(a) Exhibits:

<b>Exhibit Number</b>	<b>Exhibit Title</b>
10.1*	<a href="#">Stock Purchase Agreement, dated as of April 19, 2020, by and between Bright Horizons Family Solutions Inc. and Durable Capital Master Fund LP.</a>
10.2	<a href="#">Fourth Amendment to Credit Agreement, dated as of April 24, 2020, by and among Bright Horizons Family Solutions LLC, Bright Horizons Capital Corp., the Loan parties, the Lenders party thereto, the Fourth Amendment Incremental Revolving Credit Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent and L/C Issuer</a> (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 27, 2020).
10.3†	<a href="#">Amended and Restated Severance Agreement between Bright Horizons Family Solutions LLC and John Casagrande</a> (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K, filed February 27, 2020).
10.4†	<a href="#">Severance Agreement between Bright Horizons Family Solutions LLC and Maribeth Bearfield</a> (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K, filed February 27, 2020).
10.5*	<a href="#">Fifth Amendment to Credit Agreement, dated as of May 7, 2020, by and among Bright Horizons Family Solutions LLC, Bright Horizons Capital Corp., the Loan Parties, the Fifth Amendment Incremental Revolving Credit Lender party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent and L/C Issuer.</a>
31.1*	<a href="#">Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2**	<a href="#">Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

\* Exhibits filed herewith.

\*\* Exhibits furnished herewith.

† Management contract or compensatory plan.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

Date: May 11, 2020

By:

/s/ Elizabeth Boland

**Elizabeth Boland**  
**Chief Financial Officer**  
**(Duly Authorized Officer)**

**STOCK PURCHASE AGREEMENT**

**By and Between**

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

**and**

**DURABLE CAPITAL MASTER FUND LP**

**Dated as of April 19, 2020**

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## STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this “**Agreement**”) is dated as of April 19, 2020, between Bright Horizons Family Solutions Inc., a Delaware corporation (the “**Company**”), and Durable Capital Master Fund LP (including its successors and assigns, the “**Purchaser**”).

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “**Securities Act**”), the Company desires to issue and sell to the Purchaser, and the Purchaser desires to purchase from the Company, 2,138,580 shares of the Company’s common stock, par value \$0.001 per share (the “**Common Stock**”), for an aggregate price of \$250,000,002, as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and the Purchaser agree as follows:

### ARTICLE I

#### DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms have the meanings set forth in this Section 1.1:

“**Affiliate**” means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

“**Board of Directors**” means the board of directors of the Company.

“**Commission**” means the United States Securities and Exchange Commission.

“**Common Stock Equivalents**” means any securities of the Company which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“**Company Counsel**” means Morgan, Lewis & Bockius LLP, with offices located at One Federal Street, Boston, MA 02110.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Governmental Authority**” means any foreign, domestic, federal, territorial, state or local governmental authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

“**Liens**” means a lien, charge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

“**Person**” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“**Price Per Share**” means \$116.90.

“**Proceeding**” means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“**Registrable Shares**” means the Shares issued to the Purchaser at the Closing, including, any shares of Common Stock paid, issued or distributed in respect of any such Shares by way of stock dividend, stock split or distribution, or in connection with a combination of shares, recapitalization, reorganization, merger or consolidation, or issued in exchange for or in replacement of the Shares, or otherwise, but excluding all other shares of Common Stock acquired prior to or after the Closing Date; provided, however, that Shares will not be “Registrable Shares” (A) after the Shares have been sold pursuant to an effective registration statement or in compliance with Rule 144 or other exemptions from registration or (B) when such Shares, in the opinion of Company Counsel, are eligible for resale pursuant to Rule 144(b)(1)(i), such that the Shares can be resold by the Purchaser as a non-affiliate that has held such securities for at least one year.

“**Rule 144**” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“**Short Sales**” means all “short sales” as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

“**Significant Subsidiary**” has the meaning set forth for such term in Section 405 of the Securities Act.

“**Subscription Amount**” means \$250,000,002.

“**Trading Day**” means a day on which the Trading Market is open for trading.

“**Trading Market**” means the New York Stock Exchange.

“**Transfer Agent**” means Equiniti Trust Company.

## ARTICLE II

### PURCHASE AND SALE

2.1 **Closing.** On the Closing Date, upon the terms and subject to the conditions set forth herein, the Company will issue and sell, and the Purchaser will purchase, 2,138,580 shares of Common Stock (the “**Shares**”) at the Price Per Share (the “**Closing**”). Subject to the conditions set forth in this Article II, the Closing will be held on the Closing Date (as defined below) at the offices of Company Counsel, or at such other time and place (including electronic exchange of signatures) as shall be agreed upon by the Company and the Purchaser.

2.2 Payment. At the Closing, the Purchaser shall deliver to the Company via wire transfer of immediately available funds, in accordance with wire instructions provided to the Purchaser by the Company, the Subscription Amount and the Company shall deliver to the Purchaser the Shares, and the Company shall instruct the Transfer Agent to register such issuance at the time of such issuance.

2.3 Closing Date. The Closing will take place on the Trading Day on which all of the documents to be delivered pursuant to Section 2.4 below have been executed and delivered by the applicable parties thereto, and all conditions precedent to the applicable parties' obligations hereunder as set forth in Section 2.5 below, have been satisfied or waived, but in no event later than the third Trading Day following the date of this Agreement (the "**Closing Date**").

2.4 Closing Deliverables.

(a) Company Deliverables. On or prior to the Closing Date, the Company shall deliver or cause to be delivered to the Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) a copy of the irrevocable instructions to the Transfer Agent instructing the Transfer Agent to deliver, on an expedited basis, via book entry to the applicable balance account, the Shares registered in the name of the Purchaser;

(iii) a compliance certificate, executed by the Chief Financial Officer of the Company, dated as of the Closing Date, to the effect that the conditions specified in subsections (i), (ii), and (iv) of Section 2.5(b) have been satisfied;

(iv) a certificate of the Company's Secretary certifying as to (A) the Company's certificate of incorporation and bylaws, (B) the resolutions of the Board approving this Agreement and the transactions contemplated hereby, and (C) good standing certificates with respect to the Company from the applicable authority in Delaware; and

(v) such other information, certificates and documents as the Purchaser may reasonably request.

