Exhibit J

 LMG

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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AUTOMOBILE CLUB OF NEW YORK, INC. d/b/a
AAA NEW YORK AND AAA NORTH JERSEY, INC.,

Plaintiffs,

v.

THE PORT AUTHORITY OF NEW YORK AND
NEW JERSEY,

Defendant.

--X

REPLY AFFIDAVIT

11 CIV 6746
(RJH)

STATE OF NEW YORK)
)ss.:
COUNTY OF NEW YORK)

MICHAEL FABIANO being duly sworn deposes and says:

1. I am the Chief Financial Officer for The Port Authority of New York and New Jersey (the "Port Authority") and I make this affidavit in reply to plaintiffs' opposition to the Port Authority's motion to dismiss.

2. Plaintiffs' submissions, including the Affidavit of Robert Walters in Support of Plaintiffs' Application For Order To Show Cause and In Opposition to the Port Authority's Motion To Dismiss ("Walters Affidavit"), erroneously calls into question the cash flow analysis set forth in my Affidavit filed in opposition to the plaintiffs' application and in support of the Port Authority's motion to dismiss ("Affidavit"). Plaintiffs' scattered criticism of the analysis and reference to Budget Documents, Financial Statements and Rate of Return analysis fails to take into account one fundamental point - the only schedule that really matters is Exhibit B to my Affidavit and the only information that is relevant is in the cash basis columns (columns two and three). Those columns clearly demonstrate that all revenues collected from the Interstate Transportation Network ("ITN") are insufficient to fund the ITN capital needs for the next ten

years, whether the Port Authority finances those needs with cash or cash and debt. Management decisions on how to maximize investment by deciding whether or not to issue debt are just that – management decisions. Irrespective of whether or not debt is used, the analysis in my Affidavit clearly shows that ITN cash flow "In" does not exceed ITN cash flow "Out".

3. I understand that in their submission, plaintiffs argue that the preliminary capital plan for the ITN ($10.786 billion) discussed in my Affidavit is different from the capital plan submitted to the Board ($25.1 billion) in support of the tolls and fare increases. Plaintiffs' questions concerning statements to the Board about the overall capital plan, fail to recognize the relationship between the preliminary capital plan for the ITN ($10.786 billion) and the overall capital plan ($25.1 billion). The overall capital plan is for the entire Port Authority not just the ITN and takes into account pooled revenues derived from all facilities, including non-ITN facilities. In order for the ITN to be as self-sustaining as possible, it is imperative that sufficient revenues are raised from the ITN to support ITN expenditures. As demonstrated in the cash flow analysis, even with the tolls and fares increase, the ITN will still operate at a deficit and will likely require support from other facilities. However, because of the recently enacted increases, the drag the ITN would otherwise place on non-ITN Port Authority facilities will be reduced. The tolls and fare increases are intended to assure that the ITN is better able to support its operating expenses, capital needs, debt service and reserve requirements, thereby minimizing the support needed from other sources of revenue within the Port Authority.

4. Further, while plaintiffs continue to seek to show that the ITN is supporting the World Trade Center ("WTC") redevelopment, they do not challenge any of the ITN projects in the preliminary ITN capital plan. The financial analysis clearly shows that the tolls and fare increases will be expended not on the WTC, but on the ITN.

5. The Walters Affidavit states (p. 3, ¶ 5) that while the cash flow analysis demonstrates that the ITN is contributing to the reserve funds, it does not show how those funds are disbursed. Plaintiffs misread the key Exhibit to the Affidavit. Plaintiffs' question ignores the purpose of the General Reserve Fund component addressed in the tolls increase, which is to meet the statutory mandate explained in my initial affidavit which requires that ten percent of the par value of the Consolidated Bonds issued for the ITN and private financing of the Goethals Bridge replacement project must be deposited in the General Reserve Fund from surplus revenues (Affidavit at pp. 5-6, ¶ 9). The General Reserve Fund is reflected in Exhibit B to the Affidavit – in the item labeled, "**Reserve Requirement**". The important point is that the cash flow analysis (50% cash / 50% debt) shows that an amount which exceeds projected ITN revenues ($20.1765 billion) will be used to meet operating expenses ($8.6876 billion), direct investment in facilities ($5.2937 billion) ("capital paid with cash"), debt service ($5.8271 billion) and reserves ($419.2 million), for the ITN.

6. The 10% reserve requirement was established by statute in 1931 in connection with the creation of the General Reserve Fund and the requirement for the pooling of "surplus" revenues to support Port Authority bonds and the fulfillment of undertakings to or for the benefit of the holders of such bonds. The necessity to issue debt to finance the ITN capital infrastructure triggers the funding of the General Reserve Fund requirement and is in effect an additional cost attributable to the issuance of that debt. As I indicated in my initial affidavit, a mixture of debt and direct payment of capital expenditures is an efficient way to finance these projects (Affidavit at p. 8, ¶ 8). By comparison, if the Port Authority used an all-cash (direct payment) method to finance these projects, the ten-year cash flow analysis shows that the ITN would suffer a much larger loss at the end of 2020 ($2.854 billion (direct payment) compared to $51.1 million) (Id.).

