KENNAMETAL INC
Form 8-K
April 28, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K

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

Date of Report (Date of earliest event reported): April 28, 2004

KENNAMETAL INC.

(Exact name of registrant as specified in its charter)

Commission file number 1-5318

Pennsylvania	**25-0900168**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

World Headquarters
1600 Technology Way
P.O. Box 231
Latrobe, Pennsylvania 15650-0231
(Address of registrant s principal executive offices)

Registrant s telephone number, including area code: **(724) 539-5000**

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Item 12. Results of Operations and Financial Condition

On April 28, 2004, Kennametal Inc. (Kennametal or the Company) issued a press release announcing financial results for its third quarter ended March 31, 2004.

The press release contains certain non-GAAP financial measures, including gross profit, operating expense, operating income, other (income)/expense, net income and diluted EPS in each case excluding special items. The special items include: restructuring charges, Widia integration costs, pension curtailment, gain on Toshiba Tungaloy investment, and a charge related to a note receivable. Kennametal management excludes these items in measuring and compensating internal performance to more easily compare the Company s financial performance period to period. We believe investors should have available the same information that management uses to measure and compensate performance. Kennametal management believes that presentation of these non-GAAP financial measures provides useful information about the results of operations of the Company for the current, past and future periods.

In addition to the items above, the press release also contains free operating cash flow and debt-to-capital, as defined below:

Free Operating Cash Flow

Free operating cash flow is a non-GAAP financial measure and is defined as cash provided by operations (in accordance with GAAP) less capital expenditures plus proceeds from disposals of fixed assets. Free operating cash flow is considered to be an important indicator of Kennametal s cash generating capability because it better represents cash generated from operations that can be used for strategic initiatives (such as acquisitions), dividends, debt repayment and other investing and financing activities.

Debt-to-Capital

Debt-to-equity in accordance with GAAP is defined as total debt divided by Shareowners equity and total debt. Debt-to-capital is defined by Kennametal as total current and long term debt divided by total Shareowner s equity plus minority interest plus total debt. Management believes that these financial measures provide additional insight into the underlying capital structuring and performance of the Company.

A copy of the Company s earnings announcement is reflected under Exhibit 99.1 attached hereto. Reconciliations of the above non-GAAP financial measures are included in the earnings announcement.

Additionally, during our quarterly teleconference we may use various other non-GAAP financial measures to describe the underlying operating results. Accordingly, we have compiled below certain reconciliations as required by Regulation G.

Primary Working Capital

Primary working capital is a non-GAAP presentation and is defined as accounts receivable, net plus inventories, net minus accounts payable. The most directly comparable GAAP measure is working capital, which is defined as current assets less current liabilities. We believe primary working capital better represents Kennametal s performance in managing certain assets and liabilities controllable at the business unit level and is used as such for internal performance measurement.

EBIT

EBIT is an acronym for Earnings Before Interest and Taxes and is not a calculation in accordance with GAAP. The most directly comparable GAAP measure is net income. However, we believe that EBIT is widely used as a measure of operating performance and we believe EBIT to be an important indicator of the Company s operational strength and performance. Nevertheless, the measure should not be considered in isolation or as a substitute for operating income, cash flows from operating activities or any other measure for determining liquidity that is calculated in accordance with GAAP. Additionally, Kennametal will adjust EBIT for restructuring charges, interest income, and other items.

Adjusted Sales

Kennametal adjusted sales as reported under GAAP for specific items including acquisitions and foreign currency translation. Management believes that adjusting the sales as reported under GAAP provides additional insight into the underlying operations. Management uses this information in reviewing operating performance and in the determination of compensation.

Adjusted Gross Profit

Kennametal adjusted gross profit as recorded under GAAP for specific items including Widia integration and restructuring charges and pension curtailment. Management believes that the adjusted gross profit information is an important indicator of the Company s underlying operating performance.

Operating Expense Reconciliation

Kennametal adjusted operating expense as reported under GAAP for Widia integration, restructuring charges, Widia operating expense, pension curtailment, note receivable, foreign exchange and decreased pension income. Management believes that the adjusted operating expense provides additional insight into the underlying operations. Management uses this information in reviewing operating performance and in the determination of compensation.

SUPPLEMENTAL INFORMATION AND RECONCILIATIONS

FINANCIAL HIGHLIGHTS

RECONCILIATION OF PRIMARY WORKING CAPITAL TO GAAP WORKING CAPITAL (Unaudited)

	March 31,	
	2004	**2003**
Current assets	$ 790,063	$ 788,091
Current liabilities	342,899	344,865
Working capital in accordance with GAAP	447,164	443,226
Excluded items:		
Cash and cash equivalents	(27,528)	(17,250)
Deferred income taxes	(87,651)	(81,651)
Other current assets	(38,803)	(44,286)
Total excluded current assets	$(153,982)	$(143,187)
Adjusted current asset	636,081	644,904
Short-term debt, including notes payable	(8,193)	(15,068)
Accrued liabilities	(202,460)	(208,816)
Total excluded current liabilities	$(210,653)	$(223,884)
Adjusted current liabilities	132,246	120,981
Primary working capital	$ 503,835	$ 523,923

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FINANCIAL HIGHLIGHTS (Continued)

KENNAMETAL INC. EBIT RECONCILIATION (Unaudited)

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2004	**2003**	**2004**	**2003**
Net income, as reported	$24,070	$ 9,699	$43,727	$22,998
As % of Sales	4.6%	2.1%	3.1%	1.8%
Add back:				
Interest	6,332	8,979	19,479	27,058
Taxes	11,579	4,474	21,345	10,622
EBIT	41,981	23,152	84,551	60,678
Additional adjustments:				
Minority interest	533	739	1,632	1,786
Restructuring and asset impairment charges (1)		3,269	6,520	11,649
Widia integration		1,929	1,559	4,004
Pension Curtailment			1,299	
Gain on Toshiba Tungaloy Investment			(4,397)	
Note Receivable			2,000	
Interest income	(376)	(777)	(1,251)	(2,266)
Securitization fees	356	406	1,236	1,479
Adjusted EBIT	$42,494	$28,718	$93,149	$77,330
As % of Sales	8.1%	6.3%	6.5%	6.0%

(1) Includes charges in cost of goods sold and restructuring expense.

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FINANCIAL HIGHLIGHTS (Continued)

MSSG SEGMENT (Unaudited):

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2004	**2003**	**2004**	**2003**
Sales, as reported	$317,506	$286,601	$872,128	$796,835
Widia sales (1)			(26,018)	
Foreign currency exchange	(22,569)		(54,680)	
Adjusted sales	$294,937	$286,601	$791,430	$796,835

MSSG EBIT (Unaudited):

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2004	**2003**	**2004**	**2003**
MSSG operating income, as reported	$36,751	$23,593	$82,937	$64,597
As % of sales	11.6%	8.2%	9.5%	8.1%
Other income (expense)	(26)	(206)	1,940	546
EBIT	36,725	23,387	84,877	65,143
Adjustments:				
MSSG restructuring (2)		1,077	5,023	5,926
Widia integration		1,911	1,511	3,982
EBIT, excluding special charges	$36,725	$26,375	$91,411	$75,051
As % of sales	11.6%	9.2%	10.5%	9.4%

(1) Widia was acquired on August 30, 2002. Sales related to Widia for July and August have been removed from the 2003 results in order to reflect comparable Widia activity for both years.