(b) Purchaser Deliverables. On or prior to the Closing Date, the Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by the Purchaser; and

(ii) the Subscription Amount by wire transfer to the account(s) specified by the Company.

2.5 Closing Conditions.

(a) Conditions Precedent to each Party's Obligations. The obligations of the Company and the Purchaser hereunder in connection with the Closing are subject to the following conditions being met:

(i) no temporary restraining order, preliminary or permanent injunction or other order or decree, and no other legal restraint or prohibition, shall exist which questions the validity of this Agreement or the right of the Company or the Purchaser, as the case may be, to enter into this Agreement or prevents or could reasonably be expected to prevent the consummation of the transactions contemplated by this Agreement, nor shall any litigation or court or administrative proceeding have been commenced or threatened with respect to the foregoing.



(b) Conditions Precedent to the Purchaser's Obligations. The obligations of the Purchaser hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed in all material respects;

(iii) the delivery by the Company of the items set forth in Section 2.4(a) of this Agreement;

(iv) there shall have been no Material Adverse Effect (as defined below) with respect to the Company since the date hereof; and

(v) from the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the Commission or the Trading Market (except for any suspension of trading of limited duration agreed to by the Company, which suspension shall be terminated prior to the Closing), and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any market or exchange, nor shall a banking moratorium have been declared either by the United States or New York State authorities.

(c) Conditions Precedent to the Company's Obligations. The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects when made and on the Closing Date of the representations and warranties of the Purchaser contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Purchaser required to be performed at or prior to the Closing Date shall have been performed in all material respects; and

(iii) the delivery by the Purchaser of the items set forth in Section 2.4(b) of this Agreement.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. The Company hereby makes the following representations and warranties to the Purchaser:

(a) Organization and Qualification. The Company is an entity duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation, with the requisite corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted and as described in the SEC Reports (as defined below). The Company is not in violation nor default of any of the provisions of its certificate of incorporation or bylaws. The Company is duly qualified to conduct business and is in good standing as a foreign corporation in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not result in: (i) a material adverse effect on the legality, validity or enforceability of this Agreement, (ii) a material adverse effect on the results of operations, assets (including intangible assets), business or condition (financial or otherwise) of the Company, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under this Agreement (any of (i), (ii) or (iii), a "**Material Adverse Effect**") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification. Each Significant Subsidiary of the Company (x) is an entity duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation, with the requisite corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted and as described in the SEC Reports (as defined below) and (y) is duly qualified to conduct business and is in good standing as a foreign corporation in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not result in a Material Adverse Effect.

(b) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder. The execution and delivery of this Agreement by the Company and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders. This Agreement has been duly executed by the Company and, when delivered in accordance with the terms hereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(c) No Conflicts. The execution, delivery and performance by the Company of this Agreement, the issuance and sale of the Shares and the consummation by it of the transactions contemplated hereby do not and will not: (i) conflict with or violate any provision of the Company's certificate of incorporation or bylaws, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company debt or otherwise) or other understanding to which the Company is a party or by which any property or asset of the Company is bound or affected, or (iii) conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company is bound or affected; except in the case of each of clauses (ii) and (iii), such as would not result in a Material Adverse Effect.

(d) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of this Agreement, other than: the notice and/or application(s) to the Trading Market for the issuance and sale of the Shares and the listing of the Shares for trading thereon in the time and manner required thereby (collectively, the “**Required Approvals**”).

(e) Issuance of the Shares. The Shares are duly authorized and, when issued and paid for in accordance with this Agreement, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens other than restrictions on transfer provided for in this Agreement.

(f) Capitalization. The authorized capital of the Company consists of: (i) 475,000,000 shares of Common Stock of which, as of December 31, 2019, (x) 58,177,350 shares were issued and outstanding and (y) 5,467,684 shares were reserved for issuance pursuant to the Company’s stock incentive plans, of which (1) 2,522,674 shares were issuable upon the exercise of stock options outstanding, (2) 45,647 shares were issuable upon the vesting of performance restricted stock units on the date hereof, and (3) 2,899,363 shares were available for grant under the Company’s stock incentive plans, and (ii) 25,000,000 shares of preferred stock, par value \$0.001 per share, of which no shares are issued and outstanding as of the date of this Agreement. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by this Agreement. Except as a result of the purchase and sale of the Shares or as set forth in SEC Reports, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of Common Stock, or contracts, commitments, understandings or arrangements by which the Company is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents. The issuance and sale of the Shares will not obligate the Company to issue shares of Common Stock or other securities to any Person (other than the Purchaser) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. All of the outstanding shares of capital stock of the Company are validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Shares. Except as set forth in SEC Reports, there are no stockholders agreements, voting agreements or other agreements with respect to the Company’s capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company’s stockholders.

(g) SEC Filings; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, since December 31, 2018 (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the “**SEC Reports**”) on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each registration statement and any amendment thereto filed by the Company pursuant to the Securities Act and the rules and regulations thereunder, as of the date such statement or amendment became effective, complied in all material respects with the requirements of the Securities Act and did not, when filed, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and each prospectus filed pursuant to Rule 424(b) under the Securities Act, as of its issue date and as of the closing of any sale of securities pursuant thereto, did not, when filed, contain any untrue statement of a

material fact or omit to state any material fact required to be stated herein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (the registration statements, amendments and prospectuses referred to in this section, together with the SEC Reports, the “**SEC Filings**”). As of the date hereof, there are no material outstanding or unresolved comments in comment letters received by the Company from the Commission staff with respect to any of the SEC Filings. The Company has never been an issuer subject to Rule 144(i) under the Securities Act. The financial statements of the Company included in the SEC Filings comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (“**GAAP**”), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments. As of the date hereof, there are no disagreements between the Company and its independent accounting firm on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure relating to the Company’s audit or otherwise that, if not resolved to the satisfaction of the accounting firm, would result in the accounting firm referencing such disagreement in its audit report for such fiscal year.

