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Fortress Plans to Sell \$2.4 Billion for Vegas Rail, Still Record.

Fortress Investment Group cut the size of its municipal bond sale for for a passenger railroad between California and Las Vegas by \$800 million to \$2.4 billion, seeking to draw enough buyers to finance the speculative project.

The size of the offering of unrated securities was included in a preliminary pricing wire viewed by Bloomberg. While it's less than the \$3.2 billion the company had intended to sell, it would still be the largest ever offering of unrated municipal securities. They are expected to price this week.

Yields range from 7% to 7.5% depending on the call dates, with final maturity in 2050, in line with earlier price guidance although the call features differ. That yield on a 30-year bond would be about four times what the highest rated state and local governments pay, data compiled by Bloomberg show.

The update comes as Fortress's Brightline Holdings LLC is offering to buy back as much as \$250 million of bonds from investors sold for its Florida railroad. It will buy them for 100 cents on the dollar, about 17% more than where some of the securities have been trading, on the condition that its sale for the Las Vegas line occurs.

Ben Porritt, a spokesperson for Brightline, declined to comment. Samantha Kreloff, a spokesperson for lead underwriter Morgan Stanley, didn't immediately respond to a request for comment.

Last week, Fortress updated terms to put more equity into the Las Vegas project and lengthened the period that a reserve account could be used for payments to bondholders. The increase in equity brings it to a total of \$3 billion, representing 32% of the capital structure, up from the previous 28%, according to bond documents. The venture plans to use a total of \$6.38 billion of debt for the \$8.4 billion project.

Brightline expects the rail to ultimately extend to Los Angeles. For now, the bond issue will cover a 169-mile (272-kilometer) line connecting Las Vegas to a southern California desert town called Apple Valley, 90 miles away from downtown Los Angeles. The first high-speed, fully electric rail in the U.S. will run in 2024, according to offering documents.

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