(2) Includes charges in cost of goods sold and restructuring expense.

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FINANCIAL HIGHLIGHTS (Continued)

AMSG SEGMENT (Unaudited):

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2004	**2003**	**2004**	**2003**
Sales, as reported	$111,464	$89,849	$299,846	$256,563
Widia sales[1]			(5,476)	
Foreign currency exchange	(4,613)		(14,265)	
Adjusted sales	$106,851	$89,849	$280,105	$256,563

AMSG EBIT (Unaudited):

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2004	**2003**	**2004**	**2003**
AMSG operating income, as reported	$15,146	$ 9,320	$36,375	$27,044
As % of sales	13.6%	10.4%	12.1%	10.5%
Other income (expense)	55	(96)	1,115	(141)
EBIT	15,201	9,224	37,490	26,903
Adjustments:				
AMSG restructuring[2]		1,104	1,497	3,182
Widia integration		18	48	22
EBIT, excluding special charges	$15,201	$10,346	$39,035	$30,107
As % of sales	13.6%	11.5%	13.0%	11.7%

(1) Widia was acquired on August 30, 2002. Sales related to Widia for July and August have been removed from the 2003 results in order to reflect comparable Widia activity for both years.

(2) Includes charges in cost of goods sold and restructuring expense.

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FINANCIAL HIGHLIGHTS (Continued)

J&L SEGMENT (Unaudited):

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2004	**2003**	**2004**	**2003**
Sales, as reported	$60,074	$51,729	$158,554	$148,012
Foreign currency exchange	(806)		(1,477)	
Adjusted sales	$59,268	$51,729	$157,077	$148,012

J&L EBIT (Unaudited):

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2004	**2003**	**2004**	**2003**
J&L operating income, as reported	$6,419	$1,323	$13,410	$5,209
As % of sales	10.7%	2.6%	8.5%	3.5%
Other (expense)	(2)	(6)	23	(55)
EBIT	6,417	1,317	13,433	5,154
Adjustments:				
J&L restructuring		801		1,267
EBIT, excluding special charges	$6,417	$2,118	$13,433	$6,421
As % of sales	10.7%	4.1%	8.5%	4.3%

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FINANCIAL HIGHLIGHTS (Continued)

FSS SEGMENT (Unaudited):

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2004	**2003**	**2004**	**2003**
Sales, as reported	$35,186	$31,064	$99,055	$93,782
Foreign currency exchange	(112)		(328)	
Adjusted sales	$35,074	$31,064	$98,727	$93,782

FSS EBIT (Unaudited):

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2004	**2003**	**2004**	**2003**
FSS operating income / (loss), as reported	$376	$ 31	$ (64)	$(320)
As % of sales	1.1%	0.1%	-0.1%	-0.3%
Other (expense) income	0		2	58
EBIT	376	31	(62)	(262)
Adjustments:				
FSS restructuring		9		38
EBIT, excluding special charges	$376	$ 40	$ (62)	$(224)
As % of sales	1.1%	0.1%	-0.1%	-0.2%

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RECONCILIATION TO GAAP   GROSS PROFIT (Unaudited)

	Quarter Ended March 31,		Quarter Ended March 31,		Nine Months Ended March 31,		Nine Months Ended March 31,	
	2004	**As a % of Sales**	**2003**	**As a % of Sales**	**2004**	**As a % of Sales**	**2003**	**As a % of Sales**
Gross Profit	$175,854	33.5%	$151,661	33.0%	$467,593	32.7%	$420,113	32.4%
Widia integration and restructuring charges		0.0%	144	0.1%	2,961	0.2%	198	0.1%
Pension Curtailment		0.0%		0.0%	779	0.1%		0.0%
Gross Profit, excluding special items	$175,854	33.5%	$151,805	33.1%	$471,333	33.0%	$420,311	32.5%

OPERATING EXPENSE RECONCILIATION (Unaudited):

	Quarter ended March 31, 2004	Quarter ended March 31, 2003	Nine Months Ended March 31, 2004	Nine Months Ended March 31, 2003
Operating expense, as reported	$ 132,218	$ 122,592	$ 378,180	$ 343,104
Integration costs		(1,785)	(1,448)	(3,806)
Pension Curtailment			(520)	
Note Receivable			(1,817)	
Operating expense, excluding special items	132,218	120,807	374,395	339,298
Less:				
Widia operating expense (1)			8,441	
Unfavorable foreign exchange	7,227		19,426	
Operating expense, excluding special items, Widia expense and foreign exchange	$ 124,991	$ 120,807	$ 346,528	$ 339,298

(1) Widia was acquired on August 30, 2002. Operating expenses related to Widia for July and August have been removed from the 2003 results in order to reflect comparable Widia activity for both years.

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EXHIBIT INDEX

Exhibit	Description
99.1	Press Release dated April 28, 2004. Furnished herewith.

Signatures

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

		KENNAMETAL INC.
		Registrant
Date: April 28, 2004	By:	/s/ Timothy A. Hibbard
		Timothy A. Hibbard Corporate Controller and Chief Accounting Officer

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ider, and Manchester Bidwell Corporation, a non-profit organization that provides instruction and mentoring in career education and the arts for youth and adults in the Pittsburgh, Pennsylvania region. Ms. Bruch holds a Bachelor of Business Administration degree from the University of Iowa.

In addition to the professional background and experience, senior-level policy-making positions, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Ms. Bruch should serve as a director: her service as chief information officer of several publicly-traded companies and other organizations for over 10 years, and her other extensive senior-level management positions, including service at three banks, which provide the Board with a perspective and resource on information technology and other technology-related matters, as well as banking experience.

Nicholas M. Donofrio

Chief Executive Officer of NMD Consulting, LLC

Retired Executive Vice President, Innovation and Technology of IBM Corporation

Director since 2007

Continuing Bank of New York Director

Age 64

Mr. Donofrio served as a director of The Bank of New York Company, Inc. from 1999 to 2007 where he served on the Audit, the Risk and the Technology Committees, among others. Mr. Donofrio served as Executive Vice President, Innovation and Technology of IBM Corporation, a developer, manufacturer and provider of advanced information technologies and services, from 2005 until his retirement in 2008. Mr. Donofrio previously

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served as Senior Vice President, Technology and Manufacturing of IBM Corporation from 1997 to 2005 and spent a total of 44 years as an employee of IBM Corporation. Mr. Donofrio is currently a director of Advanced Micro Devices, Inc., where he serves on the Nominating and Corporate Governance Committee and the Compensation Committee, and a director of Liberty Mutual Group.

Mr. Donofrio holds seven technology patents and is a member of numerous technical and science honor societies. Mr. Donofrio is Co-Chair of the New York Hall of Science, is a director of TopCoder, Inc., and is on the board of advisors of StarVest Partners. Mr. Donofrio earned a Bachelor of Science degree from Rensselaer Polytechnic Institute in 1967 and a Master of Science degree from Syracuse University in 1971.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes, and/or skills led the Board to conclude that Mr. Donofrio should serve as a director: his extensive background and experience in engineering, technology and innovation, including his 44 years of service at IBM, as well as his widely-recognized status in the field of engineering and his teaching and training in the area of innovation, which provide the Board with a perspective and resource on technology and innovation.