(h) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as publicly disclosed by the Company at least two (2) Trading Days prior to the date hereof: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not altered its method of accounting, (iii) the Company has not declared or made any dividend or distribution of cash or other property to the holders of its Common Stock or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, (iv) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to an existing Company stock incentive plan, and (v) there have not been any changes in the authorized capital, assets, liabilities, financial condition, business, or operations of the Company from that reflected in the latest financial statements contained in the SEC Reports except changes in the ordinary course of business which have not had or would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. The Company does not have pending before the Commission any request for confidential treatment of information. The Company has not taken any steps to seek protection pursuant to any law or statute relating to bankruptcy, insolvency, reorganization, receivership, liquidation or winding up, nor does the Company have any knowledge or reason to believe that any of its respective creditors intend to initiate involuntary bankruptcy proceedings or any actual knowledge of any fact which would reasonably lead a creditor to do so.

(i) Compliance. The Company and each of its Significant Subsidiaries is not (i) in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company under), nor has the Company received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) in violation of any judgment, decree or order of any court, arbitrator or governmental body or (iii) in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(j) Sarbanes-Oxley; Internal Accounting Controls. The Company is in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

(k) Private Placement. Assuming the accuracy of the Purchaser's representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Shares by the Company to the Purchaser as contemplated hereby. The issuance and sale of the Shares hereunder does not contravene the rules and regulations of the Trading Market.

(l) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Shares, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(m) Registration Rights. Except as set forth in SEC Reports, no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company.

(n) Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act and listed for trading on the Trading Market under the symbol “BFAM.” The Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company has not received any notice from the Trading Market to the effect that the Company is not in compliance with the listing or maintenance requirements of the Trading Market. There is no suit, action, proceeding or investigation pending or, to the knowledge of the Company, threatened against the Company by Trading Market or the Commission with respect to any intention by such entity to deregister the Common Stock or prohibit or terminate the listing of the Common Stock on the Trading Market.

(o) Application of Takeover Protections. The Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company’s certificate of incorporation or the laws of its state of incorporation that is or could become applicable to the Purchaser as a result of the Purchaser and the Company fulfilling their obligations or exercising their rights under this Agreement, including without limitation as a result of the Company’s issuance of the Shares and the Purchaser’s ownership of the Shares. The Company has not adopted a stockholder rights plan or similar arrangement relating to accumulations of beneficial ownership of Common Stock or a change in control of the Company.

(p) No Integrated Offering. Assuming the accuracy of the Purchaser’s representations and warranties set forth in Section 3.2, neither the Company, nor any Person acting on its behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Shares to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable stockholder approval provisions of the Trading Market.

(q) No General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Shares by any form of general solicitation or general advertising.

(r) Foreign Corrupt Practices. Neither the Company, nor to the knowledge of the Company, any agent or other person acting on behalf of the Company, has: (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(s) Office of Foreign Assets Control. Neither the Company nor, to the Company’s knowledge, any director, officer, agent, employee or affiliate of the Company is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department (“OFAC”).

(t) Bank Holding Company Act. The Company is not subject to the Bank Holding Company Act of 1956, as amended (the “**BHCA**”) or to regulation by the Board of Governors of the Federal Reserve System (the “**Federal Reserve**”). The Company does not own or control, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. The Company does not exercise a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA or to regulation by the Federal Reserve.

(u) Money Laundering. The operations of the Company are and have been conducted at all times in material compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the “**Money Laundering Laws**”), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

3.2 Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants to the Company as follows (unless as of a specific date therein):

(a) Organization; Authority. The Purchaser is either an individual or an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with full right, corporate or partnership power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder. The execution and delivery of this Agreement and performance by the Purchaser of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of the Purchaser. This Agreement has been duly executed by the Purchaser, and when delivered by the Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of the Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors’ rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law. If the Purchaser is a corporation, trust, partnership or other entity that is not an individual person, it has not been organized for the specific purpose of purchasing the Shares and is not prohibited from doing so.

(b) Own Account. The Purchaser understands that the Shares are “restricted securities” and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Shares as principal for its own account and not with a view to or for distributing or reselling such Shares or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Shares in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Shares in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting the Purchaser’s right to sell the Shares in compliance with applicable federal and state securities laws). The Purchaser is acquiring the Shares hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time the Purchaser was offered the Shares, it was, and as of the date hereof it is either: (i) an “accredited investor” as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act or (ii) a “qualified institutional buyer” as defined in Rule 144A(a) under the Securities Act. The Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act.

(d) Experience of the Purchaser. The Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Shares, and has so evaluated the merits and risks of such investment. The Purchaser is able to bear the economic risk of an investment in the Shares and, at the present time, is able to afford a complete loss of such investment. The Purchaser and its representatives have (i) had the opportunity to ask questions of and receive answers from the Company directly and review the Company’s filings with the Commission and (ii) conducted and completed their own independent due diligence with respect to the transactions contemplated hereby. Based on such information as the Purchaser has deemed appropriate, the Purchaser has independently made its own judgment concerning the Company and its businesses, operations and prospects and analysis and decision to enter into this Agreement and the transactions contemplated hereby. Except for the representations, warranties and agreements of the Company expressly set forth in this Agreement, the Purchaser is relying exclusively on its own investment analysis and due diligence (including professional advice it deems appropriate) with respect to the transactions contemplated hereby, the Shares and the business, condition (financial and otherwise), management, operations and properties of the Company, including all business, legal, regulatory, accounting, credit and tax matters. Neither any inquiries nor any other due diligence investigations conducted at any time by the Purchaser and its representatives shall modify, amend or affect the Purchaser’s right to rely on the Company’s representations and warranties contained in Section 3.1 above. The Purchaser understands that its purchase of the Shares involves a high degree of risk.

(e) Reliance on Exemptions. The Purchaser understands that the Shares are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and the Purchaser’s compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Purchaser set forth herein in order to determine the availability of such exemptions and the eligibility of the Purchaser to acquire the Shares. The Purchaser understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Shares, or the fairness or suitability of the investment in the Shares, nor have such authorities passed upon or endorsed the merits of the offering of the Shares. The Purchaser is making this acquisition “solely for the purpose of investment,” as that term is defined under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules promulgated thereunder (including but not limited to 16 C.F.R. § 801.1(i)(1)); in particular, the Purchaser (including all of its subsidiaries and Affiliates) has no intention of participating in the formulation, determination, or direction of the basic business decisions of the Company.



(f) General Solicitation. The Purchaser is not purchasing the Shares as a result of any advertisement, article, notice or other communication regarding the Shares published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar, or any other general solicitation or general advertisement.

