TEM-P

City of Peoria, Arizona
Notice of Request for Proposal

Request for Proposal No:	**P11-0015**	Proposal Due Date:	**October 20, 2010**
Materials and/or Services:	**Banking Services**	Proposal Time:	5:00 P.M. AZ Time
		Contact:	**Jennifer Miller**

Mailing Address: City of Peoria, Materials Management
9875 N. 85th Avenue, 2nd Floor, Peoria, AZ 85345

In accordance with City of Peoria Procurement Code competitive sealed proposals for the material or services specified will be received by the City of Peoria Materials Management at the specified location until the date and time cited above. Proposals shall be in the actual possession of the City of Peoria Materials Management on or prior to the exact date and time indicated above. Late proposals will not be considered, except as provided in the City of Peoria Procurement Code. ***Proposals shall be submitted in a sealed envelope with the Request for Proposal number and the offeror's name and address clearly indicated on the front of the envelope.*** All proposals shall be completed in ink or typewritten. Offerors are strongly encouraged to carefully read the *entire* Request for Proposal Package.

OFFER

To the City of Peoria: The undersigned on behalf of the entity, firm, company, partnership, or other legal entity listed below offers on its behalf to the City a proposal that contains all terms, conditions, specifications and amendments in the Notice of Request for Proposal issued by the City. Any exception to the terms contained in the Notice of Request for Proposal must be specifically indicated in writing and are subject to the approval of the City prior to acceptance. The signature below certifies your understanding and compliance with Paragraph 1 of the City of Peoria Standard Terms and Conditions (form COP 202) contained in the Request for Proposal package issued by the City.

For clarification of this offer contact:

Name: David W. Jackman

Telephone: (303) 764-3573 Email: David.W.Jackman@BNYMellon.com

The Bank of New York Mellon Trust Co., N.A.
Company Name

David W Jackman
Authorized Signature for Offer

1775 Sherman Street, Suite 2775
Address

David W. Jackman
Printed Name

Denver CO 80203
City State Zip Code

Vice President
Title

ACCEPTANCE OF OFFER AND CONTRACT AWARD (For City of Peoria Use Only)

Your offer is accepted by the City, subject to approval of each written exception that your proposal contained. The contract consists of the following documents: 1.) Request for Proposal issued by the City; 2.) Your offer in Response to the City's Request for Proposal; 3.) This written acceptance and contract award.

As the contractor, you are now legally bound to sell the materials and/or services listed by the attached award notice, based on the solicitation of proposals, including all terms, conditions, specifications, amendments and your offer as now accepted by the City. The Contractor shall not commence any billable work or provide any material, service or construction under this contract until the Contractor receives an executed Purchase Order or written Notice to Proceed.

Attested by: Wanda Nelson
City Clerk

City Seal

CC:

Contract Number: ACON05811

Official File:

City of Peoria, Arizona. Effective Date: 2-3-11

Approved as to form:
Ellen M. Van Riper
~~Stephen M. Kemp, City Attorney~~
Ellen Van Riper, Assistant City Attorney

Contract Awarded Date: February 2, 2011

Herman Koebergen, Materials Manager

SCANNED

A CON 05811

Materials Management
Procurement
9875 N. 85th Ave., 2nd Fl.
Peoria, Arizona 85345-6560
Phone: (623) 773-7115
Fax: (623) 773-7118

REQUEST FOR PROPOSAL

INSTRUCTIONS TO OFFEROR

1. **PREPARATION OF PROPOSAL:**
   a. All proposals shall be on the forms provided in this *Request For Proposal* package. It is permissible to copy these forms if required. Telegraphic (facsimile) or mailgram proposals will not be considered.
   b. The Offer and Contract Award document (COP Form 203) shall be submitted with an original ink signature by a person authorized to sign the offer.
   c. Erasures, interlineations, or other modifications in the proposal shall be initialed in original ink by the authorized person signing the Vendor Offer.
   d. If price is a consideration and in case of error in the extension of prices in the proposal, the unit price shall govern. No proposal shall be altered, amended, or withdrawn after the specified proposal due date and time.
   e. Periods of time, stated as a number of days, shall be calendar days.
   f. It is the responsibility of all Offerors to examine the entire *Request For Proposal* package and seek clarification of any item or requirement that may not be clear and to check all responses for accuracy before submitting a bid. Negligence in preparing a Proposal confers no right of withdrawal after proposal due date and time.

2. **INQUIRIES:** Any question related to the *Request For Proposal* shall be directed to the Buyer whose name appears on the front. The Offeror shall not contact or ask questions of the department for which the requirement is being procured. Questions should be submitted in writing when time permits. The Buyer may require any and all questions be submitted in writing at the Buyer's sole discretion. Any correspondence related to a *Request For Proposal* should refer to the appropriate *Request For Proposal* number, page, and paragraph number. However, the Offeror shall not place the *Request For Proposal* number on the outside of any envelope containing questions since such an envelope may be identified as a sealed proposal and may not be opened until after the official *Request For Proposal* due date and time.

3. **PROSPECTIVE OFFERORS CONFERENCE:** A prospective offerors conference may be held. If scheduled, the date and time of this conference will be indicated within this document. The purpose of this conference will be to clarify the contents of this *Request For Proposal* in order to prevent any misunderstanding of the City's position. Any doubt as to the requirements of this *Request For Proposal* or any apparent omission or discrepancy should be presented to the City at this conference. The City will then determine if any action is necessary and may issue a written amendment to the *Request for Proposal*. Oral statements or instructions will not constitute an amendment to this *Request for Proposal*.

4. **LATE PROPOSALS:** Late Proposals will not be considered, except as provided by the **City of Peoria Procurement Code**. A vendor submitting a late proposal shall be so notified.

5. **WITHDRAWAL OF PROPOSAL:** At any time prior to the specified proposal due date and time, a Vendor (or designated representative) may withdraw the proposal. Telegraphic (facsimile) or mailgram proposal withdrawals will not be considered.

6. **AMENDMENT OF PROPOSAL:** Receipt of a Solicitation Amendment (COP Form 207) shall be acknowledged by signing and returning the document prior to the specified proposal due date and time.

7. **PAYMENT:** The City will make every effort to process payment for the purchase of goods or services within thirty (30) calendar days after receipt of goods or services and a correct notice of amount due, unless a good faith dispute exists as to any obligation to pay all or a portion of the account. Any proposal that requires payment in less than thirty (30) calendar days shall not be considered.

8. **NEW:** All items shall be new, unless otherwise stated in the specifications.

9. **DISCOUNTS:** Payment discount periods will be computed from the date of receipt of material/service or correct invoice, whichever is later, to the date Buyer's payment is mailed. Unless freight and other charges are itemized, any discount provided will be taken on full amount of invoice. Payment discounts of thirty (30) calendar days or more will be deducted from the proposal price in determining the low bid. However, the Buyer shall be entitled to take advantage of any payment discount offered by the Vendor provided payment is made within the discount period.

10. **TAXES:** The City of Peoria is exempt from Federal Excise Tax, including the Federal Transportation Tax. Sales tax, if any, shall be indicated as a separate item.

11. **VENDOR REGISTRATION:** After the award of a contract, the successful Vendor shall have a completed Vendor Registration Form (COP Form 200) on file with the City of Peoria Materials Management Division.

12. **AWARD OF CONTRACT:**

    a. Unless the Offeror states otherwise, or unless provided within this *Request For Proposal*, the City reserves the right to award by individual line item, by group of line items, or as a total, whichever is deemed most advantageous to the City.

    b. Notwithstanding any other provision of this *Request For Proposal*, The City expressly reserves the right to:

       (1) Waive any immaterial defect or informality: or
       (2) Reject any or all proposals, or portions thereof, or
       (3) Reissue a *Request For Proposal*.

    c. A response to a *Request For Proposal* is an offer to contract with the City based upon the terms, conditions and specifications contained in the City's *Request For Proposal* and the written amendments thereto, if any. Proposals do not become contracts unless and until they are accepted by the **City Council**. A contract is formed when written notice of award(s) is provided to the successful Offeror(s). The contract has its inception in the award document, eliminating a formal signing of a separate contract. For that reason, all of the terms and conditions of the procurement contract are contained in the *Request For Proposal*; unless modified by a Solicitation Amendment (COP Form 207) or a Contract Amendment (COP Form 217).

THE FOLLOWING TERMS AND CONDITIONS ARE AN EXPLICIT PART OF THE SOLICITATION AND ANY RESULTANT CONTRACT.

1. **CERTIFICATION:** By signature in the Offer section of the Offer and Contract Award page (COP Form 203), the Vendor certifies:

   a. The submission of the offer did not involve collusion or other anti-competitive practices.
   b. The Vendor shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11456.
   c. The Vendor has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip favor, or service to a public servant in connection with the submitted offer. Failure to sign the offer, or signing it with a false statement, shall void the submitted offer or any resulting contracts, and the vendor may be debarred.

2. **GRATUITIES:** The City may, by written notice to the Contractor, cancel this contract if it is found by the City that gratuities, in the form of entertainment, gifts or otherwise, were offered or given by the Contractor or any agent or representative of the Contractor, to any officer or employee of the City with a view toward securing an order, securing favorable treatment with respect to the awarding, amending, or the making of any determinations with respect to the performing of such order. In the event this contract is cancelled by the City pursuant to this provision, the City shall be entitled, in addition to any other rights and remedies, to recover or withhold from the Contractor the amount of the gratuity. Paying the expense of normal business meals which are generally made available to all eligible city government customers shall not be prohibited by this paragraph.

3. **APPLICABLE LAW:** In the performance of this agreement, contractors shall abide by and conform to any and all laws of the United States, State of Arizona and City of Peoria including but not limited to federal and state executive orders providing for equal employment and procurement opportunities, the Federal Occupational Safety and Health Act and any other federal or state laws applicable to this agreement.

   Contractor specifically understands and acknowledges the applicability to it of the Americans with Disabilities Act, the Immigration Reform and Control Act of 1986, and the Drug Free Workplace Act of 1989. In addition, if this agreement pertains to construction, Contractor must also comply with A.R.S. § 34-301, as amended (Employment of Aliens on Public Works Prohibited) and A.R.S. § 34-302, as amended (Residence Requirements for Employees).

   Under the provisions of A.R.S. § 41-4401, Contractor hereby warrants to the City that Contractor and each of its subcontractors ("Subcontractors") will comply with, and are contractually obligated to comply with, all Federal immigration laws and regulations that relate to their employees and A.R.S. § 23-214(A) (hereinafter, "Contractor Immigration Warranty").

   A breach of the Contractor Immigration Warranty shall constitute a material breach of this agreement and shall subject Contractor to penalties up to and including termination of this agreement at the sole discretion of the City. The City may, at its sole discretion, conduct random verification of the employment records of Contractor and any Subcontractors to ensure compliance with the Contractor Immigration Warranty. Contractor agrees to assist the City in regard to any random verifications performed.

   Neither Contractor nor any Subcontractor shall be deemed to have materially breached the Contractor Immigration Warranty if Contractor or the Subcontractor establishes that it has complied with the employment verification provisions prescribed by §§ 274A and 274B of the Federal Immigration and Nationality Act and the E-Verify requirements prescribed by A.R.S. §23-214(A).

   The provisions of this Paragraph must be included in any contract Contractor enters into with any Subcontractors who provide services under this agreement or any subcontract. "Services" is defined as furnishing labor, time or effort in the State of Arizona by a contractor or subcontractor. Services include construction or maintenance of any structure, building or transportation facility or improvement to real property.

   Contractor warrants, for the term of this agreement and for six months thereafter, that is has fully complied with the requirements of the Immigration Reform and Control Act of 1986 and all related or similar legal authorities.

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This contract shall be governed by the City and Contractor shall have all remedies afforded each by the Uniform Commercial Code, as adopted in the State of Arizona, except as otherwise provided in this contract or in statutes pertaining specifically to the City. This contract shall be governed by the laws of the State of Arizona and suit pertaining to this contract may be brought only in courts in the State of Arizona.

This contract is subject to the provisions of ARS §38-511; the City may cancel this contract without penalty or further obligations by the City or any of its departments or agencies if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City or any of its departments or agencies, is at any time while the contract or any extension of the contract is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.

4. **LEGAL REMEDIES:** All claims and controversies shall be subject to resolution according to the terms of the City of Peoria Procurement Code.

5. **CONTRACT:** The contract between the City and the Contractor shall consist of (1) the Solicitation, including instructions, all terms and conditions, specifications, scopes of work, attachments, and any amendments thereto, and (2) the offer submitted by the Vendor in response to the solicitation. In the event of a conflict in language between the Solicitation and the Offer, the provisions and requirements in the Solicitation shall govern. However, the City reserves the right to clarify, in writing, any contractual terms with the concurrence of the Contractor, and such written contract shall govern in case of conflict with the applicable requirements stated in the Solicitation or the Vendor's offer. The Solicitation shall govern in all other matters not affected by the written contract.

6. **CONTRACT AMENDMENTS:** This contract may be modified only by a written Contract Amendment (COP Form 217) signed by persons duly authorized to enter into contracts on behalf of the City and the Contractor.

7. **CONTRACT APPLICABILITY:** The Offeror shall substantially conform to the terms, conditions, specifications and other requirements found within the text of this specific Solicitation. All previous agreements, contracts, or other documents, which have been executed between the Offeror and the City are not applicable to this Solicitation or any resultant contract.

8. **PROVISIONS REQUIRED BY LAW:** Each and every provision of law and any clause required by law to be in the contract will be read and enforced as though it were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party, the contract will forthwith be physically amended to make such insertion or correction.

9. **SEVERABILITY:** The provisions of this contract are severable to the extent that any provision or application held to be invalid shall not affect any other provision or application of the contract which may remain in effect without the invalid provision or application.

10. **RELATIONSHIP TO PARTIES:** It is clearly understood that each party will act in its individual capacity and not as an agent, employee, partner, joint venturer, or associate of the other. An employee or agent of one party shall not be deemed or construed to be the employee or agent of the other for any purpose whatsoever. The Contractor is advised that taxes or Social Security payments will not be withheld from any City payments issued hereunder and that the Contractor should make arrangements to directly pay such expenses, if any.

11. **INTERPRETATION-PAROL EVIDENCE:** This contract represents the entire agreement of the Parties with respect to its subject matter, and all previous agreements, whether oral or written, entered into prior to this contract are hereby revoked and superseded by this contract. No representations, warranties, inducements or oral agreements have been made by any of the Parties except as expressly set forth herein, or in any other contemporaneous written agreement executed for the purposes of carrying out the provisions of this contact. This contract may not be changed, modified or rescinded except as provided for herein, absent a written agreement signed by both Parties. Any attempt at oral modification of this contract shall be void and of no effect.

12. **NO DELEGATION OR ASSIGNMENT:** Contractor shall not delegate any duty under this Contract, and no right or interest in this Contract shall be assigned by Contractor to any successor entity or third party, including but not limited to an affiliated successor or purchaser of Contractor or its assets, without prior written permission of the City. The City, at its

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option, may cancel this Contract in the event Contractor undertakes a delegation or assignment without first obtaining the City's written approval. Contractor agrees and acknowledges that it would not be unreasonable for the City to decline to approve a delegation or assignment that results in a material change to the services provided under this Contract or an increased cost to the City.

13. **SUBCONTRACTS:** No subcontract shall be entered into by the contractor with any other party to furnish any of the material, service or construction specified herein without the advance written approval of the City. The prime contractor shall itemize all sub-contractors which shall be utilized on the project. Any substitution of sub-contractors by the prime contractor shall be approved by the City and any cost savings will be reduced from the prime contractor's bid amount. All subcontracts shall comply with Federal and State laws and regulations which are applicable to the services covered by the subcontract and shall include all the terms and conditions set forth herein which shall apply with equal force to the subcontract and if the Subcontractor were the Contractor referred to herein. The Contractor is responsible for contract performance whether or not Subcontractors are used.

14. **RIGHTS AND REMEDIES:** No provision in this document or in the vendor's offer shall be construed, expressly or by implication, as waiver by the City of any existing or future right and/or remedy available by law in the event of any claim of default or breach of contract. The failure of the City to insist upon the strict performance of any term or condition of the contract or to exercise or delay the exercise of any right or remedy provided in the contract, or by law, or the City's acceptance of and payment for materials or services, shall not release the Contractor from any responsibilities or obligations imposed by this contract or by law, and shall not be deemed a waiver of any right of the City to insist upon the strict performance of the Contract.

15. **INDEMNIFICATION:** To the fullest extent permitted by law, the Contractor shall defend, indemnify and hold harmless the City, its agents, representatives, officers, directors, officials and employees from and against all claims, damages, losses and expenses (including but not limited to attorney fees, court costs, and the cost of appellate proceedings), relating to, arising out of, or alleged to have resulted from the acts, errors, mistakes, omissions, work or services of the Contractor, its employees, agents, or any tier of subcontractors in the performance of this Contract. Contractor's duty to defend, hold harmless and indemnify the City, its agents, representatives, officers, directors, officials and employees shall arise in connection with any claim, damage, loss or expense that is attributable to bodily injury, sickness, disease, death, or injury to, impairment, or destruction of property including loss of use resulting therefrom, caused by any acts, errors, mistakes, omissions, work or services in the performance of this Contract including any employee of the Contractor or any tier of subcontractor or any other person for whose acts, errors, mistakes, omissions, work or services the Contractor may be legally liable.

    The amount and type of insurance coverage requirements set forth herein will in no way be construed as limiting the scope of the indemnity in this paragraph.

16. **OVERCHARGES BY ANTITRUST VIOLATIONS:** The City maintains that, in practice, overcharges resulting from antitrust violations are borne by the purchaser. Therefore, to the extent permitted by law, the Contractor hereby assigns to the City any and all claims for such overcharges as to the goods and services used to fulfill the Contract.

17. **FORCE MAJEURE:** Except for payment for sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force Majeure. The term *"force majeure"* means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God: acts of the public enemy; war; acts of terror, hate crimes affecting public order; riots; strikes; mobilization; labor disputes; civil disorders; fire; floods; lockouts, injunctions-intervention-acts, or failures or refusals to act by government authority; events or obstacles resulting from a governmental authority's response to the foregoing; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence. The force majeure shall be deemed to commence when the party declaring force majeure notifies the other party of the existence of the force majeure and shall be deemed to continue as long as the results or effects of the force majeure prevent the party from resuming performance in accordance with this Contract.

    Force majeure shall not include the following occurrences:

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a. Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, an oversold condition of the market, inefficiencies, or similar occurrences.

b. Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this Force Majeure term and Condition.

Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure. If either party is delayed at any time in the progress of the work by force majeure, then the delayed party shall notify the other party in writing of such delay within forty-eight (48) hours commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be hand delivered or mailed *Certified-Return Receipt* and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing. The time of completion shall be extended by contract modification for a period of time equal to the time that the results or effects of such delay prevent the delayed party from performing in accordance with this contract.

18. **RIGHT TO ASSURANCE:** Whenever one party to this contract in good faith has reason to question the other party's intent to perform he may demand that the other party give a written assurance of this intent to perform. In the event that a demand is made and no written assurance is given within five (5) days, the demanding party may treat this failure as an anticipatory repudiation of the Contract.

19. **RIGHT TO AUDIT RECORDS:** The City may, at reasonable times and places, audit the books and records of any Contractor as related to any contract held with the City. This right to audit also empowers the City to inspect the papers of any Contractor or Subcontractor employee who works on this contract to ensure that the Contractor or Subcontractor is complying with the Contractor Immigration Warranty made pursuant to Paragraph 3 above.

20. **RIGHT TO INSPECT PLANT:** The City may, at reasonable times, inspect the part of the plant or place of business of a Contractor or Subcontractor which is related to the performance of any contract as awarded or to be awarded.

21. **WARRANTIES:** Contractor warrants that all material, service or construction delivered under this contract shall conform to the specifications of this contract. Unless otherwise stated in Contractor's response, the City is responsible for selecting items, their use, and the results obtained from any other items used with the items furnished under this contract. Mere receipt of shipment of the material/service specified and any inspection incidental thereto by the City shall not alter or affect the obligations of the Contractor or the rights of the City under the foregoing warranties. Additional warranty requirements may be set forth in the solicitation.

22. **INSPECTION:** All material and/or services are subject to final inspection and acceptance by the City. Materials and/or services failing to conform to the specifications of this Contract will be held at Contractor's risk and may be returned to the Contractor. If so returned, all costs are the responsibility of the Contractor. The City may elect to do any or all:

a. Waive the non-conformance.
b. Stop the work immediately.
c. Bring material into compliance.

This shall be accomplished by a written determination for the City.

23. **TITLE AND RISK OF LOSS:** The title and risk of loss of material and/or service shall not pass to the City until the City actually receives the material or service at the point of delivery, unless otherwise provided within this Contract.

24. **NO REPLACEMENT OF DEFECTIVE TENDER:** Every tender of materials shall fully comply with all provisions of the Contract. If a tender is made which does not fully conform, this shall constitute a breach of the Contract as a whole.

25. **DEFAULT IN ONE INSTALLMENT TO CONSTITUTE TOTAL BREACH:** Contractor shall deliver conforming materials in each installment of lot of this Contract and may not substitute nonconforming materials. Delivery of nonconforming materials or a default of any nature, at the option of the City, shall constitute a breach of the Contract as a whole.

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26. **SHIPMENT UNDER RESERVATION PROHIBITED:** Contractor is not authorized to ship materials under reservation and no tender of a bill of lading will operate as a tender of the materials.

27. **LIENS:** All materials, service or construction shall be free of all liens, and if the City requests, a formal release of all liens shall be delivered to the City.

28. **LICENSES:** Contractor shall maintain in current status all Federal, State and Local licenses and permits required for the operation of the business conducted by the Contractor as applicable to this Contract.

29. **PATENTS AND COPYRIGHTS:** All services, information, computer program elements, reports and other deliverables, which may be patented or copyrighted and created under this contract are the property of the City and shall not be used or released by the Contractor or any other person except with the prior written permission of the City.

30. **PREPARATION OF SPECIFICATIONS BY PERSONS OTHER THAN CITY PERSONNEL:** All specifications shall seek to promote overall economy for the purposes intended and encourage competition and not be unduly restrictive in satisfying the City's needs. No person preparing specifications shall receive any direct or indirect benefit from the utilization of specifications, other than fees paid for the preparation of specifications.

31. **COST OF BID/PROPOSAL PREPARATION:** The City shall not reimburse the cost of developing presenting or providing any response to this solicitation. Offers submitted for consideration should be prepared simply and economically, providing adequate information in a straightforward and concise manner.

32. **PUBLIC RECORD:** All offers submitted in response to this solicitation shall become the property of the City and shall become a matter of public record available for review, subsequent to the award notification, in accordance with the City's Procurement Code. However, subsequent to the award of the contract, any information and documents obtained by the City during the course of an audit conducted in accordance with Paragraph 19 above for the purpose of determining compliance by Contractor or a Subcontractor with the Contractor Immigration Warranty mandated by Paragraph 3 above shall remain confidential and shall not be made available for public review or produced in response to a public records request, unless the City is ordered or otherwise directed to do so by a court of competent jurisdiction.

33. **ADVERTISING:** Contractor shall not advertise or publish information concerning this Contract, without prior written consent of the City.

34. **DELIVERY ORDERS:** The City shall issue a Purchase Order for the material and/or services covered by this contract. All such documents shall reference the contract number as indicated on the Offer and Contract Award (COP Form 203).

35. **FUNDING:** Any contract entered into by the City of Peoria is subject to funding availability. Fiscal years for the City of Peoria are July 1 to June 30. The City Council approves all budget requests. If a specific funding request is not approved, the contract shall be terminated.

36. **PAYMENT:** A separate invoice shall be issued for each shipment of material or service performed, and no payment will be issued prior to receipt of material and/or services and correct invoice.

37. **PROHIBITED LOBBYING ACTIVITIES:** The Offeror, his/her agent or representative shall not contact, orally or in any written form any City elected official or any City employee other than the Materials Management Division, the procuring department, City Manager, Deputy City Manager or City Attorney's office (for legal issues only) regarding the contents of this solicitation or the solicitation process commencing from receipt of a copy of this request for proposals and ending upon submission of a staff report for placement on a City Council agenda. The Materials Manager shall disqualify an Offeror's proposal for violation of this provision. This provision shall not prohibit an Offeror from petitioning an elected official after submission of a staff report for placement on a City Council agenda or engaging in any other protected first amendment activity after submission of a staff report for placement on a City Council agenda.

38. **PROHIBITED POLITICAL CONTRIBUTIONS**: Consultant during the term of this Agreement shall not make a contribution reportable under Title 16, Chapter 6, Article 1, Arizona Revised Statutes to a candidate or candidate committee for any city elective office during the term of this Agreement. The City reserves the right to terminate the Agreement without penalty for any violation of this provision.

SPECIAL TERMS AND CONDITIONS

Solicitation Number: **P11-0015**

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1. **Purpose:** Pursuant to provisions of the City Procurement Code, the City of Peoria, Materials Management Division intends to establish a contract for **Banking Services**.

2. **Authority:** This Solicitation as well as any resultant contract is issued under the authority of the City. No alteration of any resultant contract may be made without the express written approval of the City Materials Manager in the form of an official contract amendment. Any attempt to alter any contract without such approval is a violation of the contract and the City Procurement Code. Any such action is subject to the legal and contractual remedies available to the City inclusive of, but not limited to, contract cancellation, suspension and/or debarment of the contractor.

3. **Offer Acceptance Period:** In order to allow for an adequate evaluation, the City requires an offer in response to this Solicitation to be valid and irrevocable for sixty (60) days after the opening time and date.

4. **Eligible Agencies:** Any contract resulting from this Solicitation shall be for the exclusive use of the City of Peoria.

5. **Contract Type:** Fixed Price

6. **Term of Contract:** The term of any resultant contract shall commence on the first day of the month following the date of award and shall continue for a period of five (5) years thereafter, unless terminated, cancelled or extended as otherwise provided herein.

7. **Contract Extension:** By mutual written contract amendment, any resultant contract may be extended for supplemental periods of up to a maximum of thirty-six (36) months.

8. **Affirmative Action Report:** It is the policy of the City of Peoria that suppliers of goods or services to the City adhere to a policy of equal employment opportunity and demonstrate an affirmative effort to recruit, hire, and promote regardless of race, color, religion, gender, national origin, age or disability. The City of Peoria encourages diverse suppliers to respond to solicitations for products or services.

   i. **Proposal Format:** Proposals shall be submitted in one (1) original and three (3) copies in the format as contained in the Request for Proposal. Proposals shall be on 8 1/2" & 11" paper with the text on one side only. All submittal information must contain data for only the local office(s) which will be performing the work.

   ii. Proposal Content - the proposal shall address the items as described in the Scope of Work.

9. **Interview Guidelines:** During any requested interview, which would be scheduled in the future, be prepared to discuss your firm's proposal, staff assignments, project approach and other pertinent information. The presentation shall be approximately 30 minutes, allowing 15 minutes for a question and answer session. The Consultant's Project/Team Manager shall lead the presentation team and answer questions on behalf of the Consultant. If work involves a major sub-consultant, the firms Project/Team Manager's presence may also be requested (by the City) at the interview.

10. **Evaluation:** In accordance with the City of Peoria Procurement Code, awards shall be made to the responsible offeror whose proposal is determined in writing to be the most advantageous to the City, based upon the evaluation criteria listed below. The evaluation factors are listed in their relative order of importance.

    A. GENERAL BANKING SERVICES
    i. Understanding of City Banking Needs & Approach/Ability to Provide Required Services
    ii. Cost of Service
    iii. Bank and Staff Experience and Stability
    iv. Creditworthiness of Bank
    v. References

    B. LOCKBOX
    i. Understanding of City Banking Needs & Approach/Ability to Provide Required Services.
    ii. Cost of Service
    iii. References

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C. MERCHANT CREDIT CARD SERVICES

i. Understanding of City Banking Needs & Approach/Ability to Provide Required Services.
ii. Cost of Service
iii. References

D. TRUSTEE SERVICES

i. Understanding of City Banking Needs & Approach/Ability to Provide Required Services.
ii. Cost of Service
iii. Staff Experience

The City reserves the right to consider historic information and facts, whether gained from the Offeror's proposal, questions and answer conferences, references, or other source and the views of the evaluator(s) with prior Contract or service delivery experience with any of the Offerors, while conducting the proposal evaluations.

39. **Discussions:** In accordance with the City of Peoria Procurement Code, after the initial receipt of proposals, discussions may be conducted with offerors who submit proposals determined to be reasonably susceptible of being selected for award.

40. **Proposal Opening:** Proposals shall be submitted at the time and place designated in the request for proposals. All information contained in the proposals shall be deemed as exempt from public disclosure based on the City's need to avoid disclosure of contents prejudicial to competing offerors during the process of negotiation. The proposals shall not be open for public inspection until after contract award. PRICES SHALL NOT BE READ. After contract award, the successful proposal and the evaluation documentation shall be open for public inspection.

41. **Compensation:** Compensation for services shall be based upon fees negotiated, including all approved costs and expenses incurred in connection with the project; including but not limited to, telephone and other communications, reproduction of documents, special consultants (as approved by the City) and computer costs.

42. **Payments:** The City shall pay the Contractor monthly, based upon work performed and completion to date, and upon submission of invoices. All invoices shall document and itemize all work completed to date. The invoice statement shall include a record of time expended and work performed in sufficient detail to justify payment.

43. **Insurance Requirements:** The Contractor, at Contractor's own expense, shall purchase and maintain the herein stipulated minimum insurance with companies duly licensed, possessing a current A.M. Best, Inc. Rating of A-, or approved unlicensed in the State of Arizona with policies and forms satisfactory to the City.

All insurance required herein shall be maintained in full force and effect until all work or service required to be performed under the terms of the Contract is satisfactorily completed and formally accepted; failure to do so may, at the sole discretion of the City, constitute a material breach of this Contract.

The Contractor's insurance shall be primary insurance as respects the City, and any insurance or self-insurance maintained by the City shall not contribute to it.

Any failure to comply with the claim reporting provisions of the insurance policies or any breach of an insurance policy warranty shall not affect coverage afforded under the insurance policies to protect the City.

The insurance policies, except Workers' Compensation, shall contain a waiver of transfer rights of recovery (subrogation) against the City, its agents, representatives, directors, officers, and employees for any claims arising out of the Contractor's acts, errors, mistakes, omissions, work or service.

The insurance policies may provide coverage which contain deductibles or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to the City under such policies. The Contractor shall be solely responsible for the deductible and/or self-insured retention and the City, at its option, may require the Contractor to secure payment of such deductibles or self-insured retentions by a Surety Bond or an irrevocable and unconditional letter of credit.

The City reserves the right to request and to receive, within 10 working days, certified copies of any or all of the herein required insurance policies and/or endorsements. The City shall not be obligated, however, to review same or to advise

Contractor of any deficiencies in such policies and endorsements, and such receipt shall not relieve Contractor from, or be deemed a waiver of the City's right to insist on, strict fulfillment of Contractor's obligations under this Contract.

The insurance policies, except Workers' Compensation and Professional Liability, required by this Contract, shall name the City, its agents, representatives, officers, directors, officials and employees as Additional Insureds.

44. **Required Insurance Coverage:**

a. Commercial General Liability

Contractor shall maintain Commercial General Liability insurance with a limit of not less than $1,000,000 for each occurrence with a $2,000,000 Products/Completed Operations Aggregate and a $2,000,000 General Aggregate Limit. The policy shall include coverage for bodily injury, broad form property damage, personal injury, products and completed operations and blanket contractual coverage including, but not limited to, the liability assumed under the indemnification provisions of this Contract which coverage will be at least as broad as Insurance Service Office, Inc. Policy Form CG 00011207 or any replacements thereof. The coverage shall not exclude X, C, U.

Such policy shall contain a severability of interest provision, and shall not contain a sunset provision or commutation clause, nor any provision which would serve to limit third party action over claims.

The Commercial General Liability additional insured endorsement shall be at least as broad as the Insurance Service Office, Inc.'s Additional Insured, Form B, CG 20370704, and shall include coverage for Contractor's operations and products and completed operations.

Any Contractor subletting any part of the work, services or operations awarded to the Contractor shall purchase and maintain, at all times during prosecution of the work, services or operations under this Contract, an Owner's and Contractor's Protective Liability insurance policy for bodily injury and property damage, including death, which may arise in the prosecution of the Contractor's work, service or operations under this Contract. Coverage shall be on an occurrence basis with a limit not less than $1,000,000 per occurrence, and the policy shall be issued by the same insurance company that issues the Contractor's Commercial General Liability insurance.

b. Automobile Liability

Contractor shall maintain Commercial/Business Automobile Liability insurance with a combined single limit for bodily injury and property damage of not less than $1,000,000 each occurrence with respect to the Contractor's any owned, hired, and non-owned vehicles assigned to or used in performance of the Contractor's work. Coverage will be at least as broad as coverage code 1, "any auto", (Insurance Service Office, Inc. Policy Form CA 00010306, or any replacements thereof). Such insurance shall include coverage for loading and off loading hazards. If hazardous substances, materials or wastes are to be transported, MCS 90 endorsement shall be included and $5,000,000 per accident limits for bodily injury and property damage shall apply.

c. Workers' Compensation

The Contractor shall carry Workers' Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction of Contractor's employees engaged in the performance of the work or services; and, Employer's Liability insurance of not less than $100,000 for each accident, $100,000 disease for each employee, and $500,000 disease policy limit.

In case any work is subcontracted, the Contractor will require the Subcontractor to provide Workers' Compensation and Employer's Liability to at least the same extent as required of the Contractor.

d. Professional Liability

The Contractor retained by the City to provide the work or service required by this Contract will maintain Professional Liability insurance covering acts, errors, mistakes and omissions arising out of the work or services performed by the Contractor, or any person employed by the Contractor, with a limit of not less than $1,000,000 each claim.

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45. **Certificates of Insurance:** Prior to commencing work or services under this Contract, Contractor shall furnish the City with Certificates of Insurance, or formal endorsements as required by the Contract, issued by Contractor's insurer(s), as evidence that policies providing the required coverages, conditions and limits required by this Contract are in full force and effect.

    In the event any insurance policy(ies) required by this contract is(are) written on a Aclaims made" basis, coverage shall extend for two years past completion and acceptance of the Contractor's work or services and as evidenced by annual Certificates of Insurance.

    If a policy does expire during the life of the Contract, a renewal certificate must be sent to the City fifteen (15) days prior to the expiration date.

    All Certificates of Insurance shall be identified with bid serial number and title. A $25.00 administrative fee will be assessed for all certificates received without the appropriate bid serial number and title.

46. **Cancellation and Expiration Notice:** Insurance required herein shall not expire, be canceled, or materially changed without thirty (30) days prior written notice to the City.

47. **Independent Contractor:**

    a. General

       i. The Contractor acknowledges that all services provided under this Agreement are being provided by him as an independent contractor, not as an employee or agent of the City Manager or the City of Peoria.

       ii. Both parties agree that this Agreement is nonexclusive and that Contractor is not prohibited from entering into other contracts nor prohibited from practicing his profession elsewhere.

    b. Liability

       i. The City of Peoria shall not be liable for any acts of Contractor outside the scope of authority granted under this Agreement or as the result of Contractor's acts, errors, misconduct, negligence, omissions and intentional acts.

       ii. To the fullest extent permitted by law, the Contractor shall defend, indemnify and hold harmless the City, its agents, representatives, officers, directors, officials and employees from and against all claims, damages, losses and expenses (including but not limited to attorney fees, court costs, and the cost of appellate proceedings), relating to, arising out of, or alleged to have resulted from the acts, errors, mistakes, omissions, work or services of the Contractor, its employees, agents, or any tier of subcontractors in the performance of this Contract. Contractor's duty to defend, hold harmless and indemnify the City, its agents, representatives, officers, directors, officials and employees shall arise in connection with any claim, damage, loss or expense that is attributable to bodily injury, sickness, disease, death, or injury to, impairment, or destruction of property including loss of use resulting therefrom, caused by any acts, errors, mistakes, omissions, work or services in the performance of this Contract including any employee of the Contractor or any tier of subcontractor or any other person for whose acts, errors, mistakes, omissions, work or services the Contractor may be legally liable.

          The amount and type of insurance coverage requirements set forth herein will in no way be construed as limiting the scope of the indemnity in this paragraph.

    c. Other Benefits

       The Contractor is an independent contractor, therefore, the City Manager will not provide the Contractor with health insurance, life insurance, workmen's compensation, sick leave, vacation leave, or any other fringe benefits. Further, Contractor acknowledges that he is exempt from coverage of the Comprehensive Benefit and Retirement Act (COBRA). Any such fringe benefits shall be the sole responsibility of Contractor.

48. **Key Personnel:** It is essential that the Contractor provide adequate experienced personnel, capable of and devoted to the successful accomplishment of work to be performed under this contract. The Contractor must agree to assign specific individuals to the key positions.