Gerald L. Hassell

President, The Bank of New York Mellon Corporation

Director since 2007

Continuing Bank of New York Director

Age 58

Mr. Hassell served as a director of The Bank of New York Company, Inc. from 1998 to 2007. Mr. Hassell has served as our President since the merger in 2007. Prior to the merger, Mr. Hassell served as President of The Bank of New York Company, Inc. from 1998 to 2007 as well as other prior leadership positions at Bank of New York. Mr. Hassell is currently a director of Comcast Corporation where he serves on the Governance and Directors Nominating Committee and is Chair of the Finance Committee.

Since joining The Bank of New York s Management Development Program more than three decades ago, Mr. Hassell has held a number of key leadership positions within the company in securities servicing, corporate banking, credit, strategic planning and administration services. Mr. Hassell is also a director of the National September 11 Memorial & Museum and the New York Philharmonic, and is Vice Chair of Big Brothers/Big Sisters of New York. Mr. Hassell holds a Bachelor of Arts degree from Duke University and a Master in Business Administration degree from the New York University Stern School of Business.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Hassell should serve as a director: his knowledge of our company s businesses and operations, as well as the financial services industry in general, based on his 36 year tenure with our company and Bank of New York, including service as President since 1998, and his participation in numerous financial services industry associations, which provide the Board with a perspective and resource on our company and the financial services industry in general.

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Edmund F. Ted Kelly

Chairman, President and Chief Executive Officer of Liberty Mutual Group

Director since 2007

Continuing Mellon Director

Age 64

Mr. Kelly served as a director of Mellon Financial Corporation from 2004 to 2007 where he served on the Corporate Governance and Nominating, the Human Resources and the Risk Committees. Mr. Kelly has served as Chairman (since 2000), President and Chief Executive Officer (since 1998) of Liberty Mutual Group, a multi-line insurance company. Mr. Kelly is currently a director of Liberty Mutual Group and EMC Corporation where he serves on the Finance Committee.

Mr. Kelly s experience also includes senior-level management positions at Aetna Life & Casualty Company. Mr. Kelly was a director of Citizens Financial Group Inc. where he served as Chair of the Audit Committee and Chair of the Joint Risk Assessment Committee. Mr. Kelly is also a member of the Board of Governors of the Property Casualty Insurers Association of America and a director of the Financial Services Roundtable; a member of the boards of the United Way of Massachusetts Bay, the American Red Cross of Massachusetts Bay, the American Ireland Fund and The Massachusetts Mentoring Partnership, among others; a past member of the Board of Trustees for Boston College and former President of the Boston Minuteman Council of the Boy Scouts of America. Mr. Kelly received a Bachelor s degree from Queen s University in Belfast and a Ph.D. from the Massachusetts Institute of Technology.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Kelly should serve as a director: his role for over 10 years as Chairman, Chief Executive Officer and President of a multi-national insurance company that is a Fortune 500 company, as well as his over 35 years of experience in the insurance industry, which is highly regulated and concentrates on risk management, which provide the Board with a critical perspective on the Board s oversight of management of our company.

Robert P. Kelly

Chairman and Chief Executive Officer, The Bank of New York Mellon Corporation

Director since 2007

Continuing Mellon Director

Age 55

Mr. Kelly served as a director of Mellon Financial Corporation from 2006 to 2007. Mr. Kelly has served as our Chief Executive Officer since the merger in 2007 and our Chairman since 2008. Prior to the merger, Mr. Kelly served as

Chairman, Chief Executive Officer and President of Mellon Financial Corporation from 2006 to 2007. Prior to that, Mr. Kelly served as Chief Financial Officer of Wachovia Corporation, a financial services company, and Wachovia s predecessor, First Union Corporation, from 2000 to 2006. Mr. Kelly also served at various positions at Toronto Dominion Bank from 1981 to 2000.

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Mr. Kelly has extensive background in retail brokerage, banking and securities trading. Mr. Kelly is Chair of the Financial Services Forum, a member of the Partnership for New York City and the Federal Advisory Council of the Federal Reserve Board, and treasurer of the Financial Services Roundtable. He is a chartered accountant with a Master in Business Administration degree from Cass Business School, City University in London and a Bachelor s degree from St. Mary s University in Canada.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Kelly should serve as a director: his role for approximately four years as Chairman and Chief Executive Officer of our company and Mellon Financial Corporation, his experience for six years as the chief financial officer of two major financial services companies, his prior experience in the financial services industry, and his participation in and leadership of numerous financial services industry associations and advisory boards, which provide the Board with a perspective and resource on our company and the financial services industry in general.

Richard J. Kogan

Principal of The KOGAN Group LLC

Retired President and Chief Executive Officer of Schering-Plough Corporation

Director since 2007

Continuing Bank of New York Director

Age 68

Mr. Kogan served as a director of The Bank of New York Company, Inc. from 1996 to 2007 where he served on the Audit and the Nominating and Governance Committees, among others, and chaired the Compensation Committee. Mr. Kogan is currently a principal of The KOGAN Group LLC, which provides advice and counsel to chief executive officers of for-profit and not-for-profit enterprises. Mr. Kogan previously served as Chief Executive Officer of Schering-Plough Corporation, a global healthcare company, from 1996 to 2003, as President from 1986 to 1998 and as Chairman from 1998 to 2002. Mr. Kogan is currently a director of Colgate-Palmolive Company where he serves on the Audit and the Finance Committees, chairs the Personnel and Organization Committee, and is a past Presiding Director.

Mr. Kogan serves as Vice Chairman of the Board of Trustees of Saint Barnabas Medical Center and Corporation, and is a member of the Board of Trustees of New York University, a member of the Executive Committee of New York University s Stern School of Business and a member of the Council on Foreign Relations. Mr. Kogan earned a Bachelor s degree from The City College of The City University of New York and a Master in Business Administration degree from the New York University Stern School of Business.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Kogan should serve as a director: his role as Chairman, Chief Executive Officer and President of a publicly-traded global pharmaceutical company, as well as his other senior management positions during his 30 year career in the pharmaceutical industry, which provide the Board with an executive and leadership perspective on the management and operations of a large public company in a highly regulated industry.

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Michael J. Kowalski

Chairman and Chief Executive Officer of Tiffany & Co.

Director since 2007

Continuing Bank of New York Director

Age 57

Mr. Kowalski served as a director of The Bank of New York Company, Inc. from 2003 to 2007 where he served on the Audit, the Risk and the Corporate Responsibility and Community Redevelopment Committees, among others. Mr. Kowalski has served as Chairman and Chief Executive Officer of Tiffany & Co., an international designer, manufacturer and distributor of jewelry and fine goods, since 2003 and 1999, respectively. Mr. Kowalski has served in key leadership positions at Tiffany & Co. since 1983. Mr. Kowalski is currently a director of Tiffany & Co. and was a director of Fairmont Hotels & Resorts from 2002 to 2006.