(g) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, the Purchaser has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with the Purchaser, executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that the Purchaser first received terms (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Notwithstanding the foregoing, if the Purchaser is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of the Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of the Purchaser's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Shares covered by this Agreement. Other than to other Persons party to this Agreement, the Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to the identification of the availability of, or securing of, available shares to borrow in order to effect Short Sales or similar transactions in the future.

(h) No Legal Advice From the Company. The Purchaser acknowledges, that it had the opportunity to review this Agreement and the transactions contemplated by this Agreement with his or its own legal counsel and investment and tax advisors. The Purchaser is relying solely on such counsel and advisors and not on any statements or representations of the Company or any of its representatives or agents for legal, tax or investment advice with respect to this investment, the transactions contemplated by this Agreement or the securities laws of any jurisdiction.

(i) Regulation M. The Purchaser is aware that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of Common Stock and other activities with respect to the Common Stock by the Purchaser.

(j) Ownership. Assuming the accuracy of the Company's representations and warranties set forth in Section 3.1(f), the Purchaser will not own more than 19.9% of the Common Stock immediately following the Closing.

## ARTICLE IV

### OTHER AGREEMENTS OF THE PARTIES

#### 4.1 Transfer Restrictions.

(a) The Shares may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Shares other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of the Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Shares under the Securities Act.

(b) The Purchaser agrees to the imprinting, so long as is required by this Section 4.1, of a legend on any certificate evidencing the Shares in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The Company acknowledges and agrees that the Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Shares to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and, if required under the terms of such arrangement, the Purchaser may transfer pledged or secured Shares to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Shares may reasonably request in connection with a pledge or transfer of the Shares.

(c) Certificates evidencing the Shares shall not be required to contain any legend (including the legend set forth in Section 4.1(b) hereof): (i) following a sale of the Shares pursuant to a registration statement covering the resale of such Shares, while such registration statement is effective under the Securities Act, (ii) following any sale of such Shares pursuant to Rule 144, (iii) if such Shares are eligible for sale under Rule 144, without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such Shares and without volume or manner-of-sale restrictions or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission).

(d) The Company agrees that following such time as the legend is no longer required under Section 4.1(c), it will, no later than three Trading Days following the delivery by the Purchaser to the Transfer Agent of a (i) certificate representing Shares issued with a restrictive legend if such Shares are certificated, or (ii) written notice requesting the removal of any restrictive legend from the entry in the applicable balance account evidencing such Shares, as the case may be, deliver or cause to be delivered to the Purchaser such Shares, free from all restrictive and other legends, by crediting the account of the Purchaser's prime broker with the Depository Trust Company System as directed by the Purchaser. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4.

(e) The Purchaser agrees with the Company that the Purchaser will sell any Shares pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Shares are sold pursuant to a registration statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Shares as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Furnishing of Information. Until the time that the Purchaser does not own any Registrable Shares, the Company covenants to use commercially reasonable efforts to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act.

4.3 Acknowledgment of Dilution. The Company acknowledges that the issuance of the Shares may result in dilution of the outstanding shares of Common Stock, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under this Agreement, including, without limitation, its obligation to issue the Shares pursuant to this Agreement, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against the Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of the Company.

4.4 Integration. The Purchaser understands that the Company may issue additional securities after the date hereof; provided, however, that the Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Shares in a manner that would require the registration under the Securities Act of the sale of the Shares or that would be integrated with the offer or sale of the Shares for purposes of the rules and regulations of the Trading Market such that it would require stockholder approval prior to the closing of such other transaction unless stockholder approval is obtained before the closing of such subsequent transaction.

4.5 Securities Laws Disclosure; Publicity. The Company shall, by 9:00 a.m. (New York City time) on the Trading Day immediately following the date hereof, file a Current Report on Form 8-K disclosing the material terms of the transactions contemplated hereby. The Company and the Purchaser shall consult with each other in issuing any press releases with respect to the transactions contemplated hereby, and neither the Company nor the Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of the Purchaser, or without the prior consent of the Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law or regulation, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication; provided that this Section 4.5 shall not in any way restrict or impair the obligations of the Company or the Purchaser to respond to routine examinations, demands, requests or reporting requirements of a regulator without prior notice to or consent from the Purchaser or the Company, respectively; provided, further, that only to the extent that the responding party is in possession of confidential information of the other party at such time, the responding party shall inform the other party in writing as soon as reasonably practicable following receipt of a request for such examination, demand, request, or reporting requirement.

4.6 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that the Purchaser is an “**Acquiring Person**” under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that the Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Shares under this Agreement or under any other agreement among the Company and the Purchaser.

4.7 Use of Proceeds. The Company shall use the net proceeds from the sale of the Shares hereunder for working capital and general corporate purposes and shall not use such proceeds for: (a) the redemption of any Common Stock or Common Stock Equivalents, (b) the settlement of any outstanding litigation or (c) in violation of the Money Laundering Laws or OFAC regulations.

4.8 Listing of Common Stock. The Company shall have submitted a Supplemental Listing Application to the Trading Market and shall have received no objection thereto. The Company shall use its commercially reasonable efforts to take all steps necessary to maintain, so long as any other shares of Common Stock shall be so listed, such listing.

4.9 Certain Transactions and Confidentiality. The Purchaser covenants that neither it, nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales, of any of the Company's securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced pursuant to the Form 8-K as described in Section 4.5. The Purchaser covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to the Form 8-K as described in Section 4.5, the Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in this Agreement. The Company agrees that it will include any material non-public information that Purchaser or its representatives have received in connection with this Agreement in its public disclosures in either its next public earnings release or earnings call following the Closing Date (the "**Earnings Release**"). Promptly after the Earnings Release is made publicly available, the Company will confirm to Purchaser in writing (which may be by email) that the Earnings Release has cleansed Purchaser of any such material non-public information.