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a. The Contractor agrees that, once assigned to work under this contract, key personnel shall not be removed or replaced without written notice to the City.

b. If key personnel are not available for work under this contract for a continuous period exceeding 30 calendar days, or are expected to devote substantially less effort to the work than initially anticipated, the Contractor shall immediately notify the City, and shall, subject to the concurrence of the City, replace such personnel with personnel of substantially equal ability and qualifications.

49. **Confidential Information:**

a. If a person believes that a bid, proposal, offer, specification, or protest contains information that should be withheld, a statement advising the Materials Supervisor of this fact shall accompany the submission and the information shall be identified.

b. The information identified by the person as confidential shall not be disclosed until the Materials Supervisor makes a written determination.

c. The Materials Supervisor shall review the statement and information and shall determine in writing whether the information shall be withheld.

d. If the Materials Supervisor determines to disclose the information, the Materials Supervisor shall inform the bidder in writing of such determination.

50. **Confidentiality of Records:** The contractor shall establish and maintain procedures and controls that are acceptable to the City for the purpose of assuring that information contained in its records or obtained from the City or from others in carrying out its functions under the contract shall not be used or disclosed by it, its agents, officers, or employees, except as required to efficiently perform duties under the contract. Persons requesting such information should be referred to the City. Contractor also agrees that any information pertaining to individual persons shall not be divulged other than to employees or officers of contractor as needed for the performance of duties under the contract.

51. **Identity Theft Prevention**: The Contractor shall establish and maintain Identity Theft policies, procedures and controls for the purpose of assuring that "personal identifying information," as defined by A.R.S. § 13-2001(10), as amended, contained in its records or obtained from the City or from others in carrying out its responsibilities under the Contract, is protected at all times and shall not be used by or disclosed to unauthorized persons. Persons requesting such information should be referred to the City. Contractor also agrees that any "personal identifying information" shall not be disclosed other than to employees or officers of Contractor as needed for the performance of duties under the Contract. Contractor agrees to maintain reasonable policies and procedures designed to detect, prevent and mitigate the risk of identity theft. Contractor is required under this contract to review the City of Peoria's Identity Theft Program and to report to the Program Administrator any Red Flags as defined within that program. At a minimum, the contractor will have the following Identity Theft procedures in place:

a. Solicit and retain only the "personal identifying information" minimally necessary for business purposes related to performance of the Contract.

b. Ensure that any website used in the performance of the contract is secure. If a website that is not secure is to be used, the City shall be notified in advance before any information is posted. The City reserves to right to restrict the use of any non-secure websites under this contract.

c. Ensure complete and secure destruction of any and all paper documents and computer files at the end of the contracts retention requirements.

d. Ensure that office computers are password protected and that computer screens lock after a set period of time.

e. Ensure that offices and workspaces containing customer information are secure.

f. Ensure that computer virus protection is up to date

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52. **Ordering Process:** Upon award of a contract by the City of Peoria, Materials Management Division may procure the specific material and/or service awarded by the issuance of a purchase order to the appropriate contractor. The award of a contract shall be in accordance with the City of Peoria Procurement Code and all transactions and procedures required by the Code for public bidding have been complied with. A purchase order for the awarded material and/or service that cites the correct contract number is the only document required for the department to order and the contractor to delivery the material and/or service.

    Any attempt to represent any material and/or service not specifically awarded as being under contract with the City of Peoria is a violation of the contract and the City of Peoria Procurement Code. Any such action is subject to the legal and contractual remedies available to the City inclusive of, but not limited to, contract cancellation, suspension and/or debarment of the contractor.

53. **Billing:** All billing notices to the City shall identify the specific item(s) being billed and the purchase order number. Items are to be identified by the name, model number, and/or serial number most applicable. Any purchase/delivery order issued by the requesting agency shall refer to the contract number resulting from this solicitation.

54. **Licenses:** Contractor shall maintain in current status all Federal, State and Local licenses and permits required for the operation of the business conducted by the Contractor.

55. **Cancellation:** The City reserves the right to cancel the whole or any part of this contract due to failure by the contractor to carry out any obligation, term or condition of the contract. The City will issue written notice to the contractor for acting or failing to act as in any of the following:

    a. The contractor provides material that does not meet the specifications of the contract;

    b. The contractor fails to adequately perform the services set forth in the specifications of the contract;

    c. The contractor fails to complete the work required or to furnish the materials required within the time stipulated in the contract;

    d. The contractor fails to make progress in the performance of the contract and/or gives the City reason to believe that the contractor will not or cannot perform to the requirements of the contract.

    Upon receipt of the written notice of concern, the contractor shall have ten (10) days to provide a satisfactory response to the City. Failure on the part of the contractor to adequately address all issues of concern may result in the City resorting to any single or combination of the following remedies:

    a. Cancel any contract;

    b. Reserve all rights or claims to damage for breach of any covenants of the contract;

    c. Perform any test or analysis on materials for compliance with the specifications of the contract. If the results of any test or analysis find a material non-compliant with the specifications, the actual expense of testing shall be borne by the contractor;

    d. In case of default, the City reserves the right to purchase materials, or to complete the required work in accordance with the City Procurement Code. The City may recover any actual excess costs from the contractor by:

        i. Deduction from an unpaid balance;

        ii. Any combination of the above or any other remedies as provided by law.

56. **Project Travel Reimbursable Expenses:** If travel expenses are allowed as part of the contract the reimbursable expenses will be as follows. All expenses will be billed to the City at cost without markup. Copies of bills for expenses are to be submitted with the invoice. Travel time to and from job site is excluded from this contract. There will be no allowances for parking or personal car mileage. No incidentals for travel of any kind are allowed under this contract.

    The following is a list of allowable travel expenses under this contract agreement:

    a. Transportation:

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i. Air Transportation – coach class fares, minimum 14 days advanced purchase, unless otherwise agreed upon.

ii. Car Rental – mid size car, gas for rental car (City assumes no liability regarding additional insurance costs).

b. Lodging and Meals:

i. Meals – three meals per day, at the current federal per diem rate for Maricopa County.

ii. Lodging – not to exceed the current federal rate for Maricopa County. Vendors are encouraged to stay in hotels located within the City of Peoria when practical. A listing of accomodations within Peoria can be found on the following website: http://visitpeoriaaz.com/accommodations.php

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INTRODUCTION

The City of Peoria (City) has issued this Request for Proposals (RFP) for Banking Services to establish a five-year contract with the option to renew for three additional, one-year periods as provided for within the Special Terms and Conditions section of this solicitation. The City may award multiple contracts for these services to the most qualified and experienced financial institutions. Price adjustments during the term of any contract resulting from this solicitation will be considered as outlined in the Special Terms and Conditions (Price Adjustment). Contract extensions will be executed as outlined in the Special Terms and Conditions (Contract Extension) when the contractor has provided high quality service and demonstrated cost containment efforts.

The City of Peoria is a growing municipality with an estimated population of 161,000 and an annual budget of $455 million, including approximately $204 million for program operations; $139 million for capital improvement projects; $57 million for debt service requirements; and an additional $54 million in reserves for various contingency requirements. The City utilizes a wide array of banking services and requires one or more financial institutions to provide these services on a timely basis. The following is a list of banking services that may be required by the City:

General Banking Services:

a) Account Services
b) Vault Services to include Acceptance of Armored Car Delivered Deposits
c) Depository Services
d) Controlled Disbursement (Zero-Balance) Account Services
e) Reconciliation Services
f) Funds Transfer Services
g) Electronic Payments (Automated Clearing House)
h) Internet Banking for Wires, Funds Transfers, Balance Reporting and Other Functions
i) Daylight Overdrafts
j) Positive Pay Check Fraud Services
k) Check Imaging Services and Check 21 Services
l) Web-based Services and Information
m) Investment Settlement, Custody, and Safekeeping Services

Other Banking Services:

n) Retail Lockbox Services
o) Merchant Credit Card Services
p) Bond Registrar/Transfer Agent/Paying Agent/Trustee Services
q) Other Proposed Services

Financial institutions must include the following information in their response to this proposal. All responses shall be presented in the same order as the numbered sections of the Questionnaire. Financial institutions may elect to respond to only those sections corresponding to the services they provide. "Non-compliance" or "no answer" items should be labeled as NO BID.

a) For each numbered section of the attached **Questionnaire,** Proposers must (1) acknowledge that their financial institution is able to provide the service outlined, (2) briefly describe how the City's service requirements will be met, (3) identify all third party contractors (subcontractors) that will be utilized to provide the service, and (4) provide a numbered response, including "NO BID" entries, to all specific questions outlined in the Questionnaire. All responses must be clearly labeled as "Response to Questionnaire" and must be identified by appropriate section and question number within the proposal.
b) Banking Services Fee Schedule (Attachment A)
c) Sample copies of all agreements (including third party agreements) required to provide services
d) List of current government or municipal client references
e) Annual Report for most current fiscal year
f) Sample monthly analysis statement (or equivalent monthly report)
g) Earnings credit rate for prior 12 month period (ending June 30, 2010)
h) Money Market Fund Prospectus
i) Proof of license and a participant in the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF) for general banking and trustee services.
j) Must currently meet, and maintain throughout the term of the contract, FDIC capital adequacy requirements for general banking and trustee services. The contract may be immediately terminable upon notification to the City of a failure to meet FDIC or NCUSIF capital adequacy requirements.

The City also encourages financial institutions submitting proposals to include information and attachments for any other banking service that would assist the City in its evaluation of proposal responses. Specific guidelines on RFP submittal procedures are outlined in the Special Terms and Conditions.

TECHNICAL SPECIFICATIONS

1. Account Structure and General Information

The City of Peoria (City) uses a Concentration Account, Controlled Disbursement, and Zero-Balance Account (ZBA) structure for its main bank accounts. All of the City's cash receipts are deposited to the General Account (Concentration Account). The City's Concentration Account averages $7 million monthly in cash deposits and $1.5 million monthly in credit card transactions, excluding ACH (Automated Clearing House) items, incoming wires, and other special transactions. Deposits are made daily primarily by armored car or through the servicing bank's lockbox facility; to a lesser extent, deposits are made by City personnel and/or through a night depository. Because personnel are required to make deposits periodically, the City requires the servicing bank to maintain a local branch within the City of Peoria for the general banking services portion of this proposal.

The City maintains one (1) controlled disbursement account for Accounts Payable; two (2) zero balance accounts for Payroll and Workmen's Compensation; and one (1) general checking account for Flex

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Spending. Amounts sufficient to cover daily clearings in the controlled disbursement and zero balance accounts are automatically transferred each day from the Concentration Account by the City's servicing bank. Monies are transferred each payroll period for the Flex Spending account. All funds not required to cover daily clearings and/or transfers must be swept overnight by the servicing bank into a *Money Market Fund* which is SEC registered and approved by the City. *Financial Institutions must include a prospectus of the money market fund to be used in their response to this proposal.*

<u>Fees and Charges for Service:</u> The City intends to pay for all banking services on a fee basis and not through compensating balances.

<u>Account Executive</u>: The City requires the servicing bank to assign an account executive to administer the City's overall banking relationship and ensure the successful delivery of services as outlined in the banking services contract. An account executive must be assigned to the City at all times during the term of the contract. The servicing bank must provide the City with written notice in the event there is a change in staff assignment for this position. The assigned account executive must provide the City with a list of designated staff contacts for key areas of responsibility within the bank and notify the City immediately of any change in staff assignments.

<u>Availability of Funds Deposited:</u> The City requires same day availability of cash, wire transfers, ACH credits, items drawn on servicing bank, and investment settlements, maturities, and coupon payments. Funds for items drawn on local banks must be available to the City the next day. All other items must be available to the City, at a minimum, as per the Federal Reserve availability schedule.

<u>Delay of Funds:</u> If the servicing bank delays funds to the City beyond the availability schedule outlined above, or due to an error on the part of the servicing bank, the bank shall pay interest to the City at the current Federal Funds rate.

<u>Overdrafts:</u> The City requires a one (1) day grace period to remedy any account overdrafts. All charges associated with overdraft protection must be specified where indicated on the Bank Services Fee Schedule.

<u>Returned Checks:</u> All returned checks are to be immediately redeposited once before being returned to the City for collection. The City currently utilizes a process where a returned check is converted into an ACH item to be redeposited a second time. The City requires that insufficient funds notices and return checks be mailed to the City.

<u>Debit and Credit Advices:</u> The City requires debit and credit advices for all activity on all accounts. Advices must be delivered to the City electronically or by fax within twenty-four (24) hours, or via mail within three (3) days.

<u>Notification:</u> Any change in the financial institution's ratings, reassignment of key banking personnel, and all business acquisitions or mergers occurring during the contract period must be reported immediately to the City of Peoria in the form of a written notice addressed to the Finance Director, City of Peoria, 8401 W. Monroe Street, Peoria, AZ, 85345.

2. Zero Balance/Controlled Disbursement Account Information and ACH Capabilities

Payroll Account: The City has a bi-weekly payroll. Currently, there are approximately 1,100 part-time, full-time, and seasonal employees on the City's payroll at various times throughout the year. Approximately 90% of employees are paid through the ACH (Automated Clearing House) system and the remaining employees are paid by check. The Payroll Account, a zero balance account, clears an average of 400 checks monthly. On a bi-weekly basis, the City's direct deposit amount is approximately $1.8 million, with a total bi-weekly payroll of approximately $2.0 million.

Accounts Payable Account: The City of Peoria issues vendor payments weekly utilizing Peoplesoft Financial software. Vendors are paid by check, ACH (Automated Clearing House) or wire transfer. An average of 1,000 checks clear through the City's Accounts Payable Controlled Disbursement Account monthly. The City processes an average of $13.0 million in vendor payments on a monthly basis.

Workmen's Compensation Account: The City is self- insured and utilizes a third party to administer their claims. An average of 20 checks clear through the City's Workmen's Compensation Account monthly. The third party provider processes an average of $14,000 in claim payments on a monthly basis.

Flex Spending Account: The City utilizes a third party to administer the flex spending account for its employees. An average of 20 checks and 50 electronic funds transfers (EFT's) clear through the City's Flex Spending Account monthly. The third party provider processes an average of $45,000 in payments on a monthly basis.

ACH Direct Debit/Credit Payments: The City currently utilizes ACH (Automated Clearing House) debit and credit transactions for customer, employee and vendor payments. An average of 7,000 ACH debits and 1,000 credits are generated monthly and transmitted to the servicing bank for processing. The number of ACH transactions is likely to increase as the City expands its electronic payment options.

3. City of Peoria, Housing Department Accounts

The City of Peoria uses segregated checking and savings accounts to ensure a market rate of return and to manage its housing funds in compliance with U.S. Department of Housing and Urban Development (HUD) guidelines. Securities pledged as collateral for monies held in the City's housing accounts must be held by a third party safekeeping institution and maintained in a separate pledge account in the name of the City of Peoria, Housing Department. A HUD General Depository Agreement (Form HUD-51999) must be completed between the City of Peoria and the servicing bank. All securities pledged for monies held in the City's housing accounts must comply with HUD Regulations. See Section - Collateral Requirements for additional information.

Currently, there are two (2) interest bearing savings accounts. Average monthly cash balances for the two savings accounts combined is $400,000. Currently, housing deposits are made directly into the City's Concentration Account and then transferred monthly to the appropriate account.

4. Savings Accounts

The City currently has two (2) savings accounts which are utilized for special funds that must be maintained in segregated, interest bearing accounts. The current total combined balance for the City's two savings accounts is $150,000.

5. Monthly Analysis Reporting and Service Charge

The servicing bank's monthly statement shall provide, at a minimum, the following information on each account and on a total account basis: average daily ledger balances, average daily collected balances, daily average float, FDIC rate, earnings allowance, and detail transaction volumes and prices. **Financial Institutions must include a sample monthly analysis with their response to this proposal to be considered for general banking services.**

The City intends to pay for analysis service charges through hard dollars and not through compensating balances. The City will pay service charges through a hard dollar debit to the City's account. The servicing bank shall debit the City's Concentration Account within ten (10) days after the City's receipt of the monthly statement, unless the City notifies the servicing bank of a discrepancy or error on the statement.

6. Collateral Requirements

The City of Peoria, in accordance with Arizona Revised Statutes, Chapter 35, requires that its servicing bank or financial institution maintain collateral to cover all anticipated overnight balances, in time and demand deposits, above the current Federal Depository Insurance Corporation (FDIC) insured limit. The collateral for these deposits must be held in an independent third party safekeeping institution (independent of the bank or the holding company) and marked to market at least once a month. The City requires that a minimum margin of 102% be maintained at all times. If mortgage-backed securities are pledged as collateral, the City requires that a minimum margin of 105% be maintained. It is the responsibility of the servicing bank to monitor and maintain the margin balance. Collateral must be in the form of "approved securities" as outlined in Arizona Revised Statutes, Chapter 35. In the event collateralized mortgage obligations (CMO's) are pledged as collateral, they must pass the standardized bank test. All securities pledged are subject to approval by the City of Peoria. Substitution rights will be given to the servicing bank with prior approval by the City, of which said rights shall not be unnecessarily withheld. New collateral must be received before the then current collateral is released.

A tri-party agreement between the financial institution selected for contract award, the City of Peoria, and the third party safekeeping bank must be executed as part of the City's overall banking services contract. The agreement shall indicate that the third party safekeeping bank provide the City of Peoria with original, third party safekeeping receipts which detail clearly that the security is pledged to the City of Peoria; type, description, and cusip number of security pledged; par value; market value; and maturity date. The City of Peoria requires that the third party custodian bank independently price the securities pledged and provide the City with a monthly pledge report for all City accounts and a separate monthly pledge report for the City of Peoria, Housing Department accounts. All safekeeping reports shall be sent directly from the third party custodian bank to the City of Peoria.

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Phone: (623) 773-7115
Fax: (623) 773-7118

As stated in **Section 3** above, the City requires that all collateral for the City's Housing accounts be pledged and held separately in the name of the City of Peoria, Housing Department as required by U.S. Department of Housing and Urban Development (HUD) guidelines. All securities pledged for the City of Peoria, Housing Department accounts must comply with HUD Regulations, and a HUD General Depository Agreement must be executed between the servicing bank and the City of Peoria. A copy of the HUD General Depository Agreement is included as Attachment B.

7. Armored Car Services

The City separately contracts for armored car services. The City currently has a contract with Dunbar Armored, Inc. to pick up deposits at various locations within the City and deliver them to the servicing bank's designated vault.