Mr. Kowalski serves on the Board of Jewelers of America and chairs the Board of Overseers of the University Museum of Archaeology and Anthropology at the University of Pennsylvania. Mr. Kowalski is a trustee of the University of Pennsylvania. Mr. Kowalski earned a Bachelor s degree from the University of Pennsylvania and a Master in Business Administration degree from Harvard University.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Kowalski should serve as a director: his role as Chairman and Chief Executive Officer of a publicly-traded international manufacturer and retailer of jewelry and other specialty items, as well as his other senior operating and financial management positions during his 27 year career in the jewelry industry, which provide the Board with an executive and leadership perspective on the management, operations and financial oversight of a large public company.

John A. Luke, Jr.

Chairman and Chief Executive Officer of MeadWestvaco Corporation

Director since 2007

Continuing Bank of New York Director

Age 61

Mr. Luke served as a director of The Bank of New York Company, Inc. from 1996 to 2007 where he served on the Audit, the Compensation and Organization and the Nominating Committees, among others. Mr. Luke has served as Chairman and Chief Executive Officer of MeadWestvaco Corporation, a manufacturer of paper, packaging and specialty chemicals, since 2002. Mr. Luke is currently a director of MeadWestvaco Corporation and The Timken

Company where he serves on the Nominating and Corporate Governance Committee and chairs the Compensation Committee.

Mr. Luke is also a director and former Chairman of the American Forest & Paper Association. He is currently a director of FM Global where he chairs the Compensation Committee and serves on the Executive Committee. Mr. Luke is ex-officio director and former Chairman of the Sustainable Forestry Initiative, Inc., a former member of the President s Export Council, and a trustee of the American Enterprise Institute for Public

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Policy Research as well as the Virginia Museum of Fine Arts, among others. Mr. Luke served as an officer with the U.S. Air Force in Southeast Asia during the Vietnam conflict. Mr. Luke earned a Bachelor s degree from Lawrence University and a Master in Business Administration degree from The Wharton School at the University of Pennsylvania.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Luke should serve as a director: his role as Chairman, Chief Executive Officer and President of a publicly-traded global manufacturer of packaging solutions and other products, as well as his other senior management positions during his 31 years at MeadWestvaco Corporation and its predecessors, which provide the Board with an executive and leadership perspective on the management and operations of a large public company.

Robert Mehrabian

Chairman, President and Chief Executive Officer of Teledyne Technologies Inc.

Director since 2007

Continuing Mellon Director

Age 68

Dr. Mehrabian served as a director of Mellon Financial Corporation from 1994 to 2007 where he served on the Audit, the Technology and the Compensation Committees, among others. Dr. Mehrabian has served as Chairman (since 2000) and President and Chief Executive Officer (since 1999) of Teledyne Technologies Inc., an advanced industrial technologies company, and served in senior-level management positions at Allegheny Teledyne, a predecessor of Teledyne Technologies Inc. Dr. Mehrabian is currently a director of Teledyne Technologies Inc. and PPG Industries, Inc. where he chairs the Technology and Environment Committee and serves on the Officers-Directors Compensation Committee.

Throughout his career, Dr. Mehrabian has served as senior advisor in manufacturing and high technology to many Fortune 500 companies. Dr. Mehrabian also served as director of the Center for Materials Science of the Department of Commerce s National Institute of Standards and Technology, where he initiated numerous government/industry programs that became models for such cooperative efforts. Dr. Mehrabian was also President of Carnegie Mellon University from 1990 to 1997 and Dean of Engineering at University of California, Santa Barbara, from 1983 to 1990. He holds Bachelor and Doctor of Science degrees from the Massachusetts Institute of Technology.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Dr. Mehrabian should serve as a director: his role, for over 10 years, as Chairman, Chief Executive Officer and President of a publicly-traded international advanced industrial technologies company, as well as his role as President of a major research university for seven years, which provide the Board with an executive and leadership perspective on the management and operations of a large public company and a major research institution, as well as an additional resource concerning technology-related matters.

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Mark A. Nordenberg

Chancellor and Chief Executive Officer of the University of Pittsburgh

Director since 2007

Continuing Mellon Director

Age 61

Mr. Nordenberg served as a director of Mellon Financial Corporation from 1998 to 2007 where he served on the Corporate Governance and Nominating, the Human Resources and the Risk Committees, among others.
Mr. Nordenberg has served as Chancellor and Chief Executive Officer of the University of Pittsburgh, a major public research university, since 1996.

Mr. Nordenberg joined the University of Pittsburgh s law faculty in 1977 and served as Dean of the School of Law from 1985 until 1993. Mr. Nordenberg was the interim Provost and Senior Vice Chancellor for Academic Affairs from 1993 to 1994, and interim Chancellor from 1995 to 1996. A specialist in scholarly aspects of civil litigation, he has published books, articles and reports on this topic, and has served as a member of both the United States Supreme Court s Advisory Committee on Civil Rules and the Pennsylvania Supreme Court s Civil Procedural Rules Committee. He is a director of the Association of American Universities and a board member of the Council on Competitiveness, a nonprofit organization that encourages innovation and economic progress, among others. Mr. Nordenberg received his Bachelor s degree from Thiel College and his Juris Doctorate degree from the University of Wisconsin School of Law.

In addition to the professional background and experience, senior-level policy-making positions, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Nordenberg should serve as a director: his role for the past 14 years as Chancellor of a major research university and his other senior positions at the university, including Dean of its law school, over his 25 year career at the institution, as well as his legal expertise, which provide the Board with an executive, leadership and legal perspective on the management and operations of a large institution.

Catherine A. Rein

Retired Senior Executive Vice President and Chief Administrative Officer of MetLife, Inc.

Director since 2007

Continuing Bank of New York Director

Age 67

Ms. Rein served as a director of The Bank of New York Company, Inc. from 1981 to 2007 where she served on the Audit, the Executive and the Risk Committees, among others. Ms. Rein served as Senior Executive Vice President and Chief Administrative Officer of MetLife, Inc., an insurance and financial services company, from 2005 to 2008. Prior to that, Ms. Rein served as President and Chief Executive Officer of Metropolitan Property and Casualty Insurance Company from 1999 to 2005. Ms. Rein served in key leadership positions at MetLife, Inc. from 1985 to 1998. Ms. Rein is currently a director of FirstEnergy Corp where she serves on the Audit Committee and chairs the Compensation Committee.

Before joining MetLife, Ms. Rein served as vice president and general counsel for The Continental Group, Inc., a property management company. Prior to that, she was associated

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with the New York City law firm of Dewey, Ballantine, Bushby, Palmer & Wood. Ms. Rein is a trustee of the New York University Law Center Foundation, previously chaired the MetLife Foundation and is a director emeritus of Corning, Inc. Ms. Rein received a Bachelor of Arts degree from The Pennsylvania State University and a Juris Doctorate degree from New York University School of Law.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Ms. Rein should serve as a director: her role in various senior management positions during her 25 year career at a multi-national insurance company that is a Fortune 500 company, as well as her experience as general counsel of another company, which provide the Board with an executive, leadership and legal perspective on the management and operations of a company in a highly-regulated industry.