4.10 Registration Rights. The Company covenants and agrees as follows:

(a) Within 90 days following the Closing (the "**Filing Deadline**"), or such earlier time as the Company in its sole discretion may agree in writing, the Company shall file a prospectus supplement or a registration statement (the "**Registration Statement**") to register the resale of the Registrable Shares on a Form S-3 registration statement, or Form S-1 registration statement if the Company is not eligible to use Form S-3, under the Securities Act and shall use commercially reasonable efforts to have such Registration Statement declared effective as soon as practicable, and in no event later than five (5) days after the date that the Company is notified (orally or in writing, whichever is earlier) by the Commission that such registration statement will not be "reviewed," or not be subject to further review and the effectiveness of such Registration Statement may be accelerated. The Company shall notify the Purchaser by e-mail as promptly as practicable, and in any event, within twenty-four (24) hours, after any such Registration Statement is declared effective. If a Registration Statement covering the Registrable Shares is not effective on or prior to the Filing Deadline, the Company shall pay the Purchaser, as liquidated damages and not as a penalty, in an amount equal to 0.5% of the Subscription Amount for each full month or pro rata for any portion thereof following the Filing Deadline for which no Registration Statement is effective with respect to the Registrable Shares. Such payments shall constitute the Purchaser's exclusive monetary remedy for such events, but shall not affect the right of the Purchaser to seek injunctive relief. Such payments shall be made to Purchaser in cash no later than five (5) business days after the end of each 30-day period. Notwithstanding anything to the contrary herein, the aggregate amount of liquidated damages due hereunder to the Purchaser shall not exceed six percent (6.0%) of the Subscription Amount.

(b) The Purchaser shall provide any information reasonably requested by the Company to be included in such registration statement. The Company shall maintain the effectiveness of such registration statement for a period to terminate upon the earliest of (i) three (3) years following the effectiveness of such registration statement, (ii) the date on which all Registrable Shares covered by such registration statement have been sold and (iii) the date on which all such Registrable Shares covered by such registration statement may be sold pursuant to Rule 144(b)(1)(i), such that all of the Shares can be resold by the Purchaser as a non-affiliate that has held such securities for at least one year.

(c) All expenses incurred in connection with registrations, filings or qualifications pursuant to this Section 4.10, including all registration, filing and qualification fees; printers' and accounting fees; and fees and disbursements of counsel for the Company, shall be borne and paid by the Company. All (i) underwriting discounts and selling commissions, but only to the extent that the Purchaser intends to distribute the Registrable Shares by means of an underwriting, (ii) fees and disbursements of counsel for the Purchaser and (iii) transfer taxes incurred in connection with the sale of any Shares by the Purchaser (collectively "**Selling Expenses**") shall be borne by the Purchaser. For the avoidance of doubt, the Company shall not bear any Selling Expenses in connection with its obligations pursuant to this Section 4.10.

(d) To the extent permitted by law, the Company will indemnify and hold harmless the Purchaser, and its partners, members, officers and directors (collectively, "**Purchaser Indemnified Parties**"), against any loss, damage, claim or liability (joint or several) insofar as such loss, damage, claim or liability arises out of and is based upon: (A) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company registering the resale of the Registrable Shares, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto or (B) an omission or alleged omission to state in such registration statement a material fact required to be stated therein, or necessary to make the statements therein not misleading; provided, however, that the indemnity agreement contained in this Section 4.10(d) shall not apply (i) to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, (ii) any Losses to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any Purchaser Indemnified Party expressly for use in connection with such registration or (iii) to the extent it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that any Purchaser Indemnified Party is not entitled to indemnification hereunder. In no event shall the liability of the Company (inclusive of amounts contributed clause (g) below) be greater in amount than the Subscription Amount.

(e) To the extent permitted by law, the Purchaser will indemnify and hold harmless the Company and its partners, members, officers and directors (collectively, "**Company Indemnified Parties**"), against any loss, damage, claim or liability (joint or several) insofar as such loss, damage, claim or liability arises out of and is based upon: (A) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company registering the resale of the Registrable Shares, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto or (B) an omission or alleged omission to state in such registration statement a material fact required to be stated therein, or necessary to make the statements therein not misleading, in each case, only to the extent such untrue statement or omission is contained in any information furnished to the Company by the Purchaser specifically for inclusion in such registration statement; provided, however, that the indemnity agreement contained in this Section 4.10(e) shall not apply (i) to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Purchaser, which consent shall not be unreasonably withheld, or (ii) to the extent it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that any Company Indemnified Party is not entitled to indemnification hereunder. In no event shall the liability of the Purchaser (inclusive of amounts contributed clause (g) below) be greater in amount than the dollar amount of the proceeds (net of all expenses paid by the Purchaser in connection with any claim relating to this Section 4.10 and the amount of any damages the Purchaser has otherwise been required to pay by reason of such untrue statement or omission) received by the Purchaser upon the sale of the Registrable Shares included in the registration statement giving rise to such indemnification obligation.

(f) Any person entitled to indemnification pursuant to this Section 4.10 shall (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided that any person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such person unless (a) the indemnifying party has agreed to pay such fees or expenses, or (b) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such person or (c) in the reasonable judgment of any such person, based upon written advice of its counsel, a conflict of interest exists between such person and the indemnifying party with respect to such claims (in which case, if the person notifies the indemnifying party in writing that such person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such person); and provided, further, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations hereunder, except to the extent that such failure to give notice shall materially adversely affect the indemnifying party in the defense of any such claim or litigation. It is understood that the indemnifying party shall not, in connection with any proceeding in the same jurisdiction, be liable for fees or expenses of more than one separate firm of attorneys at any time for all such indemnified parties. No indemnifying party will, except with the consent of the indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

(g) If for any reason the indemnification provided for in this Section 4.10 is unavailable to an indemnified party or insufficient to hold it harmless, other than as expressly specified therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations. No person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the Securities Act shall be entitled to contribution from any person not guilty of such fraudulent misrepresentation.

## **ARTICLE V**

### **MISCELLANEOUS**

5.1 Fees and Expenses. Except as expressly set forth in this Agreement to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement; provided, however, that the Company shall reimburse the Investor for the reasonable, documented fees and expenses of counsel for the Purchaser in an amount not to exceed \$50,000. The Company shall pay all Transfer Agent fees, stamp taxes and other taxes and duties levied in connection with the delivery of any Shares to the Purchaser.

5.2 Entire Agreement. This Agreement, together with the exhibits and schedules hereto and that certain Confidentiality Agreement, dated as of April 16, 2020, by and between the Company and the Purchaser, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.3 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2<sup>nd</sup>) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.4 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchaser or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.5 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Purchaser (other than by merger). The Purchaser may assign any or all of its rights under this Agreement to any Person to whom the Purchaser assigns or transfers any Shares, provided that such transferee agrees in writing to be bound, with respect to the transferred Shares, by the provisions of this Agreement that apply to the "Purchaser."