This means that, either there would be insufficient funds available to meet the needs of the ITN or in order to avoid the burden that the ITN would place on other Port Authority facilities, additional revenues, perhaps from additional tolls and fare increases, would be necessary to fund the capital projects needed for the ITN within the ten-year period.

7. Plaintiffs (Walters Affidavit at p. 3, ¶ 5) also refer to Port Authority policy to maintain "an amount equal to at least two years bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund." The cash flow analysis does not allocate ITN funds to support this policy, and as such, reference to this policy is irrelevant for these purposes, especially since the toll increase was not determined in the context of this policy.

8. Plaintiffs also question the method for the allocation of indirect operational expenses, such as central administrative expenses (including salaries and benefits) to the ITN, and question the amount of such expenses being allocated to the WTC (Walters Affidavit at p. 3, ¶ 6). As for the method for allocating administrative costs to the ITN, for more than thirty (30) years, the Port Authority has allocated such indirect expenses based on the proportion of direct labor costs associated with the ITN to the direct labor costs of all operational facilities. The allocation of indirect costs based upon direct costs is a well-recognized method of allocation. Further, administrative expenses are a component of operating costs for a facility. Plaintiffs' statements overlook the fact that, since the various elements of the WTC are under construction, all costs associated with the WTC, including salaries of Port Authority staff involved in the rebuilding effort and indirect operational expenses, are capital costs and as such are not charged against operating revenues.

9. The Walters Affidavit asserts that I have "computed the cash available for reserves by allocating debt service on bonds to the ITN but failed to allocate any share of

Financial and Interest Income or Grants and Contributions" (Walters Affidavit at p. 4, ¶ 7). This assertion is simply wrong. Exhibit B to my Affidavit shows that grants are taken into account and have been subtracted from "Capital Paid with Cash." (Capital Paid with Cash, Less: Grants ($99.1 million) = Net Capital Paid with Cash).

10. Plaintiffs are also wrong when they question the allocation of bonds to the ITN (Walters Affidavit at pp. 4-5, ¶ 8). As I stated in my Affidavit, the Port Authority can identify which Consolidated Bonds are expended on the ITN, because such bonds are tax exempt whereas Consolidated Bonds for the WTC are federally taxable and Consolidated Bonds issued for aviation and marine terminal projects are subject to the federal alternative minimum tax (Affidavit at page 7, para. 10(h)). Plaintiffs assert that "[m]any WTC Liberty bonds, however were tax-exempt, in contrast to those issued in the fall of this year" (Walters Affidavit at pp. 4-5, ¶ 8). In point of fact, the Port Authority is not an authorized issuer of New York Liberty Bonds under the Internal Revenue Code Section 1400L, and as such has not issued any Liberty Bonds.

11. In a reference to the 2010 Financial Statements for the Port Authority (Walters Affidavit, Exhibit A), plaintiffs note that in 2009 and 2010, the Port Authority included losses from the Access to the Region's Core ("ARC") project. ARC involved the planned construction of new rail tunnels to increase the capacity of commuter rail service between New Jersey and New York into a new train station to be built adjacent to Pennsylvania Station in New York. ARC was part of the ITN, defined under bi-State legislation as part of the "Hudson tubes extensions." In any event, plaintiffs do not state that any write-offs for ARC are included in the cash flow analysis for the years 2011-2020 set forth in Exhibit B to my Affidavit, because such write-offs are, in fact, not included. Any write-off for ARC in years prior to 2011 does not call into question the sources and uses of funds in the analysis set forth in my Affidavit, which shows

that all revenues collected from the ITN between 2011 and 2020 will be used to fund projects and debt service for the ITN.

12. Finally, plaintiffs state that the cash flow analysis put forth in my Affidavit is different from the rate of return analysis set forth in the 1987 "*AAA v. PA*" litigation (Walters Affidavit at p. 6, ¶ 10). Plaintiffs' reference to a rate of return analysis overlooks the fact that the cash flow analysis demonstrates that even taking into account the tolls and fare increases, the ITN will still operate at a deficit, and therefore, a rate of return analysis is simply irrelevant. The cash flow analysis shows that the Port Authority is not making a profit on the ITN, and, in fact, revenues from other facilities of the Port Authority are continuing to subsidize the costs of the ITN.

M. Fabiano

MICHAEL FABIANO

Sworn to before me this
29th day of November 2011

Arnold D. Kolikoff

Notary Public

ARNOLD D. KOLIKOFF
Notary Public, State of New York
No. 02KO4834667
Qualified in Kings County
Commission Expires on June 30, 20 15