William C. Richardson

President and Chief Executive Officer Emeritus of The W.K. Kellogg Foundation and Chair and Co-Trustee Emeritus of The Kellogg Foundation Trust

Director since 2007

Continuing Bank of New York Director

Age 69

Dr. Richardson served as a director of The Bank of New York Company, Inc. from 1998 to 2007 where he served on the Audit, the Nominating and Governance and the Risk Committees, among others. Dr. Richardson had previously served as President and Chief Executive Officer of The W.K. Kellogg Foundation, a private foundation, as well as Chair and Co-Trustee of The Kellogg Foundation Trust from 1996 to 2006. Dr. Richardson is currently a director of Exelon Corporation where he serves on the Audit, the Compensation, the Risk Oversight and the Corporate Governance Committees. Dr. Richardson served as a director of Kellogg Company from 1996 to 2007 where he served on the Finance, Marketing, and Social Responsibility Committees, among others. He also served as a director of CSX Corporation from 1992 to 2008 where he served on the Audit, the Compensation and the Governance Committees, and as lead director.

Dr. Richardson has devoted his academic career to research related to the organization and financing of health services in the U.S. He served as President of the Johns Hopkins University. He was also Graduate Dean and Vice Provost for Research at the University of Washington in Seattle; Executive Vice President and Provost of The Pennsylvania State University; and held various positions at the University of Chicago. Dr. Richardson has chaired numerous boards and commissions at the federal and state levels and in the philanthropic sector. He has served as a director of Mercantile Bankshares, among others. He served as Professor of Health Policy and Management at the Johns Hopkins University. Dr. Richardson received a Bachelor of Arts degree from Trinity College and a Master in Business Administration degree and a Ph.D. from the University of Chicago.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Dr. Richardson should serve as a director: his role as president of a major research university and his other senior positions at other major research institutions as well as his

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position as Chair for ten years of a major foundation, which provide the Board with an executive and leadership perspective on the management and operations of both large institutions and a foundation.

Samuel C. Scott III

Retired Chairman, President and Chief Executive Officer of Corn Products International, Inc.

Director since 2007

Continuing Bank of New York Director

Age 66

Mr. Scott served as a director of The Bank of New York Company, Inc. from 2003 to 2007 where he served on the Audit, the CRA Fair Lending and the Risk Committees, among others. Prior to his retirement in 2009, Mr. Scott served as Chairman (since 2001), Chief Executive Officer (since 2001) President (since 1997) and management director of Corn Products International, Inc., global producers of corn-refined products and ingredients. Mr. Scott previously served as President of Bestfoods Corn Refining from 1995 to 1997 and President of American Corn Refining from 1989 to 1997. Mr. Scott is currently a director of Motorola, Inc., where he serves on the Compensation and Leadership and the Executive Committees, and a director of Abbott Laboratories, where he serves on the Audit Committee.

Mr. Scott also serves on the boards of, among others, Chicago Sister Cities, Northwestern Memorial HealthCare, the Chicago Urban League and The Chicago Council on Global Affairs. Mr. Scott received both a Bachelor s degree and a Master in Business Administration degree from Farleigh Dickinson University.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Scott should serve as a director: his role as Chairman, Chief Executive Officer and President over the course of twelve years of a publicly-traded international food company, as well as executive positions at other food product companies during his 36 year career, which provide the Board with an executive and leadership perspective on the management and operations of a large public company.

John P. Surma

Chairman and Chief Executive Officer of United States Steel Corporation

Director since 2007

Continuing Mellon Director

Age 55

Mr. Surma served as a director of Mellon Financial Corporation from 2004 to 2007 where he served on the Audit, the Corporate Governance and Nominating and the Human Resources Committees, among others. Mr. Surma has served as Chairman (since 2006) and Chief Executive Officer (since 2004) of United States Steel Corporation, a steel manufacturing company. Previously, Mr. Surma held several other executive officer positions with United States Steel Corporation, including President and Chief Operating Officer from 2003 to 2004 and Vice Chairman and Chief Financial Officer from 2002 to 2003. Mr. Surma is currently a director of United States Steel Corporation.

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Mr. Surma served as a director of Calgon Carbon Corporation from 2000 to 2008 where he was Chair of the Compensation Committee from 2005 to 2008 and served on the Executive Committee. Mr. Surma s experience also includes positions as Senior Vice President, Finance & Accounting, at Marathon Oil Company, President at Speedway SuperAmerica LLC, President at Marathon Ashland Petroleum LLC and Partner at PriceWaterhouse LLP. He is Chair of the Allegheny Conference on Community Development and the Allegheny County Parks Foundation, as well as a trustee of Pennsylvania State University, among others. Mr. Surma graduated from Pennsylvania State University with a Bachelor of Science degree. He is a member of the American Institute of Certified Public Accountants.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Surma should serve as a director: his role as Chairman, Chief Executive Officer and President and experience as the chief financial officer for a Fortune 500 publicly-traded international steel manufacturer, as well as his experience and executive position at a major U.S. accounting firm, which provide the Board with an executive and leadership perspective on the management, operations and financial reporting and accounting oversight of a large public company.

Wesley W. von Schack

Retired Chairman, President and Chief Executive Officer of Energy East Corporation

Director since 2007

Continuing Mellon Director

Age 65

Mr. von Schack served as a director of Mellon Financial Corporation from 1989 to 2007 where he served on the Audit and Corporate Governance and Nominating Committees, among others. Prior to his retirement in January, 2010, Mr. von Schack served as Chairman, President and Chief Executive Officer of Energy East Corporation, an energy services company, since 1996. Energy East Corporation has been a wholly-owned subsidiary of Iberdrola S.A. since its acquisition in 2008. Mr. von Schack is currently Chairman of the board of AEGIS Insurance Services, a director of Teledyne Technologies Inc. where he serves on the Nominating and Governance and the Personnel and Compensation Committees, and a director of Edwards Lifesciences Corporation where he serves on the Audit and Public Policy Committee. Mr. von Schack was a management director of Energy East until his retirement in January, 2010.

From 1986 to 1996, Mr. von Schack was Chairman, President and Chief Executive Officer of DQE, a diversified energy services company. Mr. von Schack is a member of the board of The American Gas Association Foundation, Director Emeritus of the Gettysburg Foundation, and a member of the President s Council Peconic Land Trust. Mr. von Schack received a Bachelor s degree from Fordham University, a Master in Business Administration degree from St. John s University and a Ph.D. from Pace University.

In addition to the professional background and experience, senior-level policy-making positions, other public company board experience, intangible attributes, prior BNY Mellon Board experience, and Board attendance and participation qualifications described above, the following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. von Schack should serve as a director: his role as Chairman, Chief Executive

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Officer and President over the course of 23 years of a large publicly traded energy services company as well as his other senior management positions, including chief financial officer, during his 35 year career in the energy industry, which provide the Board with an executive and leadership perspective on the management, operations and financial reporting and accounting oversight of a large public company in a highly-regulated industry.

Standard for Election of Directors

On February 9, 2010, the Board approved an amendment to our by-laws, which will become effective on July 2, 2010, which will change the standard for the election of directors in uncontested elections occurring after July 1, 2010. The new standard, which requires each director to receive a majority of the votes cast with respect to that director, demonstrates our commitment to sound corporate governance and provides for a greater level of responsiveness to stockholders.

Plurality Standard for 2010 Annual Meeting

Our by-laws currently provide that the affirmative vote of a plurality of the shares present and voting is required to elect a director, which means that the 15 nominees receiving the highest numbers of votes cast at the Annual Meeting by all holders of shares of our common stock will be elected as directors for a term expiring in 2011. Pursuant to our Corporate Governance Guidelines, in an uncontested election of directors, any incumbent director who fails to receive more for votes than withhold and against votes is required to tender his or her resignation to the Lead Director (or such other director designated by the Board if the director failing to receive the majority of votes cast is the Lead Director) promptly after the certification of the stockholder vote.

