

## Brightline Debt Woes Highlight Risks In Private Rail Finance

By **Robert Charbonneau** (June 18, 2026, 10:14 AM EDT)

The reported creditor negotiations and mounting debt obligations of Brightline, the privately financed Florida railroad, have quickly become one of the most closely watched restructuring stories in the state, with broader implications for infrastructure finance and distressed-credit markets nationally.

According to a May 27 article in The Wall Street Journal, Brightline is carrying approximately \$5 billion in debt, much of it in the form of private activity bonds, while in discussions with creditors about its financial path forward.[1] The situation already offers a revealing case study in the unique restructuring pressures that converge when a privately financed, operationally active infrastructure project encounters a capital structure that has outpaced its revenue trajectory.



Robert Charbonneau

The Brightline story is not primarily about ridership or operational viability. The company continues to run passenger rail service connecting Miami, Fort Lauderdale, West Palm Beach and Orlando, representing one of the most ambitious privately financed rail expansions in American history.

The harder question now is whether the capital structure assembled to build that network can be sustained, modified or resolved in a way that preserves the enterprise. Operational viability and capital structure viability are not always the same thing, and Brightline's situation illustrates that distinction with unusual clarity.

### The Challenges of Privately Financed Infrastructure

Privately financed infrastructure projects occupy a distinct position in the restructuring landscape because they combine characteristics of traditional commercial enterprises with obligations more commonly associated with public utilities or essential services. That combination creates a set of restructuring dynamics that differ meaningfully from those encountered in most Chapter 11 proceedings.

Unlike a typical distressed company, an active rail operator cannot simply suspend operations while creditors negotiate. Brightline must continue running trains, maintaining equipment, paying employees, honoring operational contracts and managing vendor relationships regardless of what is happening at the capital structure level. Operational continuity is simultaneously a business necessity, a practical public expectation and, importantly, a source of restructuring leverage for parties who understand its value.

Infrastructure restructurings also tend to involve layered and heterogeneous financing structures that create competing creditor constituencies from the outset. Brightline's reported capital stack includes private activity bonds, secured debt, and other financing instruments carrying different priorities, covenants, and strategic objectives.

As liquidity pressure intensifies, those differences tend to become fault lines. Creditor groups that might align in a simpler restructuring often pursue divergent strategies when their legal rights and economic interests point in different directions, a dynamic that complicates both out-of-court workouts and formal restructuring proceedings.

### **When the Capital Structure Outpaces Revenue**

One of the most instructive aspects of the Brightline situation is the gap it illustrates between operational momentum and financial sustainability in capital-intensive infrastructure projects.

Large-scale infrastructure development typically requires substantial upfront investment, years of construction and operational scaling, and extended timelines before projected revenue levels are achieved. Financing structures are built around long-horizon growth assumptions, including ridership projections, fare revenue targets and ancillary income streams, which must hold across multiple years and market cycles.

When actual performance lags those assumptions, even modestly, the effects on debt service capacity can be significant. With leverage as substantial as Brightline's reported debt load, the margin for deviation narrows considerably.

The interest rate environment compounds those pressures. Debt structures that appeared serviceable during a period of historically low rates can become materially more difficult to sustain as rates rise and refinancing markets tighten. For projects with significant near-term maturities or floating-rate exposure, that shift can accelerate the timeline for restructuring conversations in ways that were not anticipated at the time of the original financing.

None of this necessarily means the underlying business lacks long-term value. In many restructuring situations, and infrastructure cases in particular, the core enterprise remains viable while the existing capital structure becomes unsustainable. The central challenge then becomes preserving that enterprise value while restructuring the obligations that have become unworkable. That distinction shapes the entire trajectory of negotiations, the range of available tools, and the likely outcomes for different stakeholder groups.

### **Contingent Liabilities and Creditor Strategy**

Infrastructure restructurings present a category of liability considerations that does not arise in most commercial Chapter 11 matters: the interaction between contingent claims and creditor recovery analysis. In Brightline's case, public reporting has noted that the company faces personal injury claims following fatal accidents on its tracks, and those unresolved contingent liabilities are among the factors creditors must account for when evaluating recovery prospects and negotiating restructuring terms.

Contingent liabilities affect restructuring negotiations in several distinct ways.

First, they introduce uncertainty into any enterprise valuation, because the range of potential outcomes is difficult to quantify until claims are resolved or discharged.

Second, depending on their character and volume, certain contingent obligations may require separate estimation, insurance analysis or claim-administration procedures that differ from the treatment of ordinary trade debt, potentially affecting the relative recovery positions of different creditor groups.

Third, the existence of material unresolved contingent claims can create incentives for some creditors to accelerate toward a formal proceeding, where those claims can be administered through a centralized claims process and ultimately resolved or estimated, while others prefer to avoid the operational disruption a filing would entail.

From a restructuring perspective, that analysis is rarely peripheral. For creditors evaluating strategic options, understanding the scope and likely treatment of contingent liabilities is central to any realistic assessment of enterprise value and recovery prospects.

### **Out-of-Court Workout or Bankruptcy: The Governing Tradeoffs**

The most consequential near-term question in the Brightline situation is whether the key stakeholders can achieve sufficient alignment to complete an out-of-court restructuring, or whether the complexity of the capital structure and the divergence of creditor interests will push the process toward a formal proceeding.