8. Investment Settlement, Custody, and Safekeeping Services

The City of Peoria currently utilizes external investment management services to provide professional oversight for its investment portfolio. The external investment management firm works directly with the City's Treasury Division to manage cash flows and invest the City's funds. The external investment manager initiates investment transactions through a list of authorized brokers and then faxes the trade tickets to the City of Peoria Treasury Division for review and approval. Upon approval by authorized personnel at the City of Peoria, the signed trade tickets are faxed to the servicing bank's settlement area. The servicing bank settles the City's investment transactions on a "delivery vs. payment" basis for all investment accounts only after the trade tickets, with authorized signature from the City of Peoria, are received. The servicing bank will be required to provide safekeeping services for all investments held in the City's name. All investment transactions must comply with the City of Peoria Investment Policy. A copy of the City's Investment Policy and Procedures is included as Attachment C.

The City's current investment portfolio consists of a main custodial account and several segregated, custodial accounts for the investment of bond proceeds. The main custodial account is valued at approximately $250 million, with $60 million in the various custodial bond accounts, for a total investment portfolio of $310 million. An average of 5 investment transactions, excluding coupon payments and maturities, are settled on a monthly basis for all of the investment accounts combined. An average of 60 securities, mainly Agency and/or Treasury securities, are held in the City's investment portfolio on a monthly basis.

Failure to credit the City's account on a same day basis will require interest to be paid to the City at that day's Fed Funds rate. The City requires same day credit on all coupons and maturity payments. The City will not be required to maintain any balances in the bank or place investments through the bank's brokerage service.

9. Positive Pay Check Fraud Services

In an effort to minimize fraud, the City requires positive pay check services or reverse positive pay check services for all of its bank accounts with checks issued.

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10. Check 21 Capabilities

The City is currently implementing Check 21 scanning capabilities in the cashiering section of our Customer Service area. Customer checks are scanned and the images are electronically transmitted to the bank daily for processing.

11. CD Imaging of Checks and Deposit Items

The City of Peoria requires the optical imaging of its checks, both front and back, for all accounts, along with optical imaging of deposit items. The servicing bank currently provides a CD of check images to the City after month end. The servicing bank provides the software required for the City to retrieve and/or print the check images from CD's provided to the City each month.

12. Online Banking Capabilities

The City of Peoria requires the ability to obtain daily balance and transaction information, both detail and summary, for all of its accounts electronically via the Internet, as well as the ability to place stop payments, initiate wire transfers and make transfers between City accounts.

13. Automated Bank Reconciliation Process

The City currently downloads data from the servicing bank's internet website in an Excel or compatible file format to be used with the City's Peoplesoft Financial Software Reconciliation module. This process automates the reconciliation process for the City's concentration, controlled disbursement and 3 zero balance accounts.

14. Automated Payment Processing (Retail Lockbox)

The City requires lockbox service and uses a scannable remittance advice for all utility payments. Currently, the City pays for its own unique post office box at the Peoria Post Office from which the bank retrieves mail daily. The City requires daily processing and depositing, and requires payment information from the processing center by next day open of business. Documentation, daily activity reports, and supporting information must be available by 9 a.m. the following morning.

The Customer Service Division would like to have processed payment information available electronically by midnight of each day from the servicing bank, so that an automated process could be implemented to receive the lockbox file and have the City's system automatically post payments prior to 7:00 a.m. of each work day.

15. Merchant Credit Card Services

The City currently has several locations that require the ability to electronically accept VISA, MasterCard, American Express, and Novus/Discover credit card payments and debit card payments. The City requires daily automated credit card settlement into the City's Concentration Account.

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16. Bond Registrar/Transfer Agent/Paying Agent/Trustee Services

The City requires bond registrar, transfer agent, paying agent, and trustee services for any bonds issued by the City or its agencies, during the contract term and any extension, through the final maturity date of such bonds. The City might also require these services for existing bonds that are transferred from other financial institutions.

The City of Peoria generally issues bonds as required, with each bond issuance averaging $30 – $50 million in size. All payments to the Trustee/Paying Agent/Transfer Agent should be due on the actual due date and not one day prior.

17. Other Enhancements

The City would like to develop other banking options to enhance its customer service capabilities and improve overall cash management efficiencies. Offerors are encouraged to submit information and pricing for other services that would benefit the City.

Proposal Questionnaire

This questionnaire will be used to determine whether your financial institution meets the mandatory and desired functionality and level of expertise required to perform the required services. With this purpose in mind, Offerors are to completely answer each of the following questions and provide relevant documentation. The Scope of Services have been broken out into 4 categories. You may bid on any one or all of the services. If your firm does not wish to be considered for a specific service, please label the item as "NO BID."

GENERAL BANKING

1. General Banking

a. What is your financial institution's time schedule for mailing insufficient funds notices and return items to customers?

b. Does your financial institution intend to discontinue offering any of the services identified in this Request for Proposal during the specified term of the contract? If yes, fully describe the circumstances including the anticipated date for elimination. What options will then be available to provide for this service?

c. Does your financial institution have current plans to add or remove branches within the City of Peoria during the specified term of the contract? If so, which branches are involved and where would new branches be located? What level of service would be available?

d. Has your financial institution entered into an agreement to merge with another financial institution or other business entity? If yes, please provide planned dates of merger, identify counterparties involved, and indicate which entity will be merged or absorbed. What effect will this merger have on the level of services provided to the City of Peoria? Will there be any change in location for services provided? Where will the headquarters be located?

e. What is your institution's basis for charging for cash deposited?

f. Does your financial institution provide other payment capabilities besides those listed in this proposal? If so, please describe the processes and all costs associated with this service.

g. Please describe the controls your institution has in place to protect data integrity and to ensure that data is not lost or duplicated, i.e., audit and control procedures.

h. How often in the last 12 months has the bank's wire transfer system had unscheduled downtime for a total of more than 30 minutes in a single day? What are the most common causes of unscheduled downtime?

i. Please describe how your institution measures and evaluates quality of service. Describe how your institution intends to provide consistent high quality service to the City and what measures will be taken if service levels fall below acceptable levels.

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j. Please describe how inquiries requiring research and adjustments are handled by your institution. Are there established turn around times for research and adjustment items? If so, please explain.

k. Does your institution have a formal disaster recovery plan in place in the event of a systems failure or other disaster at the bank's primary processing site? If so, please describe the plan and indicate when it was last updated and tested? Have disaster recovery procedures ever been implemented for a real disaster? Does your institution compensate in the event of loss?

2. **Zero Balance/Controlled Disbursement Account Information and ACH Capabilities**

a. What is your institution's availability of presentment policy for customer checks?

b. Please describe your institution's methods for processing ACH transactions and identify the deadlines for processing these transactions. What media types and transmission methods are available? Are one and two day file effective date capabilities available?

c. What is the process for ACH stop payments and/or corrections once the ACH file has been sent to your institution?

d. Does your institution have a backup plan in place in order for the City to meet ACH file transmission deadlines in the event of a system problem or failure? Has the backup plan been tested and used?

3. **City of Peoria, Housing Department Accounts**

a. What will the interest rate for these accounts be based on? Can these funds be swept into a money market fund?

4. **Savings Accounts**

a. What will the interest rate for these accounts be based on? Can these funds be swept into a money market fund?

5. **Monthly Analysis Reporting and Service Charge**

a. When are your institution's account analysis statements available?

b. Is any interest-bearing account interest charged against the account analysis?

6. **Collateral Requirements**

a. Who serves as your institution's third party custodian?

b. What is the process to release or substitute securities pledged?

c. Are the required monthly pledge reports available to the City electronically? If so, please provide a brief description of the process and all costs associated with this service.

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7. Armored Car Services

a. Does your designated vault have specific requirements for deposits delivered by a third party? If so, what are those requirements?

8. Investment Settlement, Custody, and Safekeeping Services

a. Please describe your institution's trade settlement process, including trade settlement deadlines (in Arizona Time) and the procedures in place to ensure compliance with the City's Investment Policies and Procedures.

b. Would one designated contact person be assigned to handle the City's investment activity and all concerns, inquiries, and settlement issues? If so, please indicate the name, phone number, and availability of that person and a back up point of contact.

c. If no designated contact person would be assigned to handle the City's investment activity, how will concerns, inquiries, and settlement issues be handled by your institution?

d. What are your institution's provisions for sweeping of accounts overnight into an authorized Money Market Fund which is SEC registered? As the City must approve the Money Market Fund to be used, please include a money market fund prospectus.

9. Positive Pay Check Fraud Services

a. Does your institution provide check fraud prevention options such as Positive Pay? If so, describe the process and capabilities including information transfer and deadline requirements. Describe how the information will be transferred, applied, maintained, and reported.

b. Does your institution provide the ability to match check number, check amount, and payee name in the Positive Pay system?

c. How will mismatches or exceptions to positive pay files be communicated?

d. How are "on-demand" checks processed?

e. Please explain the City's liability if a fraudulent item is processed despite preventative positive pay services.

10. CD Imaging of Checks and Deposit Items

a. Please describe the optical imaging process, including detailed information on imaging checks, and the frequency and availability of the data to the City of Peoria.

b. When is the CD of imaged items available to the City after month end?

c. What software is required in order to view the CD images or is this service provided via the internet? What search capabilities are available for viewing imaged items?

d. Does your institution have a warehousing capability to store the City's cancelled checks? If so, please describe the process including document availability and retention rates.

e. Does your institution provide electronic imaging of deposit items? If so, describe the process, and the frequency and availability of the data to the City of Peoria as well as all costs associated with this service.

11. Online Banking Capabilities

a. Describe your financial institution's electronic reporting capabilities. Is this provided through the Internet? Describe its capabilities, system requirements, and provide sample reports.

b. When is the information available to the City? Is one and two day float information available?

c. Describe all services and information types available on-line such as stop payments and initiating wire transfers. Include all limitations, security provisions, and downtime information.

d. Does your institution provide a USB token device or Password Generating Token that can be utilized with the on-line banking system to provide user authentication?

12. Automated Bank Reconciliation Process

a. Does your institution provide a method of automated reconciliation? If so, please describe the process and all system requirements, including file format and file conversion requirements.

13. Other Enhancements

a. Describe any other enhancements or additional services, technological or otherwise, that the City should consider to improve operational or cash management efficiencies.

LOCKBOX

1. Automated Payment Processing (Retail Lockbox)

a. Describe and detail your lockbox capability including location of facilities, quality controls, and bank experience. Discuss mail, lockbox, and check processing as well as data transmission. Where are the facilities located? Do you have a unique bank post office box and where is it located? Is your facility's post office box included in the first sorting pass? How often is the post office box emptied? Is mail processed on all shifts? What are the hours of operation for the processing facility? How many deposits are made daily? Is this facility separate from the bank, and is so, can they deposit directly? Does it include 1 and 2 day float? How long is archived information available?

b. **Attached is the City's current remittance document (Attachment D)** Can your facility's equipment handle this document in its current form? If not, what changes are necessary? What changes do you suggest for efficiency? How are remittance documents returned to the City?

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c. How would your institution provide processed payment information and in what format? When would the information be available to the City of Peoria? Attach samples.

d. Can your institution accommodate the City's desire to receive the processed payment file by midnight of each workday so that an automated posting process could be implemented at the City?

e. Is there a dual control on cash received in customer envelopes?

f. Does your facility allow for the receipt and processing of electronic files from third party vendors such as CheckFree?

g. In case of system failures, what backup arrangements do you have in place for the lockbox operation?

h. Please describe how your institution measures and evaluates quality of service. Describe how your institution intends to provide consistent high quality service to the City and what measures will be taken if service levels fall below acceptable levels.

i. When would detailed activity reports, supporting documentation and deposit information be available to the City and how would the information be provided? Include sample copies of all reports with your response. Can this information be retrieved or transmitted electronically? If so, please describe the process and all costs associated with this service.

j. Please describe how exception items, including customer correspondence, are handled in your lockbox process.

k. Would one designated contact person be assigned to handle the City's lockbox account and all concerns, inquiries, and research requests? If so, please indicate the name, phone number, and availability of that person and a backup point of contact.

l. If no designated contact person would be assigned to the City's lockbox account, how would disputes, research requests, and corrections be handled by your institution?

m. Does your institution's lockbox operation provide for the optical imaging of remittance advices and activity reports? If so, please provide a description of the process and all costs associated with this service.

n. Does your institution have a warehousing capability to store the City's remittance advices and activity reports? And if so, please describe the process including document availability, retention rates, and all costs associated with this service.

o. What is the maximum allowable error rate for operators in your institution's lockbox operation?

p. For how many customers do you currently provide lockbox services? Have you lost any lockbox accounts in the past twelve (12) months, and if so, please explain. Please provide three (3) comparable lockbox account references.

MERCHANT CREDIT CARD SERVICES

1. **Merchant Credit Card Services**

   a. Does your institution allow for settlement discounts with the additional requirement of the CVN number or billing zip code being provided with customer credit card transactions?

   b. Please describe your institution's automated settlement process.

   c. Does your institution accept debit card payments as part of its merchant credit card services?

   d. Would one designated contact person be assigned to handle the City's merchant credit card services and all concerns, inquiries, and research requests? If so, please indicate the name, phone number, and availability of that person and a back up point of contact.

   e. How are customer declines, vendor disputes, and research inquiries handled by your institution?

   f. Does your institution's merchant services processing area have the ability to accept transactions from all financial institutions such as credit unions and savings and loan organizations? If no, please describe any limitations.

   g. Does your institution provide online inquiry/reporting capabilities? If so, please provide a brief description of the process and all costs associated with this service.

   h. Does your institution have a formal disaster recovery plan in place in the event of a systems failure or other disaster? If so, please describe the plan and indicate when it was last updated and tested? Have disaster recovery procedures ever been implemented for a real disaster? Does your institution compensate in the event of loss?

TRUSTEE SERVICES

1. **Bond Registrar/Transfer Agent/Paying Agent/Trustee Services**

   a. Does your institution provide online inquiry/reporting capabilities? If so, please provide a brief description of the process and all costs associated with this service.

ORIGINAL

Response to Request for Proposal:

City of Peoria, Arizona
Request for Proposal No: P11-0015; Banking Services

October 20, 2010
David W. Jackman
Vice President
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Toll-Free: 888-653-5932
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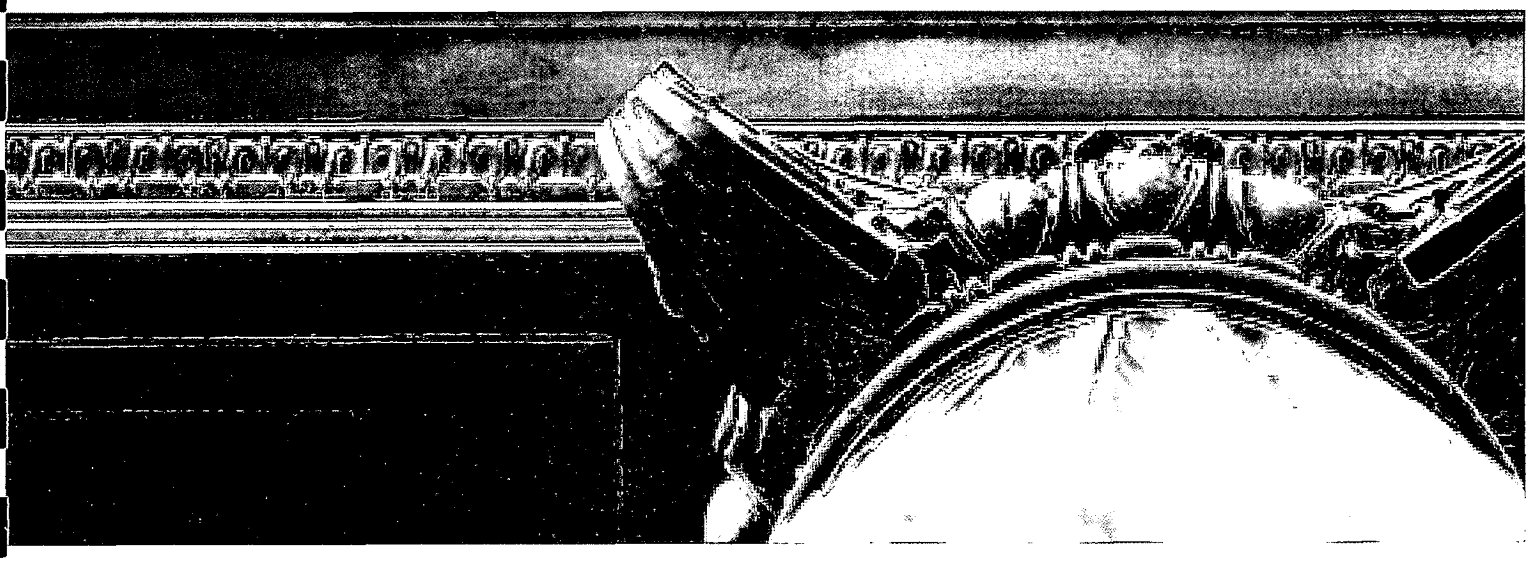

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Global Finance
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BNY MELLON
CORPORATE TRUST

October 20, 2010

Jennifer Miller
Materials Management
City of Peoria
9875 N. 85th Avenue, 2nd Floor
Peoria, AZ 85345
kkasaine@oaklandnet.com

RE: City of Peoria, Arizona – Response to Request for Proposal No. P11-0015 - Banking Services

Dear Jennifer:

On behalf of The Bank of New York Mellon Trust Company, N. A. ("BNY Mellon") we greatly appreciate the opportunity to present our proposal to provide Trustee/Bond Registrar/Paying Agent and Custodian services referencing your Request For Proposal No. P11-0015. Attached is our response and fee schedule, but please read on to discover more about the differences that BNY Mellon offers.

Inherent in the process of identifying the financing team to bring important debt financings to market is selecting a partner who can assist the issuer in the on-going administrative process throughout the life of each engagement and is committed, professional and experienced. No other institution can demonstrate their commitment to providing trustee services to the public finance marketplace better than BNY Mellon. Through our enhanced systems and experienced professionals dedicated to serving the needs of the municipal finance market, we provide our clientele industry leading services for today and the future.

The Bank of New York Mellon Company, Inc. is one of the largest bank holding companies in the US, and has been ranked the number one overall municipal debt trustee in terms of new debt issuance for five consecutive years, and is one of the leading Corporate Trust banks with over $13.0 trillion in outstanding debt.

A Difference through Our People and Service
The City will be serviced locally by our public finance professionals from our Tempe office, led by Mr. Gregory Cross. Greg's professional profile is included below, for your review.