The CG&N Committee will promptly consider the tendered resignation and recommend to the Board whether to accept or reject it. In considering whether to accept or reject the tendered resignation, the CG&N Committee will consider whatever factors its members deem relevant, including the stated reasons for the withhold or against votes, the length of service and qualifications of the director whose resignation has been tendered, the director s contributions to the company, and the mix of skills and backgrounds of the Board. The Board will act on the CG&N Committee s recommendation no later than 90 days following the certification of the election in question. In considering the recommendation of the CG&N Committee, the Board will consider the factors considered by the CG&N Committee and such additional information and factors as it deems relevant.

Following the Board s decision, the company will publicly disclose the Board s decision in a Current Report on Form 8-K filed with the SEC. If the Board does not accept the director s resignation, it may elect to address the underlying stockholder concerns or to take such other actions it deems appropriate and in the best interests of the company and its stockholders. A director who tenders his or her resignation pursuant to this provision will not vote on the issue of whether his or her tendered resignation will be accepted or rejected. The provisions described in this paragraph and the two preceding paragraphs will be in effect for the election of directors at the 2010 Annual Meeting.

Majority Standard for Uncontested Elections After July 1, 2010

Under the amended by-laws, in any uncontested election of directors after July 1, 2010, each director will be elected by the vote of a majority of the votes affirmatively cast with respect to that director s election. The plurality standard will continue to apply in any contested election of directors, which is an election in which the number of nominees for director exceeds the number of directors to be elected. Pursuant to amendments to our Corporate Governance Guidelines, which have been approved by the Board and will become effective on July 2, 2010, if any incumbent director fails to receive a majority of the votes cast in any uncontested election after July 1, 2010, the director will be required to tender his or her resignation to the Lead Director (or such other director designated by the Board if the director failing to receive the majority of votes cast is the Lead Director) promptly after the certification of the stockholder vote.

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The CG&N Committee will promptly consider the tendered resignation and recommend to the Board whether to accept or reject it, or whether other actions should be taken. In considering whether to accept or reject the tendered resignation, the CG&N Committee will consider whatever factors its members deem relevant, including any stated reasons for the against votes, the length of service and qualifications of the director whose resignation has been tendered, the director s contributions to the company, and the mix of skills and backgrounds of the Board. The Board will act on the CG&N Committee s recommendation no later than 90 days following the certification of the election in question. In considering the recommendation of the CG&N Committee, the Board will consider the factors considered by the CG&N Committee and such additional information and factors as it deems relevant.

Following the Board s decision, the company will publicly disclose the Board s decision in a Current Report on Form 8-K filed with the SEC. If the Board does not accept the director s resignation, it may elect to address the underlying stockholder concerns or to take such other actions it deems appropriate and in the best interests of the company and its stockholders. A director who tenders his or her resignation pursuant to this provision will not vote on the issue of whether his or her tendered resignation will be accepted or rejected. If the Board accepts an incumbent director s resignation pursuant to this provision, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board may fill the resulting vacancy pursuant to the by-laws. If the Board does not accept an incumbent director s resignation pursuant to this provision, he or she will continue to serve on the Board until the election of his or her successor.

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BOARD MEETINGS AND BOARD COMMITTEE INFORMATION

2009 Board Meetings

The Board held 14 meetings in 2009. Each incumbent director attended at least 75% of the aggregate number of meetings of our Board and of the committees on which he or she served.

Our Corporate Governance Guidelines provide that our directors are expected to attend our Annual Meeting of stockholders. Each director attended our 2009 Annual Meeting of stockholders, which was held on April 14, 2009.

Committees and Committee Charters

Our Board has established several standing committees, including an Audit Committee, a Corporate Governance and Nominating Committee, a Corporate Social Responsibility Committee, a Human Resources and Compensation Committee, a Risk Committee and an Executive Committee. Each of the committees discussed below has the sole authority to retain and terminate the engagement of consultants and counsel to advise it as each committee deems necessary or helpful in carrying out its responsibilities, with any fees to be borne by the company. The charters of the Audit Committee, the CG&N Committee, the Corporate Social Responsibility Committee, the Human Resources and Compensation Committee and the Risk Committee are available on our website at www.bnymellon.com/governance/committees. You may also request printed copies by sending a written request to our Corporate Secretary at the address set forth on the cover of this proxy statement.

The following table identifies the individual members of our Board serving on each of these standing committees:

			Standing Committees of the Board			
Director	**Audit**	**Corporate Governance and Nominating**	**Corporate Social Responsibility**	**Human Resources and Compensation**	**Risk**	**Executive**
Ruth E. Bruch			C	X	X	
Nicholas M. Donofrio					C	X
Gerald L. Hassell						X
Edmund F. Kelly				X	X	
Robert P. Kelly						X
Richard J. Kogan	X	X		X		
Michael J. Kowalski			X		X	
John A. Luke, Jr.		C			X	X
Robert Mehrabian	X	X		C		X
Mark A. Nordenberg			X		X	
Catherine A. Rein	C	X				X
William C. Richardson	X	X				
Samuel C. Scott III	X		X	X		X
John P. Surma	X	X				X
Wesley W. von Schack		X		X	X	C

X Member

C Chair

Audit Committee

The Audit Committee meets as often as it deems necessary to perform its responsibilities. In 2009, the committee held 13 meetings.

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The Audit Committee has direct responsibility for the appointment, compensation, retention and oversight of the work of the independent registered public accountants engaged to prepare an audit report or to perform other audit, review or attest services for us. The independent registered public accountants report directly to the committee. Annually, the committee recommends that the Board request stockholder ratification of the appointment of the independent registered public accountants. The committee has direct responsibility to evaluate and, when appropriate, to remove the independent registered public accountants. The committee is responsible for the pre-approval of all audit and permitted non-audit services performed by our independent registered public accountants. The committee acts on behalf of the Board in monitoring and overseeing the performance of our internal audit function, and our chief auditor has direct access to the committee. The committee oversees the operation of a comprehensive system of internal controls covering the integrity of our financial statements and reports, compliance with laws, regulations and corporate policies, and the qualifications, performance and independence of our independent registered public accountants. The committee s function is one of oversight, recognizing that our management is responsible for preparing our financial statements, and our independent registered public accountants are responsible for auditing those statements. The committee reports periodically to the entire Board.

The Board of Directors has determined that the Audit Committee consists entirely of directors who meet the independence requirements of the NYSE listing standards and the rules and regulations under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, and the rules and regulations of the Federal Deposit Insurance Corporation, which we refer to as the FDIC. The Board has also determined that all members of the Audit Committee are financially literate within the meaning of the NYSE listing standards as interpreted by the Board. The Board has determined, based upon education and experience as a principal accounting or financial officer or public accountant, or experience actively supervising a principal accounting or financial officer or public accountant, that Ms. Rein and Mr. Surma satisfy the definition of audit committee financial expert as set out in the rules and regulations under the Exchange Act, have banking and financial management expertise as set out in the FDIC s rules and regulations, and have accounting or related financial management expertise as such qualification under the NYSE rules is interpreted by the Board.