Out-of-court workouts offer meaningful advantages in infrastructure-related distress situations. A consensual resolution can limit operational disruption, preserve customer and municipal relationships, avoid protracted public litigation, and reduce the administrative costs of a formal bankruptcy proceeding.

For an operationally active rail system with high public visibility, those considerations are not merely financial. They affect the enterprise's long-term commercial viability and its relationships with state and local governments whose cooperation may be essential to future operations.

However, consensual resolutions become progressively harder to achieve as the creditor base becomes larger, more heterogeneous and more adversarial. Brightline's reported capital structure, with multiple layers of secured and unsecured debt, bondholders, and other interested parties, creates the conditions for exactly that kind of fragmentation.

As liquidity pressure intensifies, creditor groups tend to adopt defensive postures designed to protect their individual recovery positions, even when coordinated action might preserve greater enterprise value. At a certain point, the coercive tools available in a formal restructuring proceeding become necessary precisely because consensual agreement cannot be reached.

Recent reporting suggests that dynamic may already be emerging. Brightline is reportedly evaluating competing bankruptcy-financing proposals from creditor groups after an effort to solicit acquisition interest failed to produce a transaction. According to a June 2 article in Bloomberg News, competing groups of municipal and corporate bondholders have proposed financing that would support the railroad's continued operations through a court-supervised restructuring while potentially positioning those lenders to acquire ownership interests through the restructuring process.[2]

That development reflects a familiar pattern in large Chapter 11 cases. Bankruptcy financing is often more than a liquidity solution. The parties providing that financing frequently obtain significant influence over the trajectory of the case and, in some circumstances, emerge as the ultimate owners of the reorganized enterprise through debt-for-equity conversions, credit bids or negotiated plan structures.

If Brightline ultimately proceeds into Chapter 11, the identity of the financing parties may prove nearly as consequential as the financing terms themselves because the competition to fund the restructuring may also represent a competition to control the railroad's future ownership.

Those ownership considerations exist alongside a separate layer of complexity unique to railroad debtors. If a Brightline operating entity qualifying as a railroad were to pursue Chapter 11 relief, the case would likely be governed by Subchapter IV of Chapter 11, which imposes obligations that reflect the historical treatment of rail carriers as essential public infrastructure.

Among other things, the Surface Transportation Board has jurisdiction over certain aspects of railroad operations and dispositions, and a debtor railroad's ability to discontinue service, abandon lines, transfer rail operations, or dispose of certain rail assets may be subject to regulatory oversight that does not apply in typical commercial bankruptcies.

The interplay between those statutory obligations and the interests of secured creditors seeking to maximize recovery or exit the investment entirely is one of the more complex dimensions of any railroad restructuring and would almost certainly shape the negotiating dynamics if a formal proceeding were commenced.

These considerations do not make bankruptcy preferable or inevitable. They do mean that the threat of a formal proceeding, and the unique constraints it would impose on all parties, is a meaningful factor in any out-of-court negotiation, and that sophisticated creditors are almost certainly already pricing those constraints into their positions.

### **Broader Implications for Infrastructure Finance**

The Brightline situation arrives at a moment when the assumptions underlying a decade of privately financed infrastructure investment are under pressure across multiple asset classes. Investors and lenders deployed substantial capital into transportation, energy, healthcare and mixed-use development projects during a period of historically low interest rates, abundant liquidity and optimistic demand forecasts. Many of those projects were financed with leverage levels and growth assumptions that left limited room for deviation.

As financing conditions have tightened and revenue performance has diverged from projections in some cases, lenders and investors are beginning to reassess the risk framework for long-horizon infrastructure transactions. The questions being asked with increasing frequency, including questions about downside protection, refinancing exposure, covenant flexibility and liquidity reserves, reflect a market that is recalibrating its understanding of infrastructure credit risk in real time.

Brightline will not be the last privately financed infrastructure project to face this kind of reckoning. The combination of high leverage, long development timelines, interest rate sensitivity and operational complexity that characterizes the Brightline situation is not unique to passenger rail. It describes a significant portion of the infrastructure transactions completed over the past decade.

The restructuring professionals, creditors and courts that work through the Brightline situation, whether in or out of court, may influence how future infrastructure restructurings are approached by lenders, investors and other stakeholders facing similar challenges.

For the municipal and infrastructure finance markets, the more durable lesson may be about the limits of optimistic underwriting in capital-intensive industries with long paths to profitability. Infrastructure assets often have genuine long-term value that survives financial distress. Whether that value can be preserved through the restructuring process, and who captures it, depends heavily on the sophistication of the parties, the structure of the capital stack and the legal tools available.

The Brightline situation is an important reminder that those questions rarely have simple answers.

---

*Robert P. Charbonneau is a founding partner at Agentis PLLC.*

*The opinions expressed are those of the author(s) and do not necessarily reflect the views of their employer, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.*

[1] Alexander Gladstone, "Fortress's Brightline Private Railroad Teeters Under Heavy Debt Burden," The Wall Street Journal Pro Bankruptcy, May 27, 2026.

[2] Eliza Ronalds-Hannon, "Brightline Fields Bankruptcy-Loan Bids While Hoping for a Suitor," Bloomberg News, June 2, 2026.