Gregory G. Cross
Vice President
Tel: (602) 629-2861
gregory.cross@bnymellon.com

Gregory joined The Bank of New York Trust Company in October 2006 with the acquisition of the JP Morgan Institutional Trust Services. Previously, Gregory worked as a Unit Manager with the Bank of New York in St. Louis, MO from March 2003 to March 2004. Prior to that, he was an Account Executive with Bank One from October 1990 to March 2003. With over 20 years of experience serving municipal clients, Gregory is a skilled and knowledgeable corporate trust professional. His portfolio of clients includes City of Phoenix, City of Tucson, Maricopa County, Pima County, Pinal County, Arizona Health Facility Authority, America West Arena as well as various municipalities throughout the state of Arizona. Gregory received his Bachelor of Science in Business Management and Finance degree from Brigham Young University in 1984 and became a Certified Corporate Trust Specialist in 1990.

A Difference Through Our Level of Experience
As an experienced member of your financing team, we provide the qualifications you require to ensure that, with your other financing team members, you have assembled the finest professionals in their field, thereby making your financing both attractive and successful.

BNY MELLON
CORPORATE TRUST

The Bank of New York Mellon: At A Glance

- Over 225 years in operation, having endured more financial storms than any U.S. institution
- Highest rated holding company among U.S. financial institutions: Moody's Aa2 and S&P AA-
- For the fifth year in a row BNY Mellon was ranked the #1 Trustee and Paying Agent (including stimulus bonds) by Thomson Reuters.
- Single point of contact (Arizona based).

Attached you will find our response and fee schedule for this RFP, detailing related fees and expenses associated with our appointment. We appreciate the opportunity to submit this response, and look forward to answering any questions you may have as you review it. For additional information, please feel free to contact me at (888) 653-5932.

Very truly yours,
The Bank of New York Mellon Trust Company, N.A.

David W. Jackman
Vice President

Qualification & Experience

Founded in 1784 by Alexander Hamilton, The Bank of New York is one of the oldest banking institutions in the United States, having rendered uninterrupted service for over 225 years. The Bank of New York is one of the largest bank holding companies in the United States, with total assets in excess of $212 billion as of December 30, 2009. Today, the primary activities of the Bank are focused on the following business: securities processing, corporate banking, trusts and investments, and financial market services.

The Bank of New York Mellon Corporation ("the Corporation") offers corporate trust services through its wholly owned subsidiary, The Bank of New York Mellon Trust Company N.A. ("BNY Mellon"). On behalf of the Bank, I would like to thank you for this opportunity to provide a proposal to the City of Peoria (the "City") for Trustee, Paying Agent, Bond Registrar, Custody, Escrow and other services.

For debt issuers in general, The Bank of New York Mellon is the optimal choice. Our clients benefit from our enormous experience and expertise because we provide the industry's most comprehensive range of services, covering virtually every type of debt and asset class. We understand how a deal behaves from the minute it closes, right through to its final payment and we service the transaction throughout this life cycle, providing seamless administration, processing efficiencies and legal and regulatory compliance monitoring. Our technology is flexible and innovative and helps to enhance the unique value of each client's service solution.

The Bank of New York Mellon Corporation's debt ratings are among the highest of all major banks in the United States – number one by Moody's and number two by S&P. Please see below for our current debt ratings and key indicators of our financial strength.

Credit Ratings *(as of July 20, 2010)*	**S&P**	**Moody's**	**Fitch**	**DBRS**
The Bank of New York Mellon Corporation				
Long-term Senior Debt	AA-	Aa2	AA-	AA
Subordinated Debt	A+	Aa3	A+	A
Trust Preferred Securities	A-	A1	A	A
Short-term Deposits	A-1+	P1	F1+	R-1
The Bank of New York Mellon				
Long-term Deposits	AA	Aaa	AA	AA
Long-term Senior Debt	AA	Aaa	AA-	AA
Short-term Deposits	A-1+	P1	F1+	R-1
BNY Mellon N.A.				
Long-term Deposits	AA	Aaa	AA	AA
Long-term Senior Debt	AA	Aaa	AA-	AA
Short-term Deposits	A-1+	P1	F1+	R-1

In addition, more financial information is available at: **www.bnymellon.com/investorrelations/financialreports**

A Global Industry Leader

BNY Mellon is the world's leading provider of corporate trust and agency services. For five straight years Thomson Reuters has ranked BNY Mellon as the #1 Trustee and Paying Agent (including stimulus bond structures) domestically. Furthermore, BNY Mellon has been named the safest bank in the United States by *Global Finance* magazine in the publication's "World's 50 Safest Banks 2010" list. We currently administer more than 300,000 bond issues, representing over $13 trillion in outstanding principal for nearly 90,000 clients worldwide. BNY Mellon acquired over 30 corporate trust books of business between 1990 and 2006, including TD Banknorth and JP Morgan Chase, and invested more than $2.4 billion on securities processing, system upgrades and enhancements during the past three years. Our long term commitment to providing Corporate Trust services in unparalleled.

Strong Regional Execution

Despite our global presence, our Arizona issuers are serviced out of our Tempe, Arizona office. In addition, our professionals on the ground understand the local Arizona market place, as well as the legal and regulatory requirements around each debt issue. We bring strong partnerships with top-notch local and regional intermediaries, originators and lawyers who lend additional credentials, credibility and expertise to every transaction. Clients are always in good hands. *The City of Peoria is a current customer of BNY Mellon* and one that we consider of primary importance to the growing trust operations at BNY Mellon.

Market Leader in Municipal Debt

We have been ranked the number one overall Corporate Trust bank in terms of new municipal debt issuance for five consecutive years. From a municipal perspective, BNY Mellon is an industry leader as well with over 46,000 municipal accounts, which represent over $1.8 Trillion in outstanding debt. BNY Mellon serves as municipal bond registrar and paying agent, as well as manages construction escrows on a significant number of complex bond transactions, and has extensive experience in providing these services for large municipalities, like the City of Peoria. We have the systems, experienced staff members and transactional expertise to ensure that we consistently meet or exceed the expectations of our clients. With more than 400 employees in the municipal finance, we have the expertise to address all the issues that the City is likely to encounter.

Custody

The Bank of New York Mellon is the best choice to serve as custodian for the City of Peoria. We have consistently been recognized as one of the largest and most sophisticated providers of custody services worldwide. Over the past decade, we have increasingly concentrated our strategic focus in the broad array of security services for plan sponsors, investors and investment managers, and have backed this focus with multi-billion investments in our custody and securities servicing business. We continually expand, enhance and improve both our range of services and our client service delivery in an integrated, creative and forward thinking manner. The key competitive advantages of our proposal are highlighted below:

Partnership

Building upon our Existing Relationship. The Bank of New York Mellon has enjoyed a good relationship with City of Peoria. Our promise to work in partnership with the City is to continually develop and implement customized, state of the art and cost-effective solutions for the City's evolving needs – in information delivery and new technology. We will continue to share our industry expertise, to exchange ideas with other clients, as well as technical training, in order to keep abreast of industry developments. We will continue to focus our efforts, our experience, and the collective expertise of our organization to fully support City's operations, mission and strategic goals, today and for the future.

Dedicated Client Service

Accessibility, Attentiveness and Accountability. The Bank of New York Mellon builds strategic partnerships with clients that go beyond the traditional role of a custodian. We believe that a key element critical to quality is a dedicated client service team comprised of exceptional professionals who have the industry and technical expertise to focus on the City's specific needs. Gregory Cross, will continue be the Relationship Manager for the City and coordinate Custody services for the City with our Custody specialists in Los Angeles. The Bank of New York Mellon's business strategy is built around supporting the "life cycle of investments." Within each critical step of the "life cycle," we are a market leader as defined by industry rankings, awards and market share. In addition to deriving significant synergies, which ultimately benefit our clients, this strategy also illustrates our commitment to these businesses.

Comprehensive Online Technology

Real time information and Data Integrity. The Bank of New York Mellon is an undisputed leader in integrating advanced technologies to enhance client access to information and streamline processing. Our integrated technology allows for seamless operability among BNY Mellon's system and applications, outside entities and our clients. The Bank of New York Mellon's platforms have been designed to maximize straight-through processing (STP) and real-time trade information. Our STP rates are some of the highest in the industry, thus ensuring the timely and accurate settlement of trades for your portfolios.

Competitive Economics

Flexibility plus Competitiveness equals Best Value. We recognize that the key to a successful relationship with the City is for a custodian to perform the basics of trade settlement, income collection and reporting exceptionally well. It is critical that these functions be performed timely and accurately with a high level of attention. The ability to efficiently provide these services to the City and to do so in a cost-effective manner is the reason The Bank of New York Mellon would like to play a role of custodian for the City.

We are pleased to provide the following information in specific response to the questions submitted in your Request For Proposal.

	SCOPE OF WORK	**Materials Management Procurement** 9875 N. 85th Ave., 2nd Fl. Peoria, Arizona 85345-6560 Phone: (623) 773-7115 Fax: (623) 773-7118
	Solicitation Number: **P11-0015**	

Proposal Questionnaire

Financial institutions must include the following information in their response to this proposal. All responses shall be presented in the same order as the numbered sections of the Questionnaire. Financial institutions may elect to respond to only those sections corresponding to the services they provide. "Non-compliance" or "no answer" items should be labeled as NO BID.

a) For each numbered section of the attached **Questionnaire,** Proposers must (1) acknowledge that their financial institution is able to provide the service outlined, (2) briefly describe how the City's service requirements will be met, (3) identify all third party contractors (subcontractors) that will be utilized to provide the service, and (4) provide a numbered response, including "NO BID" entries, to all specific questions outlined in the Questionnaire. All responses must be clearly labeled as "Response to Questionnaire" and must be identified by appropriate section and question number within the proposal.

b) Banking Services Fee Schedule:

Please see Attachment A.

c) Sample copies of all agreements (including third party agreements) required to provide services: BNY Mellon has worked with all Red Book bond counsel and is prepared to negotiate mutually acceptable forms of documents with the City of Peoria and its counsel.

Please see Attachment B.

d) List of current government or municipal client references:

Please see Attachment C.

e) Annual Report for most current fiscal year.

This information can be retrieved from our web-site, but also included in Attachment D is our latest 10Q.

f) Sample monthly analysis statement (or equivalent monthly report) for General Banking Services.

Please see Attachment E.

g) Earnings credit rate for prior 12 month period (ending June 30, 2010):

N/A

h) Money Market Fund Prospectus.

Due to our strong relationships with many of the leading mutual fund companies, the Bank of New York Mellon is able to provide access to money market funds offered by a number of leading providers including BNY Hamilton (proprietary product), Dreyfus (proprietary product), Federated, Fidelity, Goldman Sachs, and Morgan Stanley. As an example of money market funds that are available and current rates, please see a *sample fund comparison attached, Attachment F.*

i) Proof of license and a participant in the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF) for general banking and trustee services.

The Bank of New York Mellon confirms that it does carry FDIC insurance for our depositors. The City may visit the FDIC.gov website and review our certification numbers 639 and 07946. All of The Bank of New York Mellon's capital adequacy ratios are categorized as "well capitalized" (which can be confirmed on the FDIC website as well).

j) Must currently meet, and maintain throughout the term of the contract, FDIC capital adequacy requirements for general banking and trustee services. The contract may be immediately terminable upon notification to the City of a failure to meet FDIC or NCUSIF capital adequacy requirements.

Please refer back to "i" above.

A. General Banking:

1. General Banking

BNY Mellon, as solely a National Association Trust Company, does not offer the General Banking services requested and is therefore "No Bidding" this section.

2. Zero Balance/Controlled Disbursement Account Information and ACH Capabilities

BNY Mellon, as solely a National Association Trust Company, does not offer these services tied to General Banking activities and is therefore "No Bidding" this section.

3. City of Peoria, Housing Department Accounts

a. What will the interest rate for these accounts be based on? Can these funds be swept into a money market fund?

As of the date of this Response, interest rates on our qualified deposit accounts and permitted Money Market Fund accounts range from 0 to 5 basis points. Funds can be swept into a Money Market Fund.

4. Savings Accounts

a. What will the interest rate for these accounts are based on? Can these funds be swept into a money market fund?

BNY Mellon does not offer a separate Savings Account through the Trust Company and therefore is "No Bidding" this section.

5. Monthly Analysis Reporting and Service Charge

a. When are your institution's account analysis statements available?

BNY Mellon is not proposing for General Banking Services. However, for Trust and Custody accounts, the City will be provided on-line access to our INFORM system, where data on account balances, NAVs and other relevant information is updated daily and can be forwarded directly to users e-mail accounts so as to be available immediately as they become available without the need to log on to the system.

b. Is any interest-bearing account interest charged against the account analysis?
No

6. Collateral Requirements

a. Who serves as your institution's third party custodian?

BNY Mellon is not a Depositary institution, but may be engaged as the third party Custodian.

b. What is the process to release or substitute securities pledged?

BNY Mellon Custody will act on authorized instructions from the client.

c. Are the required monthly pledge reports available to the City electronically? If so, please provide a brief description of the process and all costs associated with this service.

Both of BNY Mellon's Corporate Trust and Custody businesses use our online reporting system, Inform. Please see the response to Section D, Trustee Services, of this RFP.

7. Armored Car Services

a. Does your designated vault have specific requirements for deposits delivered by a third party? If so, what are those requirements?

BNY Mellon's Trust Company does not offer this service and is therefore "No Bidding" this section.

8. Investment Settlement, Custody, and Safekeeping Services

a. Please describe your institution's trade settlement process, including trade settlement deadlines (in Arizona Time) and the procedures in place to ensure compliance with the City's Investment Policies and Procedures.

Our team will ensure proper settlement of investment buys and sells as executed through the authorized investment instructions received. This process includes dialogue with investment managers to ensure delivery by 11:00 AM (PST), prompt and efficient redemptions and interest payments posted and credited to accounts early in morning to enhance cash management, pricing securities and providing specialized report information that promotes safety and provides the City with accurate and timely data to make informed decisions, provide consolidated reports and statements via our web-based application that offers daily review and report capabilities (not just month end), and provide for the transfer of funds to the City's commercial bank to meet project payment demands or to fund current operations.

U.S Trade Instruction Deadlines

Transaction Type	Instruction Deadlines		Cancels**/Corrections		Street Deadlines		Turnarounds/ Deadlines	Referral Deadlines
	Manual	Electronic	Manual	Electronic	Receive	Deliver	On Del S/D	
DTC ID	Affirmed by 11:00 a.m. on T+2*	Affirmed by 11:00 a.m. on T+2*	5:00 p.m. on T+1	5:00 p.m. on T+1	3:00 p.m.	3:00 p.m.	2:30 p.m.	2:45 p.m.
DTC T+3 Trades (Non ID)	5:00 p.m. on T+2	5:00 p.m. on T+2	1:30 p.m. on S/D	2:00 p.m. on S/D	3:00 p.m.	3:00 p.m.	2:30 p.m.	2:45 p.m.
DTC Same Day Cash Trades	1:30 p.m. on S/D	2:00 p.m. on S/D	1:30 p.m. on S/D	2:00 p.m. on S/D	3:00 p.m.	3:00 p.m.	2:30 p.m.	2:45 p.m.
Physical vs. Payment	4:00 p.m. on T + 2	2:00 p.m. Rec 11:00 a.m.	10:30 a.m. on S/D	11:30 a.m. Del 2:00 p.m. Rec on S/D	3:15 p.m.	2:15 p.m.	10:00 a.m.	1:00 p.m.

U.S Trade Instruction Deadlines								
		Del on S/D						
Commercial Paper (from issuer)	1:30 p.m. on S/D	2:00 p.m. on S/D	1:30 p.m. on S/D	2:00 p.m. on S/D	2:30 p.m.	2:30 p.m.	2:00 p.m.	2:00 p.m.
Physicals – New Issues and Same Day Trades	1:00 p.m. on S/D	1:00 p.m. on S/D	2:00 p.m. on S/D	3:00 p.m. Rec 1:00 p.m. Del on S/D	3:15 p.m.	2:15 p.m.	1:30 p.m.	3:30 p.m.
FRB Book Entry	1:30 p.m. on S/D	2:00 p.m. on S/D	1:30 p.m. on S/D	2:00 p.m. on S/D	3:00 p.m.	3:00 p.m.	2:30 p.m.	***

* Any affirmation received by DTC after T+2 noon ET is a late affirmation. Late affirmations will settle ex-IID. Those trades not affirmed within this timeframe require a separate instruction via the Instruction Entry module of INFORM.

** If the cancellation deadline has passed, and you wish to cancel a trade, please contact your client service representative. We will process your request provided that the trade has not settled.

*** In by 12:00 a.m. - reclaim at 2:00 p.m. if there is no response. In by 1:00 p.m. – reclaim at 3:00 p.m. if there is no response. In after 1:00 p.m. – reclaim between 3:00 p.m. and 3:30 p.m if there is no response.

b. Would one designated contact person be assigned to handle the City's investment activity and all concerns, inquiries, and settlement issues? If so, please indicate the name, phone number, and availability of that person and a back-up point of contact.

The City's Primary Contact would be:

Gaby Rodriguez
Assistant Treasurer
(213) 630-6461
gaby.rodriguez@bnymellon.com

Gaby has over 24 total years experience in the banking industry most of which has been related to custody/safekeeping services. Gaby joined the Bank of New York Mellon in 1995 and has served in the Institutional Custody Group until this year when she joined our Municipal Trust Custody Unit.

Gaby will serve as your primary relationship manager and handle all aspects of customer service from client relations to all operational functions in the servicing of your portfolio.

The City's back-up point of contact would be:

Richard Lopez
Vice President
(213) 630-6420
richard.lopez@bnymellon.com

Richard performs daily administration servicing for public funds, endowments, and foundation accounts that includes monitoring cash balances, overdrafts, opening and closing accounts, maintaining legal documentation, acting as liaison between clients and various departments within the Bank and serving as back-up to other Client Service Representatives.

Richard has ten years of Securities and Banking Industry experience and joined The Bank of New York Trust Company in 2005. Prior to joining The Bank of New York Trust Company, he worked for Smith Barney as a Senior Sales Investment Associate where he was responsible for managing high net worth client accounts with minimum investments of 25 million.

Richard received his B.A. in Economics from the University of California at Berkeley.

c. If no designated contact person would be assigned to handle the City's investment activity, how will concerns, inquiries, and settlement issues be handled by your institution?

Not applicable – the City has been provided with a direct contact.

d. What are your institution's provisions for sweeping of accounts overnight into an authorized Money Market Fund which is SEC registered? As the City must approve the Money Market Fund to be used, please include a money market fund prospectus.

Per the City's direction, the sweeping of accounts will occur automatically into the SEC registered fund chosen.