Corporate Governance and Nominating Committee

The CG&N Committee meets as often as it deems necessary to perform its responsibilities. In 2009, the committee held five meetings.

Our CG&N Committee reviews non-employee director compensation and benefits on an annual basis and makes recommendations to the Board on appropriate compensation. The committee is responsible for approving compensation arrangements for non-employee members of the Boards of Directors of our significant subsidiaries. Such compensation must be consistent with market practice and designed to align our directors interests with those of our long-term stockholders while not calling into question directors objectivity. The committee oversees evaluations of the Board and committees of the Board and, unless performed by the Human Resources and Compensation Committee, our senior managers. As further described above, the committee assists the Board in reviewing and identifying individuals qualified to become Board members. The CG&N Committee has the responsibility to develop and recommend to the Board a set of corporate governance guidelines and propose changes to such guidelines from time to time as may be appropriate.

Our Board of Directors has determined that the committee consists entirely of directors who meet the independence requirements of the NYSE rules.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee meets as often as it deems necessary to perform its responsibilities. In 2009, the committee held four meetings.

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The committee s purpose is to promote a culture that emphasizes and sets high standards for corporate citizenship and review corporate performance against those standards. The committee is responsible for providing primary oversight of the company s programs regarding community development and involvement, philanthropy, sound environmental sustainability practices, government affairs, supplier diversity and engagement in corporate social responsibility matters and social responsibility relative to employees. The committee also has responsibility for monitoring the company s compliance with the Community Reinvestment Act and Fair Lending rules and regulations.

Our Board of Directors has determined that the committee consists entirely of directors who meet the independence requirements of the NYSE rules.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee meets as often as it deems necessary to perform its responsibilities. In 2009, the committee held nine meetings.

The Human Resources and Compensation Committee oversees the compensation plans, policies and programs in which our executive officers participate and the other incentive, retirement, welfare and equity plans in which all of our employees participate. In addition, the committee administers and makes equity and/or cash awards under plans adopted for the benefit of our officers and other employees to the extent required or permitted by the terms of these plans, establishes any related performance goals and determines whether and the extent to which these goals have been attained.

The committee reviews and approves corporate goals and objectives relevant to the compensation of our Chief Executive Officer, evaluates the Chief Executive Officer s performance in light of those goals and objectives and determines and approves the Chief Executive Officer s compensation level on the basis of its evaluation. While the committee has overall responsibility for executive compensation matters, as specified in its charter, the committee reports its preliminary conclusions with respect to the performance evaluation and compensation decisions regarding our Chief Executive Officer to the other independent directors of our full Board in executive session and solicits their input prior to finalizing the committee s conclusions.

The committee reviews, evaluates and approves the total compensation of all other executive officers and makes recommendations concerning equity-based plans, which recommendations are subject to the approval of our entire Board. The committee advises and discusses with the other independent directors compensation decisions regarding our President and the process used by the committee.

The committee is generally responsible for overseeing our employee compensation and benefit policies and programs, our management development and succession programs, the development and oversight of a succession plan for the position of Chief Executive Officer and our diversity and inclusion programs. The committee administers and makes awards under our various equity-based employee incentive plans and oversees certain retirement plans that we sponsor to ensure: (i) that they provide an appropriate level of benefits in a cost-effective manner to meet our needs and objectives in sponsoring such plans; (ii) that they are properly and efficiently administered in accordance with their terms to avoid unnecessary costs and minimize any potential liabilities to us; (iii) that our responsibilities as plan sponsor are satisfied; and (iv) that financial and other information with respect to such plans is properly recorded and reported in accordance with applicable legal requirements.

The committee has approved the delegation to our Chief Executive Officer of responsibility for determining equity awards to certain employees who are eligible to receive grants under our Long-Term Incentive Plan. The delegated authority approved by the committee to our Chief Executive Officer is subject to certain limitations, including: (i) total aggregate shares subject to plan awards pursuant to the delegated authority in any calendar year (1,100,000); (ii) aggregate shares represented by plan awards that may be granted to any one individual pursuant to the delegated authority in any calendar year (100,000); and (iii) a sub-limit of shares represented by full value awards that may be granted in any calendar year (550,000).

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Finally, as further described in the Compensation Discussion and Analysis, our management provides information, analysis and recommendations for the committee s decision-making process in connection with the amount and form of executive compensation, except that no member of management will participate in the decision-making process with respect to his own compensation. The Compensation Discussion and Analysis discusses the role of our Chief Executive Officer in determining or recommending the amount and form of executive compensation. In addition, we address the role of our management and its independent outside compensation consultants and the role of the committee s independent outside compensation advisors in determining and recommending executive compensation below.

No member of the committee is or has been an officer or employee of our company. Our Board of Directors has determined that the committee consists entirely of directors who meet the independence requirements of the NYSE rules.

Compensation Committee Interlocks and Insider Participation

None of the members of our Human Resources and Compensation Committee is or was formerly an officer or employee of our company or any of its subsidiaries, nor did any members have a relationship with us that is disclosable as a Related Party Transaction as defined by the SEC. In addition, none of our executive officers served on any compensation committee or any board of directors of another company, of which any of our Board members was also an executive officer.

Risk Committee

The Risk Committee meets as often as it deems necessary to perform its responsibilities. In 2009, the committee held six meetings.

As further discussed under The Role of the Board in Risk Oversight below, the committee is responsible for reviewing significant financial and other risk exposures and the steps management has taken to monitor, control and report such exposures, including, without limitation, credit, market, fiduciary, liquidity, reputational, operational, fraud, strategic, technology, data-security and business-continuity risks. The committee evaluates risk exposure and tolerance and approves appropriate transactional or trading limits. The committee reviews and evaluates the company s policies and practices with respect to risk assessment and risk management and annually presents to the Audit Committee a report summarizing the committee s review of the company s methods for identifying and managing risks. The committee reviews reports of the company s Risk Management and Compliance department, which we refer to as the Risk department , Internal Audit and regulatory agencies relating to risk issues and management s responses to such reports, unless such review is under the jurisdiction of another committee. The committee reviews reports on fiduciary assets of our businesses, provides general oversight of the company s investment of fiduciary assets and adopts the company s fiduciary policy statement. The committee evaluates the scope of work of the Risk department and its planned risk management activities and reviews the appointment, performance and replacement of the company s Chief Risk Officer. The committee is responsible for assessing the company s technology risk management program and receives reports from management regarding the company s technology operations.

Our Board of Directors has determined that the committee consists entirely of directors who meet the independence requirements of the NYSE rules.

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REPORT OF THE AUDIT COMMITTEE

On behalf of our Board of Directors, the Audit Committee oversees the operation of a comprehensive system of internal controls in respect of the integrity of our financial statements and reports, compliance with laws, regulations and corporate policies and the qualifications, performance and independence of our independent registered public accounting firm. The committee s function is one of oversight, recognizing that our management is responsible for preparing our financial statements, and our independent registered public accountants are responsible for auditing those statements.

Consistent with this oversight responsibility, the committee has reviewed and discussed with management the audited financial statements for the year ended December 31, 2009 and management s assessment of internal control over financial reporting as of December 31, 2009. KPMG LLP, our independent registered public accounting firm, issued its unqualified report on our financial statements and the operating effectiveness of our internal control over financial reporting.