5.7 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

5.8 Governing Law; Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

5.9 Survival. Notwithstanding any investigation made by any party to this Agreement, the representations and warranties contained herein shall survive the Closing and the delivery of the Shares.

5.10 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof.

5.11 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.12 Replacement of Shares. If any certificate or instrument evidencing any Shares is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Shares.

5.13 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, the Purchaser and the Company will be entitled to specific performance under this Agreement. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in this Agreement and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.14 Construction. The parties agree that each of them and/or their respective counsel has reviewed and had an opportunity to revise this Agreement and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments hereto. In addition, each and every reference to share prices and shares of Common Stock in this Agreement shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.



5.15 **WAIVER OF JURY TRIAL.** IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.

*(Signature Pages Follow)*

IN WITNESS WHEREOF, the parties hereto have caused this Stock Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

**BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

By: /s/ Elizabeth J. Boland  
Name: Elizabeth J. Boland  
Title: Chief Financial Officer

Address for Notice:  
200 Talcott Avenue  
Watertown, MA 02472  
Fax: 617-673-8629

With a copy to (which shall not constitute notice):

Morgan, Lewis & Bockius LLP  
One Federal Street  
Boston, MA 02110  
Attn: Laurie A. Cerveny, Esq.  
Bryan S. Keighery, Esq.  
Fax: (617) 341-7701

**DURABLE CAPITAL MASTER FUND LP**

By: Durable Capital Partners LP, its investment adviser

By: /s/ Michael Blandino  
Name: Michael Blandino  
Title: Authorized Person

Address for Notice:  
c/o Durable Capital Partners LP  
5425 Wisconsin Avenue, Suite 802  
Chevy Chase, MD 20815  
Attn: Julie Jack, General Counsel  
Email: legalnotices@durablecap.com

With a copy to (which shall not constitute notice):

DLA Piper LLP (US)  
6225 Smith Avenue  
Baltimore, MD 21209-3600  
Attn: Jason Harmon, Esq.  
Fax: (301) 580-3001

DLA Piper LLP (US)  
11911 Freedom Drive  
Suite 300  
Reston, VA 20190  
Attn: Matt VanderGoot, Esq.  
Fax: (703) 773-5000

**FIFTH AMENDMENT TO CREDIT AGREEMENT**

This FIFTH AMENDMENT TO CREDIT AGREEMENT, dated as of May 7, 2020 (this “**Amendment**”), is entered into by and among BRIGHT HORIZONS FAMILY SOLUTIONS LLC, a Delaware limited liability company (the “**Borrower**”), BRIGHT HORIZONS CAPITAL CORP., a Delaware corporation (“**Holdings**”), the Loan Parties who have delivered signature pages hereto, JPMORGAN CHASE BANK, N.A. (“**JPMCB**”), as administrative agent (in such capacity, the “**Administrative Agent**”) and L/C Issuer, and the Fifth Amendment Incremental Revolving Credit Lender referred to below, amends the Credit Agreement, dated as of January 30, 2013, by and among the Borrower, Holdings, JPMCB, as Administrative Agent and L/C Issuer, the lenders party thereto (the “**Existing Lenders**”) and the other parties party thereto from time to time (as amended and restated as of November 7, 2016, as amended by the Amendment Agreement dated as of May 8, 2017, the Amendment to Credit Agreement dated as of November 30, 2017, the Third Amendment to Credit Agreement dated as of May 31, 2018 and the Fourth Amendment to Credit Agreement dated as of April 24, 2020, the “**Credit Agreement**”). Capitalized terms not otherwise defined in this Amendment have the meanings ascribed to such terms in the Credit Agreement.

W i t n e s s e t h:

Whereas, pursuant to the Credit Agreement, (a) certain Existing Lenders have made Term B Loans to the Borrower and (b) certain Existing Lenders have made Revolving Credit Loans and have made the Revolving Credit Commitments to the Borrower (each, an “**Existing Revolving Lender**”);

WHEREAS, pursuant to Section 2.16 of the Credit Agreement, the Borrower has requested from the Fifth Amendment Incremental Revolving Credit Lender (as defined below) a Revolving Commitment Increase under the Credit Agreement in an aggregate principal amount of \$15,000,000.00;

WHEREAS, the Borrower, the Administrative Agent, the L/C Issuer and the Fifth Amendment Incremental Revolving Credit Lender desire to amend the Credit Agreement to provide for the Fifth Amendment Revolving Commitment Increase (as defined below) and to make other modifications related to the Fifth Amendment Revolving Commitment Increase on the terms and subject to the conditions set forth herein;

WHEREAS, with respect to this Amendment, JPMCB has been appointed to act as lead arranger and bookrunner (the “**Arranger**”).

Now, Therefore, in consideration of the premises and the covenants and obligations contained herein, the parties hereto agree as follows:

**SECTION 1. Rules of Interpretation.** The rules of interpretation set forth in Section 1.02 of the Credit Agreement are hereby incorporated by reference herein, *mutatis mutandis*.

**SECTION 2. Incremental Amendment.**

(a) This Section 2 constitutes an “Incremental Amendment” pursuant to Section 2.16 of the Credit Agreement, pursuant to which each Incremental Revolving Credit Lender listed on Schedule 1 hereto (the “**Fifth Amendment Incremental Revolving Credit Lender**”) commits, severally but not jointly, to provide to the Borrower a Revolving Commitment Increase on the Amendment Effective Date in a principal amount equal to the amount set forth opposite the Fifth Amendment Incremental Revolving Credit Lender’s name under the heading “Fifth Amendment Revolving Commitment Increase” on Schedule 1 hereto (the “**Fifth Amendment Revolving Commitment Increase**”). The aggregate principal amount of the Fifth Amendment Revolving Commitment Increase of the Fifth Amendment Incremental Revolving Credit Lender as of the date of this Amendment is \$15,000,000.00. Effective as of the

Amendment Effective Date, each Fifth Amendment Revolving Commitment Increase shall be deemed for all purposes under the Credit Agreement and the Loan Documents a Revolving Credit Commitment and each Loan made thereunder shall be deemed, for all purposes, a Revolving Credit Loan.