Please see Attachment F for a copy of the prospectus.

9. Positive Pay Check Fraud Services

BNY Mellon is "No Bidding" these General Banking Services.

10. CD Imaging of Checks and Deposit Items

BNY Mellon is "No Bidding" these General Banking Services. Imaging of bond documents is a service provided by BNY Mellon is relationship to our performance of Trustee duties.

11. Online Banking Capabilities

BNY Mellon is "No Bidding" these General Banking Service.

12. Automated Bank Reconciliation Process

BNY Mellon is "No Bidding" these General Banking Services.

13. Other Enhancements

BNY Mellon is "No Bidding" these General Banking Services.

B. <u>Lockbox</u>:

BNY Mellon is "No Bidding" the Lockbox Section due to our limitation in response to Custody and Trust related services.

C. <u>Merchant Credit Card Services</u>:

BNY Mellon is "No Bidding" the Merchant Credit Card Services due to our limitation in response to Custody and Trust related services.

D. <u>Trustee Services</u>:

1. Bond Registrar/Transfer Agent/Paying Agent/Trustee Services

a. Does your institution provide online inquiry/reporting capabilities? If so, please provide a brief description of the process and all costs associated with this service. The services outlined below are available at no extra cost when BNY Mellon is engaged as your Trustee:

On-line access to account and transaction information

Computer Systems and Reporting

The BNY Mellon understands the technical needs of sophisticated state agencies and our modern systems and facilities allow us to customize our services to meet their unique needs. This flexibility in systems and approach is a critical feature, which differentiates BNY Mellon's corporate trust services from others.
Our state of the art back-office operations have multiple Bond record keeping programs to adapt to the special needs of each financing. We provide up to the minute reports for various regulatory reporting needs such as federal and state government, as well as the needs of our clients.

BNY Mellon's technology architecture integrates innovative processing platforms dedicated to securities servicing, which includes custody. Our sophisticated front-end systems are designed for ease of use and flexibility. While we strive to meet the expanding needs of our clients, we have engineered our client-facing tools to be flexible and adaptable. Integrated information is delivered to clients around the clock through a single portal on the Internet, called INFORM and through a variety of formats compatible with their processes. The Bank's clients rely on its technology and expertise to help them navigate the complexities of the global markets with unmatched ease, efficiency and confidence.

INFORM is our Internet-based communication platform that:

- Provides a variety of standard reporting packages and information files.
- Provides screens that are formatted by asset and transaction type for easy use.
- Is designed to help you enter accurate and key information.

Through INFORM you can receive both up-to-the-minute and historical data from our data storage centers 24 hours a day, seven days a week. The technology ensures consistent and simplified information delivery from a central source and is engineered to track assets held within BNY Mellon.

Integrated Information: Our long list of standard reports provide a selection of pre-formatted templates for immediate reporting of clearing, settlement, cash, foreign exchange, tax reclaim and portfolio holdings. Summary and detail reports also are provided through INFORM.

Customized Information: The client data warehouse within our technology infrastructure acts as a data aggregator for trades, positions, balances, and accounting information. It simplifies reporting by obtaining this information from a single source in real time. Moreover, data can be extracted as the user requires it, such as in a standard template to print hard copy, an ad-hoc query, an ad-hoc report or a data file. Data files can be exported into a spreadsheet (Excel), or database (Access) or relational database (Oracle, Sybase) or exported to a local reconciliation system, portfolio management, or proprietary accounting system.

Comprehensive Accounting: INFORM provides integrated accounting and reporting with a complete assortment of inventory methods, posting options, accruals/amortization schedules, valuations in multiple base currencies, and regulatory reporting. Multi-purpose schedules are available by individual manager, by fund, and in consolidated form. Plan accounting information is also available.

Real-time Reporting: Real-time data access provides an accurate, up-to-date picture of portfolio activities, organized according to client preferences.

Responsive Data Generation: Internet technology provides clients more powerful tools for extracting data into meaningful reports or for further system analysis. Since only display and presentation software exist at the users workstation, minimal information will move over the communications line, thereby optimizing response time.

General Ledger Interface - We can generate automated general ledger interface files that match to any general ledger system. We can also provide general ledger reporting if needed.

Downloadable information in formats compatible with commonly-used accounting and finance applications.

INFORM has the capability of exporting data files into a spreadsheet (Excel), or database (Access) or relational database (Oracle, Sybase) or exported to a local reconciliation system, portfolio management, or proprietary accounting system.

Website: The Bank of New York Mellon has a customized investor reporting website. The website has the capability to store any electronic document (Word, Excel, PDF etc.). We can set up the website to be restricted or public. The debt service schedules and governing documents for all of The City's bond issues and loans, which reflect current and future principal and interest payments for fixed rate bonds can be added to the website. The website can also be programmed to change data on a daily, weekly, monthly and quarterly basis. In addition, the City can view the current principal amount of bonds outstanding on the website. The website can also be customized to help the City disseminate information. The address of our investor reporting website is https://gctinvestorreporting.bnymellon.com/Home.jsp. We encourage the City to allow BNY Mellon to give you a demo of the website. The website may also help the City of Peoria with its disaster and recovery plan.

Bond Registrar/Transfer Agent/Paying Agent/Trustee Services: The City requires bond registrar, transfer agent, paying agent, and trustee services for any bonds issued by the City or its agencies, during the contract term and any extension, through the final maturity date of such bonds. The City might also require these services for existing bonds that are transferred from other financial institutions.

The City of Peoria generally issues bonds as required, with each bond issuance averaging $30 – $50 million in size. All payments to the Trustee/Paying Agent/Transfer Agent should be due on the actual due date and not one day prior.

Trustee

As the #1 ranked Trustee in the U.S. (Thomson Reuters), we bring a team of highly skilled public finance professionals together to serve the City's needs. The Bank of New York Mellon will work closely with you to review all documents associated with the transaction and along with our counsel, attend meetings, provide comments, and work with all parties until a final form is agreed upon. We will issue original securities either in Book-Entry Only or certificated form and will attend both closings in person if requested.

We will continue to maintain the accounts required under the bond resolution and any supplements thereto, as well as any new accounts required. We will allocate funds in accordance with the governing documents and invest funds as directed. We will disburse funds in a timely manner in accordance with the indenture as directed by the City. We will monitor compliance through our tickler system. In addition, we will provide the City with monthly statements and information required to perform arbitrage rebate calculations should this service be required. BNY Mellon Compliance Services brings in-house nationally known arbitrage rebate and compliance specialists to meet these needs.

Bond Registrar and Paying Agent

The Bank of New York provides for the timely payment of principal and interest provided that money is payable by the County and its political subdivisions are actually received by the due date. As a full service provider to your bondholders, The Bank of New York offers a variety of means to remit payment either by check, wire transfer or Automated Clearing House (ACH), i.e. direct credit to a bondholder's banking account. For mailing registered interest checks our mail operation in Secaucus, New Jersey is a facility that employs the latest technology. The facility, which is less than five miles from our Barclay Street location, is 125,000 square feet and has five truck bays for receipt and delivery of materials and mail. The use of staggered mailing is employed to insure that all bondholders receive their interest checks no later than the payment date.

Book Entry Operations: All book entry issues with DTC are assured a facilitated payment process through Fed wires. Payments are wired at or before 10:00AM on payment date. Bond redemptions are also facilitated by the timely processing of bond calls by BNY Mellon. The process is both accurate and efficient. In the event of a variable rate issue, DTC is apprised of said rates.

Registrar: As registrar, BNY Mellon will maintain via its BondMaster / CertMaster systems accurate records of bondholders including social security numbers, size of holdings, addresses, etc. BNY Mellon will diligently pursue bondholders for any missing identification numbers prior to the next payment.

Book Entry Capabilities: As a founding member of The Depositary Trust Company (DTC), the largest present participant and a member of DTC's Board of Directors, The Bank of New York is uniquely qualified to handle all aspects of administrative/settlement procedures as required by DTC for book entry transactions.

The Bank of New York is a full participant in various programs that DTC has instituted such as SDFS and FAST:

SDFS, which stands for same day funds settlements, enables certain types of securities to settle in same day (Federal) funds though DTC's computer link with the Federal Reserve Bank of New York. The types of securities included in SDFS include medium term notes (MTNs), municipal notes and bonds, zero coupon bonds, municipal variable rate demand obligations (VRDOs), auction rate and tender rate preferred stock and notes, CMOs and certain assets backed by assets other than mortgages.

FAST, which stands for Fully Automated Securities Transfer, enables DTC to debit and credit the accounts of participants in DTC when issuance or transfer of securities takes place. This eliminates the cost of physical securities printing, eliminates cost of physical delivery, and simplifies record keeping.

As a current provider of bond administrative services for the City, we already have in place mutually acceptable forms of documentation which means there is no need for the City to enter into time consuming and expensive negotiations to establish these documents yet again. However, as new opportunities arise, or as changes to state and/or federal law arise, as a partner with the City, BNY Mellon will work closely with you to review all documents associated with each transaction, and, along with our counsel provide comments, and work with all parties until a final form is agreed upon.

Proposed Approach and Schedule

Client-focused Solutions

Despite our size, we offer a collaborative and very client focused approach through a service model that differentiates us from the competition. The model, which features a Relationship Manager (RM) as the single point of contact for a client, is designed to simplify communications and maximize the collaboration between the client and the Bank. The RM is supported by a Trust Administrator. Together they are responsible for shaping and executing service solutions that meet each client's specific needs. They are joined by specialists in disciplines ranging from technology to investments, who help customize each solution to enhance the inherent benefits of our service. This approach is what clients tell us they value most about our service.

In philosophy and practice, BNY Mellon is dedicated to a tradition of exceptional service tailored to the needs of each client. We view our relationships as true partnerships and believe it is our responsibility to adapt our service to the way the City does business – it is not your obligation to adjust to ours. We are proactive in making recommendations of state-of-the-art systems and analytical support of which we are aware to ensure that the City has access, or at least exposure, to "best in class," state-of-the-art practices in the securities servicing marketplace.

The Relationship Manager, supported by Trust Administrators, Business Group Manager, and back-up Relationship Manager, will be the single point of contact and will perform all daily administration, debt service payment processes, funds transfers, compliance monitoring, document and account review, and resolution of any questions which may arise to ensure the best possible direct personal service is extended. Our single point of contact model promotes accountability and responsibility that ensures we will be sensitive to any of the City needs.

The City of Peoria Team consists of:

Gregory G. Cross (Primary Relationship Manager)
Vice President
Telephone number: (602) 629-2861
gregory.cross@bnymellon.com

Gregory joined The Bank of New York Trust Company in October 2006 with the acquisition of the JP Morgan Institutional Trust Services. Previously, Gregory worked as a Unit Manager with the Bank of New York in St. Louis, MO from March 2003 to March 2004. Prior to that he was an Account Executive with Bank One from October 1990 to March 2003. With over 20 years of experience serving municipal clients, Gregory is a skilled and knowledgeable corporate trust professional. His portfolio of clients includes City of Phoenix, City of Tucson, Maricopa County, Pima County, Pinal County, Arizona Health Facility Authority, America West Arena as well as various municipalities throughout the state of Arizona. Gregory received his Bachelor of Science in Business Management and Finance degree from Brigham Young University in 1984 and became a Certified Corporate Trust Specialist in 1990.

Deborah Scherer (Back Up Relationship Manager)
Vice President
Telephone number: (602) 629-2862
Deborah.Scherer@bnymellon.com

Debbie has over 30 years of experience in the banking industry with over 15 years in Corporate Trust. Her formal education includes studies in business and accounting at College of the Desert and specialized programs in trust and banking. Debbie's years of experience include diverse areas of banking such as investments, audit and trust operations. Before assuming her responsibilities as a Relationship Manager in 2000, Debbie worked in Trust Finance Management performing cash and asset-related processing for the accounts. This experience provides Debbie a solid background in transaction processing which support indenture administration. Her audit responsibilities provide Debbie a good framework for the compliance issues under which a complex indenture must be administered. Debbie received her Certified Corporate Trust Specialist 'CCTS 'Certification in 2007 and was named an honor graduate of Cannon Financial Institution 'CFI'. This award is CFI's highest academic distinction.

Tonya Tsinnie (Trust Administrator)
Corporate Trust Associate
(602) 629-2863
Tonya.Tsinnie@bnymellon.com

Tonya joined The Bank of New York Mellon Trust Company, N.A. in 2007. She is familiar with a wide variety of municipal trust accounts including conduit municipal financings, multifamily housing, certificates of participation, refunding escrows, variable rate bonds, revenue bonds, and high volume trading accounts. Ashley holds an Associate Degree in Paralegal Studies and a Bachelor Degree in Interdisciplinary studies from Arizona State University.

Donna Edmundson (Business Group Manager)
Vice President
303-764-3570
Donna.Edmundson@bnymellon.com

Donna is a Business Group Manager for the Municipal Debt groups located in the Tempe and Denver offices. Donna joined Texas Commerce Bank Corporate Trust Department in June, 1974. She started in the operations area and has performed various duties ranging from clerical to bondholder/stockholder relations to supervisor. She moved to Client Management in 1982, working with structured, corporate and municipal bond transactions. Throughout her tenure with Chemical Bank, JPMorgan Bank, and now BNYM successors to the TCB corporate trust business, she has worked with all types of municipal debt products, including auction and variable rate debt, healthcare and transportation. With thirty-five years of experience serving clients and underwriters, Donna is a skilled and knowledgeable corporate trust professional and manager.

Frank P. Sulzberger (Western Regional Manager)
Managing Director
(213) 630-6456
Frank.Sulzberger@bnymellon.com

Frank has over twenty-five years experience in municipal and corporate trust administration, management and new business development. As regional manager for the Western United States, he is responsible for the delivery of corporate and municipal trust services to issuers throughout the west, with over 100 professionals and over 8,000 bond issues served from offices in Los Angeles, San Francisco, Seattle, Denver and Tempe. Frank holds a Bachelor of Science degree in Business Administration from San Diego State and was designated as a Certified Corporate Trust Specialist, by the Cannon Financial Institute and the Institute of Certified Bankers.

In addition to the information and qualifications specified above, identify any special knowledge or skills provided by your firm that may be related or helpful to the services requested herein.

In addition to our experience in servicing bond issues for the City, BNY Mellon also brings a host of other services that will benefit the City. Some of the services and areas of expertise most noted by our municipal clientele as key decision influencers are:

Disaster and Recovery Plan: On September 11, 2001 our offices around the World Trade Center were destroyed by a terrorist attack. As a result, the Bank has one of the most comprehensive disaster and recovery plans in the world. Service reliability and systems resilience are critical components of our overall Company business strategy. In September, 2008, Hurricane Ike damaged our Houston, Texas office, displacing over 600 employees for over three months. The next business day, Lehman Brothers failed and during the next couple of months, the municipal markets were in turmoil.

Our Houston municipal group, with the support of other offices throughout the country, successfully managed hundreds of tenders (most of which were not remarketed), letter of credit draws, and regular (and bank bond) interest payments without missing a payment or losing any clients. Our philosophy calls for continuity of communications and business operations via our worldwide recovery process. The manager of that Houston group, Donna Edmundson, is now the Business Group Manager over the Denver and Tempe offices.

We promote and facilitate continuity through a detailed and centrally coordinated business continuity program, which is continually updated and tested to respond to market and industry changes. Our plan focuses on geographic diversification of our processing centers, use of multiple back-up facilities, and resources dedicated to the business continuity process. We've designed our program to allow critical operations to continue under nearly any circumstances, including significant regional power outages and natural or human-made disasters.

Investment Management Group: BNY Mellon coordinates identifying appropriate investment options for its clients through BNY Mellons' Investment Management Group (IMG). While investment management firms assess investment advisory, administration or transfer agent fees of anywhere between 25 to more than 100 basis points, IMG's services are available to the City **without any of these additional costs.** IMG is dedicated to the Global Corporate Trust Division, and was created to better respond to our clients' investment preferences and to help them achieve competitive returns within the confines of their permitted investments, and in light of any arbitrage considerations. Today, our services include a broad range of investment options from bank deposits to portfolio management alternatives. We bring clients the benefit of our expertise as one the largest securities services providers in the industry, integrated with our extensive trustee and asset management expertise. This combination gives us the capability to customize solutions that address the unique investment and servicing needs of each client. Our approach is to help identify the investment needs and objectives that will work for you. Together we can explore the right service elements and investment options. Our core investment services include the following:

Money Market Funds: BNY Mellon can provide access to money market funds offered by a broad array of providers including (but not limited to): Dreyfus, Goldman Sachs, Federated, Morgan Stanley, and Fidelity. BNY Mellon may receive revenue share payments from the various fund companies in connection with balances that are invested through us into their money market funds. These fees will vary depending on the fund(s) chosen.

Trade Execution Services: Through its capital markets unit, BNY Mellon Capital Markets, LLC, The Bank of New York Mellon can offer trade execution services on a number of securities products including: Treasury Bills/Notes, Agency Obligations, and Commercial Paper. Fees charged for this service are dependent on the size as well as the duration of the securities that we are directed to purchase. This unit can also structure a laddered portfolio of securities to meet your liquidity requirements for a flat one-time fee.

Specialized Portfolio Services (SPS): SPS is an attractive addition to our suite of investment services. This is a client-directed solution that allows you to develop a portfolio of investments that matches your liquidity requirements.

Cash Reserve and Deposit Account: These products offer same-day liquidity with no limits on deposits or withdrawals.

Bank Deposit Products: The Bank of New York Mellon can provide access to its deposit product, BNY Cash Reserve. There are no fees charged for investing in this product. Additionally we have third party agreements in place with other banks that offer deposit products. Fees are typically priced from a market index and we offer several pricing tiers._Note: Please check your Permitted Investments to determine if such a deposit account is allowable. BNY Mellon is not a Utah depository bank (rather we are a Trust Company).

Tri-Party Repurchase Agreements: BNY Mellon can make available to you an overnight tri-party repo product. Fees charged on this product are dependent on a number of factors, including the expected size and duration of the balances invested. We have a team of experienced professionals who specialize in investment-related Trust issues, and are available to meet with you to discuss your specific needs.

With over $21 Trillion in assets under custody and administration, The Bank of New York Mellon is the largest Asset Servicing provider in the world. As a result, we are able to accommodate any investment directed by the C or a third-party investment manager.

