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Florida’s High-Speed Rail Kicks Off $1.2 billion Junk-Debt Sale.

Florida’s high-speed rail system, Brightline, is tapping the US high-yield market with a $1.25 billion offering on Monday.

The Fortress Investment Group-backed railroad is selling six-year senior secured notes callable after three years, according to people with knowledge of the matter. The bonds — which are expected to price next week — are part of the rail line’s plans to refinance its roughly $3.9 billion debt load.

Morgan Stanley, the sole underwriter, had been sounding out investor appetite on the taxable junk bond at a yield of 10% to 11%, Bloomberg reported earlier this month. Interest has reached about $500 million for the deal at that yield range.

The offering is part of an expected $3.2 billion debt-refinancing package that includes proposed senior municipal bonds that may be issued this month by the Florida Development Finance Corp.

Earlier in April, the tax-exempt notes were assigned a S&P Global Ratings preliminary rating of BBB-, its lowest investment grade. The muni bonds also received preliminary designations of BBB- from Fitch Ratings and BBB from Kroll Bond Rating Agency.

Brightline is betting on replicating the model of Amtrak’s high-speed Acela service in the Northeast with better amenities. The railroad says travelers between Miami and Orlando — both big tourism destinations and business centers — can avoid the stress of a traffic-clogged four- to five-hour drive as well as the hassles of air travel.

American Journal of Transportation

By: Caleb Mutua | Apr 15 2024 at 08:55 AM | Intermodal

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