(b) Effective as of the Amendment Effective Date, pursuant to Section 2.16(g) of the Credit Agreement, each of the Existing Revolving Lenders shall assign to the Fifth Amendment Incremental Revolving Credit Lender, and the Fifth Amendment Incremental Revolving Credit Lender shall purchase from each of the Existing Revolving Lenders, at the principal amount thereof, such interests in the Incremental Revolving Loans (each, a “**Fifth Amendment Incremental Revolving Loan**”) outstanding on the Amendment Effective Date as shall be necessary in order that, after giving effect to all such assignments and purchases, such Revolving Credit Loans will be held by Existing Revolving Lenders and the Fifth Amendment Incremental Revolving Credit Lender ratably in accordance with their Revolving Credit Commitments after giving effect to the addition of the Fifth Amendment Revolving Commitment Increase to the Revolving Credit Commitments.

(c) Effective as of the Amendment Effective Date, the Credit Agreement is hereby amended as follows:

(i) Section 1.01 of the Credit Agreement is hereby amended by inserting the following definitions therein in alphabetical order:

“**Fifth Amendment**” means the Fifth Amendment to Credit Agreement, dated as of May 7, 2020, among Holdings, the Borrower, the other Loan Parties party thereto, the Fifth Amendment Incremental Revolving Credit Lender (as defined therein) and JPMorgan Chase Bank, N.A., as Administrative Agent and L/C Issuer.

“**Fifth Amendment Effective Date**” means the date on which the conditions specified in Section 5 of the Fifth Amendment were satisfied (or waived in accordance with the terms thereof), which date is May 7, 2020.

(ii) The definition of “Revolving Credit Commitment” in Section 1.01 of the Credit Agreement is hereby amended by deleting the number “\$385,000,00.00” and replacing it with the number “\$400,000,000.00”.

**SECTION 3. [Reserved].**

**SECTION 4. [Reserved].**

**SECTION 5. *Conditions Precedent to the Effectiveness of the Amendment***

(a) This Amendment shall become effective on the date when each of the following conditions precedent shall have been satisfied or waived (the “**Amendment Effective Date**”):

(i) [reserved];

(ii) The Administrative Agent shall have received each of the following, each dated the Amendment Effective

Date:

(1) (i) this Amendment, duly executed by the Borrower, Holdings, each other Loan Party, JPMCB in its capacity as the Administrative Agent and L/C Issuer and the Fifth Amendment Incremental Revolving Credit Lender and (ii) a Revolving Credit Note, executed by the Borrower in favor of the Fifth Amendment Incremental Revolving Credit Lender to the extent it has requested a Revolving Note at least three (3) Business Days in advance of the Amendment Effective Date;

(2) a written opinion of Ropes & Gray LLP, counsel for the Loan Parties, in form and substance reasonably satisfactory to the Administrative Agent;

(3) certificates of good standings from the applicable secretary of state of the state of organization of each Loan Party, certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Amendment and the other Loan Documents to which such Loan Party is a party or is to be a party on the Amendment Effective Date; and

(4) a certificate of a Responsible Officer of the Borrower certifying as to the matters specified in Section 7 (Representations and Warranties) and clauses (a)(iii) and (a)(iv) below;

(iii) no Default or Event of Default shall exist or would exist after giving effect to this Amendment;

(iv) the representations and warranties of each Loan Party set forth in Article V of the Credit Agreement and in each other Loan Document shall be true and correct in all material respects on and as of the Amendment Effective Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date; provided that any representation and warranty that is qualified as to “materiality”, “Material Adverse Effect” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates;

(v) the Borrower shall have paid (i) all amounts referred to in Section 8 (Fees and Expenses) of this Amendment that have been invoiced to the Borrower at least three (3) Business Days prior to the Amendment Effective Date (or as otherwise reasonably agreed by the Borrower); and

(vi) the Borrower shall have provided to the Administrative Agent at least three (3) days prior to the Amendment Effective Date (or such shorter period as the Administrative Agent may agree in its sole discretion), all documentation and other information about the Borrower and the Guarantors required under applicable “know your customer” and anti-money laundering rules and regulations, including the PATRIOT Act, that has been requested by the Administrative Agent at least six (6) Business Days prior to the Amendment Effective Date.

The Administrative Agent shall notify the Borrower, the Existing Lenders and the Fifth Amendment Incremental Revolving Credit Lender of the Amendment Effective Date and such notice shall be conclusive and binding.

#### **SECTION 6. *Revolving Commitment Increase Request***

The Borrower’s execution and delivery of this Amendment to the Administrative Agent shall constitute notice to the Administrative Agent by the Borrower requesting the Fifth Amendment Revolving Commitment Increase pursuant to Section 2.16(a) of the Credit Agreement and, for the avoidance of doubt, shall satisfy such notice requirement set forth in Section 2.16(a) of the Credit Agreement.

#### **SECTION 7. *Representations and Warranties***

On and as of the Amendment Effective Date, the Borrower hereby represents and warrants that (a) this Amendment has been duly authorized, executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject to Debtor Relief Laws and general principles of equity (whether considered in a proceeding in equity or law) and an implied covenant of good faith and fair dealing, and the Credit Agreement (as amended by this Amendment) constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject to Debtor Relief Laws and general principles of equity (whether considered in a proceeding in equity or law) and an implied covenant of good faith and fair dealing and (b) no Default or Event of Default shall exist or would exist after giving effect to this Amendment.

## **SECTION 8. Fees and Expenses**

The Borrower shall pay (a) in accordance with the terms of Section 10.04 of the Credit Agreement all costs and expenses of the Administrative Agent in connection with the preparation, negotiation, syndication, execution and delivery of this Amendment (including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto), (b) any other fees separately agreed between the Borrower and the Arranger or the Lenders and (c) to the Fifth Amendment Incremental Revolving Credit Lender if it is a Lender on July 31, 2021 (the "**Fifth Amendment Additional Payment Date**") a delayed incremental commitment fee equal to 1.00% of the aggregate principal amount of the Fifth Amendment Incremental Revolving Credit Lender's Fifth Amendment Revolving Commitment Increase if any Commitments in respect of the Fifth Amendment Incremental Revolving Credit Lender's Fifth Amendment Revolving Commitment Increase remain outstanding as of the Fifth Amendment Additional Payment Date, which delayed incremental commitment fee (if any) shall be due and payable in full in cash on the Fifth Amendment Additional Payment Date.