The committee has also discussed with KPMG LLP the matters required to be discussed in accordance with Statement on Auditing Standards No. 61, Communication with Audit Committees. The committee has also received the written disclosures and the letter from KPMG LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence, and has conducted a discussion with KPMG LLP relative to its independence. The committee has determined that KPMG LLP s provision of non-audit services is compatible with its independence.

Based on these reviews and discussions, the committee recommended to the Board of Directors that our audited financial statements for the year ended December 31, 2009, be included in our annual report on Form 10-K for the fiscal year then ended.

Catherine A. Rein, Chairman

Richard J. Kogan

Robert Mehrabian

William C. Richardson

Samuel C. Scott III

John P. Surma

AUDIT FEES, AUDIT RELATED FEES, TAX FEES AND ALL OTHER FEES

The Audit Committee has appointed KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2010. We have been advised by KPMG LLP that it is an independent registered public accounting firm with the Public Company Accounting Oversight Board, which we refer to as the PCAOB, and complies with the auditing, quality control and independence standards and rules of the PCAOB and the SEC.

The appointment of KPMG LLP as our independent registered public accounting firm for the 2009 fiscal year was ratified at our 2009 Annual Meeting. The following table reflects the fees earned by KPMG LLP for the following types of services provided by KPMG LLP to us for 2009 and 2008:

Description of Fees	Amount of Fees KPMG LLP for 2009	Amount of Fees KPMG LLP for 2008
Audit Fees(1)	$ 11,069,000	$ 9,942,000
Audit-Related Fees(2)	$ 13,516,000	$ 9,807,000
Tax Fees(3)	$ 1,889,000	$ 1,552,000
All Other Fees(4)	$ 376,000	$ 230,000
Total Fees	$ 26,850,000	$ 21,531,000

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(1) Includes fees for professional services rendered for the audit of our annual financial statements for the fiscal year (including services relating to the audit of internal control over financial reporting under the Sarbanes-Oxley Act of 2002) and for reviews of the financial statements included in our quarterly reports on Form 10-Q and for other services that only an independent registered public accountant can reasonably provide.

(2) Includes fees for services that were reasonably related to performance of the audit of the annual financial statements for the fiscal year, other than Audit Fees, such as service organization reports (under SAS 70), employee benefit plan audits and internal control reviews.

(3) Includes fees for tax return preparation and tax planning.

(4) Includes fees for regulatory and other advisory services.

Other Services Provided by KPMG LLP

KPMG LLP also provided services to entities associated with us that were charged directly to those entities and accordingly were not included in the amounts disclosed in the table above. These amounts included $8.7 million for 2009 and $5.9 million for 2008 for the audits and tax compliance services for mutual funds, collective funds and other funds advised by us. Also excluded from the amounts disclosed in the table above are fees billed by KPMG LLP to joint ventures or equity method investments in which we have an interest of 50% or less.

Pre-Approval Policy

Our Audit Committee has established pre-approval policies and procedures applicable to all services provided by our independent registered public accountants. In accordance with SEC rules, our pre-approval policy has two different approaches to pre-approving audit and permitted non-audit services performed by our independent registered public accountants. Proposed services may be pre-approved pursuant to policies and procedures established by the Audit Committee that are detailed as to a particular class of service without consideration by the Audit Committee of the specific case-by-case services to be performed. We refer to this pre-approval method as class pre-approval. If a class of service has not received class pre-approval, the service will require specific pre-approval by the Audit Committee before such service is provided by our independent registered public accountants. We refer to this pre-approval method as specific pre-approval. A list of services that has received class pre-approval from our Audit Committee (or its delegate) is attached to our Audit and Permitted Non-Audit Services Pre-Approval Policy. A copy of our Audit and Permitted Non-Audit Services Pre-Approval Policy is available on our website at www.bnymellon.com/governance/auditpolicy.pdf. For 2009, all of the fees associated with the independent registered public accounting firm services were pre-approved by the Audit Committee.

EXECUTIVE COMPENSATION CONSULTANTS TO THE HUMAN

RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee has the sole authority to retain and terminate any independent compensation advisor directly assisting it. The Human Resources and Compensation Committee also has the sole authority to approve fees and other engagement terms. From the time of our merger in July 2007 through April 2009, the Human Resources and Compensation Committee received advice directly from two independent outside executive compensation advisors Frederic W. Cook & Co., Inc. and Towers Perrin, now known as Towers Watson. Effective August 2009, the Human Resources and Compensation Committee retained a new independent compensation consultant, Hewitt Associates LLC, to serve as the Human Resources and Compensation Committee s independent advisor. As discussed in greater detail in the Compensation Discussion and Analysis, throughout the year, the independent advisors assist the Human Resources and Compensation

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Committee in its analysis and evaluation of compensation matters relating to our executive officers. The independent advisors retained by the Human Resources and Compensation Committee report directly to the Human Resources and Compensation Committee. The independent advisors attend the in-person and telephonic meetings of the Human Resources and Compensation Committee, and meet with the Human Resources and Compensation Committee in executive session without members of management present. The independent advisors also review and provide input on materials for the Committee s meetings and advise on other matters that the Human Resources and Compensation Committee may consider.

In 2009, Frederic W. Cook & Co., Inc. did not provide any other services to the company. In 2009, both Towers Watson and Hewitt Associates LLC, which we refer to as Hewitt, and their respective affiliates, provided limited additional services directly to management of the company and its affiliates. The fees paid to each firm for these additional services did not exceed $120,000 in the aggregate.

In addition, as described in detail in the Compensation Discussion and Analysis, management also engages consultants that assist in executive compensation matters from time to time.

CORPORATE GOVERNANCE MATTERS

Corporate Governance Guidelines

Our Board of Directors has adopted Corporate Governance Guidelines covering, among other things, the duties and responsibilities and independence of our directors. The Corporate Governance Guidelines cover a number of other matters, including the Board s role in overseeing executive compensation, compensation and expenses for non-management directors, communications between stockholders and directors, and Board committee structures and assignments. A copy of our Corporate Governance Guidelines is available on our website at www.bnymellon.com/governance/guidelines.

Employee Code of Conduct

Our Board of Directors has adopted a Code of Conduct, which applies to all of our employees, for our company to provide a framework to maintain the highest standards of professional conduct. Through our Code of Conduct, we stress the importance of Doing What s Right. Under our Code of Conduct, Doing What s Right means:

- contributing to an ethical culture is expected and valued;
- conducting business in full compliance with all applicable laws and regulations, and in accordance with the highest ethical standards;
- fostering honest, fair and open communications;
- demonstrating respect for our clients, communities and one another;
- being accountable for your own and team actions; and
- being willing to take a stand to correct or prevent any improper activity or business mistake.

Directors Code of Conduct

Our Board of Directors has adopted a Code of Conduct for directors of the company. This code is intended to provide guidance to our directors to help them recognize and deal with ethical issues, provide mechanisms to report possible unethical conduct and foster a culture of honesty and accountability. The Directors Code of Conduct requires directors to:

avoid any conflicts of interest between the director and the company;

comply with the procedures set forth in our related party transactions policy;

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maintain the confidentiality of information entrusted to them by the company and any other confidential information about the company that comes to them, except when and to the extent disclosure is authorized by the company or legally mandated;