Arbitrage and Direct Pay Compliance Services: BNY Mellon Compliance Services is one of the country's leading providers of arbitrage compliance services for tax-exempt bond issuers and conduit borrowers. Adding arbitrage compliance services to BNY Mellon's portfolio of corporate trust and agency services is consistent with our commitment to provide the public sector with a broad range of key services and transparency tools to support their long-term debt management programs. Delivered by a highly experienced team of professionals, our arbitrage compliance services are designed to help maximize allowable investment returns on your bond funds and minimize or eliminate your arbitrage liability. When BNY Mellon is the trustee and/or paying agent for your tax-exempt bonds, we simplify the process and provide *seamless* arbitrage reporting and information.

Compliance Reporting Service for Direct Pay Bond Financings: State and local government agencies, not-for-profit and higher education institutions, healthcare entities, housing authorities, and other municipal issuers of Direct Pay Bonds receive an interest subsidy payment from the U.S. government to offset the cost of issuing taxable bonds. With an increased focus on compliance reporting, issuers are increasingly being asked to manage a complex range of Internal Revenue Service (IRS) requirements in order to receive those subsidy payments. BNY Mellon Corporate Trust delivers our Direct Pay Compliance Supplement — a comprehensive package of reports, statements, schedules and project-related documents — to help issuers of Direct Pay Bonds meet IRS recordkeeping and reporting requirements.

	STANDARD TERMS AND CONDITIONS	Materials Management Procurement 9875 N. 85th Ave., 2nd Fl. Peoria, Arizona 85345-6560 Phone: (623) 773-7115 Fax: (623) 773-7118

Exceptions to Standard Terms and Conditions:

15. **Indemnification:** To the fullest extent permitted by law, the Contractor shall defend, indemnify and hold harmless the City, its agents, representatives, officers, directors, officials and employees *(the "Indemnified Parties)* from and against all claims, damages, losses and expenses *(excluding, however indirect, consequential or special damages), including reasonable attorneys' fees and/or litigation expenses, which may be brought or made against or incurred by an Indemnified Party as a result of the negligence or willful misconduct of Contractor, its employees, agents, representatives, or subcontractors, their employees, agents, or representatives in connection with or incident to the performance of the Agreement, or arising out of Workers Compensation claims, Unemployment Compensation claims, or Unemployment Disability Compensation claims of employees of Contractor and/or its subcontractors of claims under similar such laws and obligations. Such indemnification shall specifically include infringement claims made against any and all intellectual property supplied by Successful Vendor and third party infringement under the Agreement.. Under no circumstances shall the Vendor be liable to, or be required to indemnify, any Indemnified Party for indirect, consequential or special damages arising in connection with this Agreement. . "Depositories, Book-Entry Systems, Data providers (all as defined in the Agreement) shall not be deemed to constitute "subcontractors" or agents of Contractor"*

[COMMMENT: Counsel limits indemnity by BNY Mellon to matters for which BNY Mellon is legally culpable (i.e., negligence or willful misconduct).

43. **Insurance Requirements:** The Contractor, at Contractor's own expense, shall purchase and maintain the herein stipulated minimum insurance with companies duly licensed, possessing a current A.M. Best, Inc. Rating of A-, or approved unlicensed in the State of Arizona with policies and forms satisfactory to the City.

All insurance required herein shall be maintained in full force and effect until all work or service required to be performed under the terms of the Contract is satisfactorily completed and formally accepted; failure to do so may, at the sole discretion of the City, constitute a material breach of this Contract.

The Contractor's insurance shall be primary insurance as respects the City, and any insurance or self-insurance maintained by the City shall not contribute to it.

Any failure to comply with the claim reporting provisions of the insurance policies or any breach of an insurance policy warranty shall not affect coverage afforded under the insurance policies to protect the City.

The insurance policies, except Workers' Compensation and Bankers Professional Liability, shall contain a waiver of transfer rights of recovery (subrogation) against the City, its agents, representatives, directors, officers, and employees for any claims arising out of the Contractor's acts, errors, mistakes, omissions, work or service.

The insurance policies may provide coverage which contain deductibles or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to the City under such policies. The Contractor shall be solely responsible for the deductible and/or self-insured retention ~~and the City, at its option, may require the Contractor to secure payment of such deductibles or self insured retentions by a Surety Bond or an irrevocable and unconditional letter of credit.~~

The City reserves the right to request and to receive, within 10 working days, ~~certified copies~~ an onsite review of any or all of the herein required insurance policies and/or endorsements. The City shall not be obligated, however, to review same or to advise Contractor of any deficiencies in such policies and endorsements, and such receipt shall not relieve Contractor from, or be deemed a waiver of the City's right to insist on, strict fulfillment of Contractor's obligations under this Contract.

The insurance policies, except Workers' Compensation and Bankers Professional Liability, required by this Contract, shall include ~~name~~ the City, its agents, representatives, officers, directors, officials and employees as Additional Insureds.

Required Insurance Coverage:

a. **Commercial General Liability:** Contractor shall maintain Commercial General Liability insurance with a limit of not less than $1,000,000 for each occurrence with a $2,000,000 Products/Completed Operations Aggregate and a $2,000,000 General Aggregate Limit. The policy shall include coverage for bodily injury, broad form property damage, personal injury, products and completed operations and blanket contractual coverage including, but not limited to, the liability assumed under the indemnification provisions of this Contract which coverage will be at least as broad as Insurance Service Office, Inc. Policy Form CG 00011207 or any replacements thereof. The coverage shall not exclude X, C, U.

Such policy shall contain a severability of interest provision, and shall not contain a sunset provision or commutation clause, nor any provision which would serve to limit third party action over claims.

The Commercial General Liability additional insured language ~~endorsement~~ shall be at least as broad as the Insurance Service Office, Inc.'s Additional Insured, Form B, CG 20370704, and shall include coverage for Contractor's operations and products and completed operations.

Any Contractor subletting any part of the work, services or operations awarded to the Contractor shall purchase and maintain, at all times during prosecution of the work, services or operations under this Contract, an Owner's and Contractor's Protective Liability insurance policy for bodily injury and property damage, including death, which may arise in the prosecution of the Contractor's work, service or operations under this Contract. Coverage shall be on an occurrence basis with a limit not less than $1,000,000 per occurrence, and the policy shall be issued by the same insurance company that issues the Contractor's Commercial General Liability insurance.

b. **Automobile Liability:** Contractor shall maintain Commercial/Business Automobile Liability insurance with a combined single limit for bodily injury and property damage of not less than $1,000,000 each occurrence with respect to the Contractor's any owned, hired, and non-owned vehicles assigned to or used in performance of the Contractor's work. Coverage will be at least as broad as coverage code 1, "any auto", (Insurance Service Office, Inc. Policy Form CA 00010306, or any replacements thereof). ~~Such insurance shall include coverage for loading and off loading hazards. If hazardous substances, materials or wastes are to be transported, MCS 90 endorsement shall be included and $5,000,000 per accident limits for bodily injury and property damage shall apply.~~

c. **Workers' Compensation:** The Contractor shall carry Workers' Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction of Contractor's employees engaged in the performance of the work or services; and, Employer's Liability insurance of not less than $100,000 for each accident, $100,000 disease for each employee, and $500,000 disease policy limit.

In case any work is subcontracted, the Contractor will require the Subcontractor to provide Workers' Compensation and Employer's Liability to at least the same extent as required of the Contractor.

d. **Bankers Professional Liability:** The Contractor retained by the City to provide the work or service required by this Contract will maintain Bankers Professional Liability insurance covering acts, errors, mistakes and omissions arising out of the work or services performed by the Contractor, or any person employed by the Contractor, with a limit of not less than $1,000,000 each claim.

44. **Certificates of Insurance:** Prior to commencing work or services under this Contract, Contractor shall furnish the City with Certificates of Insurance, ~~or formal endorsements~~ including additional insured language as required by the Contract, issued by Contractor's insurer(s), as evidence that policies providing the required coverages, conditions and limits required by this Contract are in full force and effect.
In the event any insurance policy(ies) required by this contract is(are) written on a Aclaims made" basis, coverage shall extend for two years past completion and acceptance of the Contractor's work or services and as evidenced by annual Certificates of Insurance.

If a policy does expire during the life of the Contract, a renewal certificate must be sent to the City five ~~fifteen~~ (~~1~~5) days prior to the expiration date.

All Certificates of Insurance shall be identified with bid serial number and title. A $25.00 administrative fee will be assessed for all certificates received without the appropriate bid serial number and title.

45. **Cancellation and Expiration Notice:** ~~Insurance required herein shall not expire, be canceled, or materially changed without thirty (30) days prior written notice to the City~~. Should any of the above described policies be cancelled before the expiration thereof, notice will be delivered in accordance with the policy provisions.

CITY OF PEORIA	**ATTACHMENT A – FEE SCHEDULE** Solicitation Number: **P11-0015**	**Materials Management Procurement** 9875 N. 85th Ave., 2nd Fl. Peoria, Arizona 85345-6560 Phone: (623) 773-7115 Fax: (623) 773-7118

City of Peoria, Arizona - Request for Proposal
Trustee/Bond Registrar/Paying Agent Services
Fee Schedule
October 20, 2010

Upon appointment of BNY Mellon as either Trustee or Bond Registrar and Paying Agent, the Issuer shall be responsible for the payment of the fees, expenses and charges as set forth in this Fee Schedule.

ACCEPTANCE FEE:
Trustee: $500/Indenture **Bond Registrar/Paying Agent: $100**
This one time charge is payable at the time of the closing and includes the review and execution of all documents submitted in support thereof, acceptance of the trust, establishment of procedures and controls and set-up of trust accounts.

ANNUAL ADMINISTRATIVE FEE:
Fixed Rate Series: Trustee: $1,000/Series **Bond Registrar/Paying Agent: $300/Series**
Variable Rate Series: Trustee: $1,250/Series **Bond Registrar/Paying Agent: $500/Series**

This *all-inclusive* annual fee covers the duties and responsibilities related to account administration and bondholder services, which may include maintenance of accounts on various systems, collection and payment of principal and interest to bondholders, and the monitoring of issuer compliance. This fee is payable in advance for the year and shall not be prorated.

TENDER AGENT FEES:

Establishment and Activation of Tender Agent Duties	**$400**
Successfully Remarketed Bonds/per tender	**$50**
Failed Remarketing/per failed tender	**$150**

ESCROW AGENT FEE **$300**
This annual fee covers all responsibilities of BNY Mellon as [Depository, Disbursement, Refunding] Escrow Agent. BNY Mellon may charge a $35/transaction fee for purchase and sale activities related to SLGS and open market securities.

CALC. AGENT SERVICES FOR BUILD AMERICA BONDS **$200/filing**
An fee per 8038-CP filing covering the duties of Calculation Agent for the purpose of preparation and filing of Form 8038-CP in connection with credit payments due from the Department of Treasury and acceptance of such funds to, or as directed by, the Issuer. This fee is payable in advance for the year and shall not be prorated.

INVESTMENT COMPENSATION
With respect to investments in money market mutual funds either for which BNY Mellon provides shareholder services or the Dreyfus Funds, BNY Mellon (or its affiliates) *shall not assess a maintenance fee,* but may also receive and retain additional fees from the mutual funds (or their affiliates) for shareholder services as set forth in the Authorization and Direction to BNY Mellon to Invest Cash Balances in Money Market Mutual Funds. BNY Mellon shall charge a $75 transaction fee for the purchase or sale of commercial paper, U.S. treasuries, agencies, and other open market securities. BNY Mellon or BNY Mellon Capital Markets handling any trades under such an agreement shall be retain a spread from such trade as compensation for its service.

FEE FOR REVIEW AND ADMINISTRATION OF INVESTMENT AGREEMENT, GIC OR REPURCHASE/FORWARD PURCHASE AGREEMENT
BNY Mellon will charge a *one-time* fee in the amount of $1,000 for review and acceptance of any investment agreement or repurchase agreement. BNY Mellon shall also charge an *annual* fee of $1,000 to cover all purchase and sale activities related to forward purchase

agreements, guaranteed investment contracts, as well as, state, county and local investment pools. BNY Mellon or BNY Mellon Capital Markets handling any trades under such an agreement shall be retain a spread from such trade as compensation for its service. In addition, the fees and expenses of BNY Mellon's Counsel incurred in connection with the review and negotiation will be billed at the actual amount of fees and expenses charged by Counsel.

MISCELLANEOUS OR EXTRAORDINARY FEES

The fees for performing extraordinary or other services not contemplated at the time of the execution of the transaction or not specifically covered elsewhere in this schedule will be commensurate with the service to be provided and will be charged in BNY Mellon's sole discretion. These extraordinary services may include, but are not limited to supplemental agreements, consent operations, unusual releases, the preparation of special or interim reports, custody of collateral, a one-time fee to be charged upon termination of an engagement. Counsel, accountants, special agents and others will be charged at the actual amount of fees and expenses billed. A $100/action fee shall be assessed for the preparation and distribution of any sinking fund redemption notices. If the Bank is made a party to or intervenes in any litigation pertaining to this Agreement, the Bank shall be compensated reasonably by the Issuer and reimbursed for any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket and incidental expenses and legal fees occasioned thereby, unless such litigation is attributed to the Bank's own negligence or willful misconduct. **Review of documents by Trustee's Counsel is performed in-house at no additional cost to the client. However, if an opinion is required, we will bill those charges at cost.**

OUT-OF-POCKET EXPENSES

Additional out-of-pocket expenses may include, but are not limited to, telephone; facsimile; courier; copying; postage; supplies; statutory filing charges, including UCC amendments, continuations, and termination fees; and expenses of BNY Mellon's representative(s) and Counsel for attending special meetings. Fees and expenses of BNY Mellon's representatives and Counsel will be charged at the actual amount of fees and expenses charged and all other expenses will be charged at cost or in an amount equal to Six (6.0)% of all expenses billed for the year, in BNY Mellon's discretion, and BNY Mellon may charge certain expenses at cost and others on a percentage basis.

ARBITRAGE COMPLIANCE — **Call for Quote**

Delivered by a highly experienced team of professionals, our arbitrage compliance services are designed to help maximize allowable investment returns on your bond funds and minimize or eliminate your arbitrage liability. When BNY Mellon is the trustee and/or paying agent for your tax-exempt bonds, we simplify the process and provide *seamless* arbitrage reporting and information.

Compliance Reporting Service for Direct Pay Bond Financings — **Call for Quote**

State and local government agencies, not-for-profit and higher education institutions, healthcare entities, housing authorities, and other municipal issuers of Direct Pay Bonds receive an interest subsidy payment from the U.S. government to offset the cost of issuing taxable bonds. With an increased focus on compliance reporting, issuers are increasingly being asked to manage a complex range of Internal Revenue Service (IRS) requirements in order to receive those subsidy payments. BNY Mellon Corporate Trust delivers our Direct Pay Compliance Supplement — a comprehensive package of reports, statements, schedules and project-related documents — to help issuers of Direct Pay Bonds meet IRS recordkeeping and reporting requirements.

BNY MELLON
CORPORATE TRUST

City of Peoria, Arizona - Request for Proposal
Custody Services - Fee Schedule

October 20, 2010

Upon appointment of BNY Mellon as Custodian, the Client shall be responsible for the payment of the fees, expenses and charges as set forth in this Fee Schedule.

ACCEPTANCE / SET-UP FEE **~~$1,200~~ Waived**

ANNUAL ACCOUNT MAINTENANCE FEE **$2,000**

This fee is paid in advance for said period, for any period that securities are in custody. The fees will be guaranteed for 2 years, and assume that sweep accounts for funds held in Custody will be invested in money market mutual funds for which BNY Mellon provides shareholder services.

<u>ACTIVITY CHARGES</u>:

OUTGOING WIRES/per transaction **~~$15~~ Waived**

INCOMING WIRES/per transaction **~~$15~~ Waived**

INVESTMENT CHARGE/per transaction **~~$25~~ Waived***

Transaction fees include the settlement, upon purchase or sale of funds held in custody under the Agreement. With respect to investments in money market mutual funds for which BNY Mellon provides shareholder services BNY Mellon (or its affiliates) may receive and retain fees from the mutual funds (or their affiliates) for shareholder services as set forth in the Authorization and Direction to BNY Mellon to Invest Cash Balances in Money Market Mutual Funds.

OVERDRAFTS

Overdrafts will be charged at the money market rate if funds are invested in a money market instrument and at a fed funds rate if funds are not invested in a money market.

ANNUAL OUT-OF-POCKET EXPENSES

Charges incurred by The Bank of New York Mellon for local taxes, stamp duties or other local duties and assessments, stock exchange fees, postage and insurance for shipping, facsimile reporting, extraordinary telecommunications fees or other expenses which are unique to a country in which the client or its clients is investing will be passed along as incurred. A surcharge may be added to certain out-of-pockets expenses listed herein to cover handling, servicing and other administrative costs associated with the activities giving rise to such expenses. Also, certain expenses are charged at a predetermined flat rate.

BNY MELLON
CORPORATE TRUST

Terms and Disclosures

TERMS OF PROPOSAL

Final acceptance of the appointment under any bond documents is subject to approval of authorized officers of BNY Mellon and full review and execution of all documentation related hereto. We reserve the right to terminate this offer if we do not receive a final written award within three months from the date this proposal is first transmitted to you. Fees will be guaranteed for a period of 5 years.

MISCELLANEOUS
The terms of this Fee Schedule shall govern the matters set forth herein and shall not be superseded or modified by the terms of the Indenture. This Fee Schedule shall be governed by the laws of the State of Arizona. BNY Mellon and the undersigned agree to jurisdiction of the federal and state courts located in the State of Arizona.

CUSTOMER NOTICE REQUIRED BY THE USA PATRIOT ACT
To help the US government fight the funding of terrorism and money laundering activities, US Federal law requires all financial institutions to obtain, verify, and record information that identifies each person (whether an individual or organization) for which a relationship is established.

What this means to you: When you establish a relationship with BNY Mellon, we will ask you to provide certain information (and documents) that will help us to identify you. We will ask for your organization's name, physical address, tax identification or other government registration number and other information that will help us to identify you. We may also ask for a Certificate of Incorporation or similar document or other pertinent identifying documentation for your type of organization.

If this schedule is acceptable to your client, please have them sign, and fax back the signature page. We thank you for your assistance.