## **SECTION 9. Effects on the Credit Agreement and the Loan Documents**

(a) As of the Amendment Effective Date, (i) each reference in the Credit Agreement to "*this Agreement*," "*hereunder*," "*hereof*," "*herein*," or words of like import, and each reference in the other Loan Documents to the Credit Agreement (including, without limitation, by means of words like "*thereunder*," "*thereof*" and words of like import), shall mean and be a reference to the Credit Agreement as amended hereby and (ii) each Person executing this Amendment in its capacity as a Fifth Amendment Incremental Revolving Credit Lender shall become a "Lender" and a "Revolving Credit Lender" under the Credit Agreement for all purposes of the Credit Agreement and the other Loan Documents and shall be bound by the provisions of the Credit Agreement (as amended by this Amendment) as a Lender holding Revolving Credit Commitments and Revolving Credit Loans.

(b) Except as expressly amended hereby or specifically waived above, all of the terms and provisions of the Loan Documents are and shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders or the Administrative Agent under any of the Loan Documents, nor constitute a waiver or amendment of any other provision of any of the Loan Documents or for any purpose except as expressly set forth herein.

(d) This Amendment shall not extinguish the obligations for the payment of money outstanding under the Credit Agreement or discharge or release the Lien or priority of any Loan Document or any other security therefor or any guarantee thereof. Nothing herein contained shall be construed as a substitution or novation of the Obligations outstanding under the Credit Agreement or any other Loan Document, all of which shall remain in full force and effect, except as modified hereby. Nothing expressed or implied in this Amendment or any other document contemplated hereby shall be construed as a release or other discharge of any Loan Party under any Loan Document from any of its obligations and liabilities thereunder.

(e) This Amendment is a Loan Document.

## **SECTION 10. Execution in Counterparts**

This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are attached to the same document. Delivery of an executed counterpart by telecopy, .pdf or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment. The words "execution," "signed," "signature," and words of like import herein shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal

Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

**SECTION 11. *Governing Law***

This Amendment shall be governed by and construed in accordance with the law of the State of New York.

**SECTION 12. *Reaffirmation***

Each of Holdings, the Borrower and each other Loan Party hereby (a) reaffirms its obligations under the Credit Agreement and each other Loan Document to which it is a party, in each case as amended by this Amendment, (b) reaffirms all Liens on the Collateral which have been granted by it in favor of the Administrative Agent (for the benefit of the Secured Parties) pursuant to the Loan Documents and (c) acknowledges and agrees that the grants of security interests by and the guarantees of the Loan Parties contained in the Collateral Documents and the Guaranty are, and shall remain, in full force and effect immediately after giving effect to this Amendment.

**SECTION 13. *Section Titles***

The section titles contained in this Amendment are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto, except when used to reference a section. Any reference to the number of a clause, sub-clause or subsection of any Loan Document immediately followed by a reference in parenthesis to the title of the section of such Loan Document containing such clause, sub-clause or subsection is a reference to such clause, sub-clause or subsection and not to the entire section; provided, however, that, in case of direct conflict between the reference to the title and the reference to the number of such section, the reference to the title shall govern absent manifest error.

**SECTION 14. *Notices***

All communications and notices hereunder shall be given as provided in the Credit Agreement.

**SECTION 15. *Severability***

In case any provision in or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

**SECTION 16. *Successors***

The terms of this Amendment shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns permitted by the Credit Agreement.

**SECTION 17. *Waiver of Jury Trial***

EACH PARTY TO THIS AMENDMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AMENDMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AMENDMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AMENDMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 17 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

[Signature Pages Follow]

**In Witness Whereof**, the parties hereto have caused this Amendment to be executed by their respective officers, as of the date first written above.

BRIGHT HORIZONS FAMILY SOLUTIONS LLC

By: /s/ Elizabeth Boland  
Name: Elizabeth Boland  
Title: Chief Financial Officer

**[Bright Horizons - Fifth Amendment to Credit Agreement Signature Page]**



BRIGHT HORIZONS CAPITAL CORP.

By: /s/ Elizabeth Boland  
Name: Elizabeth Boland  
Title: Chief Financial Officer

BRIGHT HORIZONS LLC  
BRIGHT HORIZONS CHILDREN'S CENTERS LLC  
CORPORATEFAMILY SOLUTIONS LLC  
RESOURCES IN ACTIVE LEARNING  
HILDEBRANDT LEARNING CENTERS, LLC

By: /s/ Elizabeth Boland  
Name: Elizabeth Boland  
Title: Chief Financial Officer

[Lenders signature pages on file with the Administrative Agent]

**[Bright Horizons - Fifth Amendment to Credit Agreement Signature Page]**

Schedule 1

**Fifth Amendment Incremental Revolving Credit Lender**

<b>Lender</b>	<b>Fifth Amendment Revolving Commitment Increase</b>
<b>Capital One, National Association</b>	<b>\$15,000,000.00</b>
<b>TOTAL:</b>	<b>\$15,000,000.00</b>

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER, BRIGHT HORIZONS FAMILY SOLUTIONS INC.

I, Stephen Kramer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bright Horizons Family Solutions Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ Stephen Kramer

**Stephen Kramer**  
**Chief Executive Officer**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER, BRIGHT HORIZONS FAMILY SOLUTIONS INC.**

I, Elizabeth Boland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bright Horizons Family Solutions Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ Elizabeth Boland

**Elizabeth Boland**  
**Chief Financial Officer**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bright Horizons Family Solutions Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen Kramer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2020

/s/ Stephen Kramer

**Stephen Kramer**  
**Chief Executive Officer**

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Bright Horizons Family Solutions Inc. and will be retained by Bright Horizons Family Solutions Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bright Horizons Family Solutions Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Elizabeth Boland, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2020

/s/ Elizabeth Boland

**Elizabeth Boland**  
**Chief Financial Officer**

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Bright Horizons Family Solutions Inc. and will be retained by Bright Horizons Family Solutions Inc. and furnished to the Securities and Exchange Commission or its staff upon request.