Accepted By:		**For BNY MELLON:**
Signature	____________________	David Jackman
Date:	____________________	October 20, 2010
Name:	____________________	David Jackman
Title	____________________	Vice President

Attachment C
QUESTIONNAIRE

Solicitation Number: **P11-0015**

Materials Management
Procurement
9875 N. 85th Ave., 2nd Fl.
Peoria, Arizona 85345-6560
Phone: (623) 773-7115
Fax: (623) 773-7118

Please list three (3) Municipal owner references whom Evaluation Committee may contact:

1. Company: Pinal County

   Contact: Victoria Prins, CFO Phone: 520-866-6209

   Address: Florence, AZ

   Description of Work: Trustee

   Annual Value: Trustee for $12 million 2010 Pledged Revenue Bonds

2. Company: City of Avondale

   Contact: Kevin Artz Phone: 623-333-2011

   Address: Avondale, AZ

   Description of Work: Trustee

   Annual Value: Trustee for both 2010 GO Refunding and Water/Sewer Sys Revenue Bonds

3. Company: Town of Gilbert

   Contact: Cindy Mattheisen, Fin'l Svcs Mgr. Phone: 480-503-6856

   Address: Gilbert, AZ

   Description of Work: Custodian

   Annual Value: Custodian on a portfolio ranging in size from $30 to $100 million

QUESTIONNAIRE

Solicitation Number: **P11-0015**

Materials Management
Procurement
9875 N. 85th Ave., 2nd Fl.
Peoria, Arizona 85345-6560
Phone: (623) 773-7115
Fax: (623) 773-7118

Has your firm been certified by any jurisdiction in Arizona as a minority or woman owned business enterprise?
Yes__________, No____X________.

If yes, please provide details and documentation of the certification.

Agreement No. P11-0015 D

CITY OF PEORIA, ARIZONA
A Municipal Corporation

for Herman Koebergen, Materials Manager
City of Peoria

Approved as to form:

Ellen Van Riper, Assistant City Attorney

Stephen M. Kemp, City Attorney
City of Peoria

Attested by:

Wanda Nelson, City Clerk
City of Peoria

02/10/2011
Date

CUSTODY AGREEMENT
(U.S. Securities)

AGREEMENT, dated as of ___________ between ___________________________________ ("Customer") and The Bank of New York Mellon Trust Company, National Association ("Custodian").

ARTICLE I
DEFINITIONS

Whenever used in this Agreement, the following words shall have the meanings set forth below:

1. **"Authorized Person"** shall be any person, whether or not an officer or employee of Customer, duly authorized by Customer to give Oral and/or Written Instructions on behalf of Customer, such persons to be designated in a Certificate of Authorized Persons which contains a specimen signature of such person.

2. **"BNYM Affiliate"** shall mean any office, branch or subsidiary of The Bank of New York Mellon Corporation.

3. **"Book-Entry System"** shall mean the Federal Reserve/Treasury book-entry system for receiving and delivering securities, its successors and nominees.

4. **"Business Day"** shall mean any day on which Custodian, Book-Entry System and relevant Depositories are open for business.

5. **"Depository"** shall include the Depository Trust Company and any other securities depository or clearing agency (and their respective successors and nominees) registered with the Securities and Exchange Commission or otherwise authorized to act as a securities depository or clearing agency.

6. **"Oral Instructions"** shall mean instructions received verbally by Custodian.

7. **"U.S. Securities"** shall include, without limitation, common stock and other equity securities, bonds, debentures and other debt securities, notes, mortgages or other obligations, and any instruments representing rights to receive, purchase, or subscribe for the same, or representing any other rights or interests therein (whether represented by a certificate or held in the Book-Entry System, a Depository or on the books of the issuer).

8. **"Written Instructions"** shall mean written communications actually received by Custodian by S.W.I.F.T., tested telex, letter, facsimile transmission, or other method or system specified by Custodian as available for use in connection with the services hereunder.

ARTICLE II
APPOINTMENT OF CUSTODIAN; ACCOUNTS; REPRESENTATIONS AND WARRANTIES

1. Customer hereby appoints Custodian as custodian of all U.S. Securities and cash at any time delivered to Custodian during the term of this Agreement, and authorizes Custodian to hold U.S. Securities in registered form in its name or the name of its nominees. Custodian hereby accepts such appointment and agrees to establish and maintain one or more securities accounts and cash accounts in the name of Customer (collectively, the "Account") in which it will hold U.S. Securities and cash as provided herein.

2. Customer hereby represents and warrants, which representations and warranties shall be continuing and shall be deemed to be reaffirmed upon each Oral or Written Instruction given by Customer, that:

(a) Customer is duly organized and existing under the laws of the jurisdiction of its organization, with full power to carry on its business as now conducted, to enter into this Agreement and to perform its obligations hereunder;

(b) This Agreement has been duly authorized, executed and delivered by Customer, constitutes a valid and legally binding obligation of Customer, enforceable in accordance with its terms, and no statute, regulation, rule, order, judgment or contract binding on Customer prohibits Customer's execution or performance of this Agreement; and

(c) Either Customer owns the U.S. Securities in the Account free and clear of all liens, claims, security interests and encumbrances (except those granted herein) or, if the U.S. Securities are owned beneficially by others, Customer has the right to pledge such U.S. Securities to the extent necessary to secure Customer's obligations hereunder, free of any right of redemption or prior claim by the beneficial owner. Custodian's security interest pursuant to Article V hereof shall be a first lien and security interest subject to no setoffs, counterclaims or other liens prior to or on a parity with it in favor of any other party (other than specific liens granted preferred status by statute), and Customer shall take any and all additional steps which are required to assure Custodian of such priority and status, including notifying third parties or obtaining their consent to, Custodian's security interest..

ARTICLE III
CUSTODY AND RELATED SERVICES

1. Subject to the terms hereof, Customer hereby authorizes Custodian to hold any U.S. Securities received by it from time to time for Customer's account. Custodian shall be entitled to utilize the Book-Entry System and Depositories to the extent possible in connection with its performance hereunder. U.S. Securities and cash deposited by Custodian in the Book-Entry System or a Depository will be held subject to the rules, terms and conditions of the Book-Entry System or such Depository. Custodian shall identify on its books and records the U.S. Securities and cash belonging to Customer, whether held directly or indirectly through the Book-Entry System or a Depository. U.S. Securities and cash of Customer deposited in the Book-Entry System or a Depository will be represented in accounts which include only assets held by Custodian for its customers.

2. Custodian shall furnish Customer with an advice of daily transactions and a monthly summary of all transfers to or from the Accounts. Customer may elect to receive advices, confirmations, reports or statements electronically through the Internet to an email address specified by it for such purpose. By electing to use the Internet for this purpose, Customer acknowledges that such transmissions are not encrypted and therefore are insecure. Customer further acknowledges that there are other risks inherent in communicating through the Internet such as the possibility of virus contamination and disruptions in service, and agrees that Custodian shall not be responsible for any loss, damage or expense suffered or incurred by Customer or any person claiming by or through Customer as a result of the use of such methods.

3. With respect to all U.S. Securities held in the Account, Custodian shall, unless otherwise instructed to the contrary:

(a) Receive all income and other payments and advise Customer as promptly as practicable of any such amounts due but not paid;

(b) Present for payment and receive the amount paid upon all U.S. Securities which may mature and advise Customer as promptly as practicable of any such amounts due but not paid;

(c) Forward to Customer all information or documents that it may receive from an issuer of U.S. Securities which, in the opinion of Custodian, are intended for the beneficial owner of U.S. Securities;

(d) Execute, as custodian, any certificates of ownership, affidavits, declarations or other certificates under any tax laws now or hereafter in effect in connection with the collection of bond and note coupons;

(e) Hold directly, or through the Book-Entry System or a Depository, all rights and similar U.S. Securities issued with respect to any U.S. Securities credited to the Account hereunder; and

(f) Endorse for collection checks, drafts or other negotiable instruments.

4. (a) Custodian shall notify Customer of such rights or discretionary actions or of the date or dates by when such rights must be exercised or such action must be taken provided that Custodian has received, from the issuer or the relevant Depository, timely notice of such rights or discretionary corporate action or of the date or dates such rights must be exercised or such action must be taken. Absent actual receipt of such notice, Custodian shall have no liability for failing to so notify Customer.

(b) Whenever U.S. Securities (including, but not limited to, warrants, options, tenders, options to tender or non-mandatory puts or calls) confer optional rights on Customer or provide for discretionary action or alternative courses of action by Customer, Customer shall be responsible for making any decisions relating thereto and for directing Custodian to act. In order for Custodian to act, it must receive Customer's Written Instructions at Custodian's offices, addressed as Custodian may from time to time request, not later than noon (California time) at least two (2) Business Days prior to the last scheduled date to act with respect to such U.S. Securities (or such earlier date or time as Custodian may notify Customer). Absent Custodian's timely receipt of such Written

Instructions, Custodian shall not be liable for failure to take any action relating to or to exercise any rights conferred by such U.S. Securities.

5. Custodian will make available to Customer proxy voting services upon the request of, Customer in accordance with terms and conditions to be mutually agreed upon by Custodian and Customer.

6. Custodian shall promptly advise Customer upon its notification of the partial redemption, partial payment or other action affecting less than all U.S. Securities of the relevant class. If Custodian or Depository holds any such U.S. Securities in which Customer has an interest as part of a fungible mass, Custodian or Depository may select the U.S. Securities to participate in such partial redemption, partial payment or other action in any non-discriminatory manner that it customarily uses to make such selection.

7. Custodian shall not under any circumstances accept bearer interest coupons which have been stripped from United States federal, state or local government or agency securities unless explicitly agreed to by Custodian in writing.

8. To the extent that Custodian has agreed to provide pricing or other information services in connection with this Agreement, Custodian is authorized to utilize any vendor (including brokers and dealers of Securities) reasonably believed by Custodian to be reliable to provide such information. Customer understands that certain pricing information with respect to complex financial instruments (e.g., derivatives) may be based on calculated amounts rather than actual market transactions and may not reflect actual market values, and that the variance between such calculated amounts and actual market values may or may not be material. Where vendors do not provide information for particular Securities or other property, an Authorized Person may advise Custodian regarding the fair market value of, or provide other information with respect to, such Securities or property as determined by it in good faith. Custodian shall not be liable for any loss, damage or expense incurred as a result of errors or omissions with respect to any pricing or other information utilized by Custodian hereunder.

9. As an accommodation to Customer, Custodian may provide consolidated recordkeeping services pursuant to which Custodian reflects on Account statements Securities not held in Custodian's vault or for which Custodian or its nominee is not the registered owner ("Non-Custody Securities"). Non-Custody Securities shall be designated on Custodian's books as "shares not held" or by other similar characterization. Customer acknowledges and agrees that it shall have no security entitlement against Custodian with respect to Non-Custody Securities, that Custodian shall rely, without independent verification, on information provided by Customer regarding Non-Custody Securities (including but not limited to positions and market valuations) and that Custodian shall have no responsibility whatsoever with respect to Non-Custody Securities or the accuracy of any information maintained on Custodian's books or set forth on account statements concerning Non-Custody Securities.

10. From time to time Custodian may make available to Customer or its agent(s) certain computer programs, products, services, reports or information (including, without limitation, information obtained by Custodian from third parties and information reflecting Custodian's input, evaluation and interpretation (collectively, "Tools"). Tools may allow Customer or its agent(s) to perform certain analytic, accounting, compliance, reconciliation and other functions with respect to the Account. By way of example, Tools may assist Customer or its agent(s) in analyzing the performance of investment managers appointed by Customer, determining on a post-trade basis whether transactions for the Account comply with Customer's investment guidelines, evaluating assets at risk, and performing account reconciliations. Tools may be used only for Customer's internal purposes, and may not be resold, redistributed or otherwise made available to third parties. Tools are the sole and exclusive property of Custodian and its suppliers. Customer may not reverse engineer or decompile any computer programs provided by the Custodian comprising, or provided as a part of, any Tools. Information supplied by third parties may be incorrect or incomplete, and any information, reports, analytics or other services supplied by Custodian that rely on information from third parties may also be incorrect or incomplete. All Tools are provided "AS IS", whether or not they are modified to meet specific needs of Customer and regardless of whether Custodian is compensated by Customer for providing such Tools. CUSTODIAN DISCLAIMS ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE TOOLS, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, TITLE, NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE. ANYTHING IN THIS AGREEMENT TO THE CONTRARY NOTWITHSTANDING, CUSTODIAN AND ITS SUPPLIERS SHALL NOT BE LIABLE FOR ANY LOSS, COST, EXPENSE, DAMAGE, LIABILITY OR CLAIM SUFFERED OR INCURRED BY CUSTOMER, ITS AGENT(S) OR ANY OTHER PERSON AS A RESULT OF USE OF, INABILITY TO USE, OR RELIANCE UPON ANY TOOLS.

11. With respect to Securities issued in the United States, the Shareholders Communications Act of 1985 (the "Act") requires Custodian to disclose to the issuers, upon their request, the name, address and securities position of its customers who are (a) the "beneficial owners" (as defined in the Act) of the issuer's Securities, if the beneficial owner does not object to such disclosure, or (b) acting as a "respondent bank" (as defined in the Act) with respect to the Securities. (Under the Act, "respondent banks" do not have the option of objecting to such disclosure upon the issuers' request.) The Act defines a "beneficial owner" as any person who has, or shares, the power to vote a security (pursuant to an agreement or otherwise), or who directs the voting of a security. The Act defines a "respondent bank" as any bank, association or other entity that exercises fiduciary powers which holds securities on behalf of

beneficial owners and deposits such securities for safekeeping with a bank, such as Custodian. Under the Act, Customer is either the "beneficial owner" or a "respondent bank."

[ ] Customer is the "beneficial owner," as defined in the Act, of the Securities to be held by Custodian hereunder.
[ ] Customer is not the beneficial owner of the Securities to be held by Custodian, but is acting as a "respondent bank," as defined in the Act, with respect to the Securities to be held by Custodian hereunder.

IF NO BOX IS CHECKED, CUSTODIAN SHALL ASSUME THAT CUSTOMER IS THE BENEFICIAL OWNER OF THE SECURITIES.

For beneficial owners of the Securities only:

[ ] Customer objects
[ ] Customer does not object

to the disclosure of its name, address and securities position to any issuer which requests such information pursuant to the Act for the specific purpose of direct communications between such issuer and Customer.

IF NO BOX IS CHECKED, CUSTODIAN SHALL RELEASE SUCH INFORMATION UNTIL IT RECEIVES A CONTRARY WRITTEN INSTRUCTION FROM CUSTOMER.

ARTICLE IV
PURCHASE AND SALE OF U.S. SECURITIES;
CREDITS TO ACCOUNT

1. Promptly after each purchase or sale of U.S. Securities by Customer, an Authorized Person shall deliver to Custodian Written Instructions specifying all information necessary for Custodian to settle such purchase or sale. Custodian shall account for all purchases and sales of U.S. Securities on the actual settlement date unless otherwise agreed by Custodian.

2. Customer understands that when Custodian is instructed to deliver U.S. Securities against payment, delivery of such U.S. Securities and receipt of payment therefor may not be completed simultaneously. Customer assumes full responsibility for all credit risks involved in connection with Custodian's delivery of U.S. Securities pursuant to instructions of Customer.

3. Custodian may, as a matter of bookkeeping convenience or by separate agreement with Customer, credit the Account with the proceeds from the sale, redemption or other disposition of U.S. Securities or interest, dividends or other distributions payable on U.S. Securities prior to its actual receipt of final payment therefor. All such credits shall be conditional until Custodian's actual receipt of final payment and may be reversed by Custodian to the extent that final payment is not received. Payment with respect to a transaction will not be "final" until Custodian shall have received immediately available funds which under applicable law or rule are irreversible and not subject to any security interest, levy or other encumbrance, and which are specifically applicable to such transaction.

ARTICLE V
OVERDRAFTS OR INDEBTEDNESS

If Custodian in its sole discretion advances funds to Customer or there shall arise for whatever reason an overdraft in the Account (including, without limitation, overdrafts incurred in connection with the settlement of securities transactions or funds transfers) or if Customer is for any other reason indebted to Custodian, Customer agrees to repay Custodian on demand the amount of the advance, overdraft or indebtedness plus accrued interest at a rate ordinarily charged by Custodian to its institutional custody customers. In order to secure repayment of Customer's obligations to Custodian hereunder, Customer hereby agrees that Custodian shall have a continuing lien and security interest in, and right of set-off against, all U.S. Securities, money and other property now or hereafter held in the Account (including proceeds thereof), and any other property at any time held by it for the account of Customer. In this regard, Custodian shall be entitled to all the rights and remedies of a pledgee under common law and a secured party under the applicable Uniform Commercial Code and any other applicable laws, rules or regulations as then in effect.

ARTICLE VI
CONCERNING CUSTODIAN

1. (a) Except as otherwise expressly provided herein, Custodian shall not be liable for any costs, expenses, damages, liabilities or claims including attorneys' and accountants' fees (collectively, "Losses") incurred by or asserted against Customer, except those Losses arising out of the negligence or wilful misconduct of Custodian. Custodian shall have no obligation hereunder for Losses

which are sustained or incurred by reason of any action or inaction by the Book-Entry System or any Depository or issuer of Securities. In no event shall Custodian be liable to Customer or any third party for special, indirect or consequential damages, or lost profits or loss of business, arising in connection with this Agreement.

(b) Customer agrees to indemnify Custodian and hold Custodian harmless from and against any and all Losses sustained or incurred by or asserted against Custodian by reason of or as a result of any action or inaction, or arising out of Custodian's performance hereunder, including reasonable fees and expenses of counsel incurred by Custodian in a successful defense of claims by Customer; provided, that Customer shall not indemnify Custodian for those Losses arising out of Custodian's negligence or wilful misconduct. This indemnity shall be a continuing obligation of Customer, its successors and assigns, notwithstanding the termination of this Agreement.

2. Without limiting the generality of the foregoing, Custodian shall be under no obligation to inquire into, and shall not be liable for, any losses incurred by Customer or any other person as a result of the receipt or acceptance of fraudulent, forged or invalid U.S. Securities, or U.S. Securities which are otherwise not freely transferable or deliverable without encumbrance.

3. Custodian may, with respect to questions of law specifically regarding the Account, obtain the advice of counsel and shall be fully protected with respect to anything done or omitted by it in good faith in conformity with such advice.

4. Custodian shall be under no obligation to take action to collect any amount payable on U.S. Securities in default, or if payment is refused after due demand and presentment.

5. Custodian shall have no duty or responsibility to inquire into, make recommendations, supervise, or determine the suitability of any transactions affecting any Account.

6. Customer shall pay to Custodian the fees and charges as may be specifically agreed upon from time to time and such other fees and charges at Custodian's standard rates for such services as may be applicable. Customer shall reimburse Custodian for all costs associated with the conversion of Customer's U.S. Securities hereunder and the transfer of U.S. Securities and records kept in connection with this Agreement. Customer shall also reimburse Custodian for out-of-pocket expenses which are a normal incident of the services provided hereunder. Custodian may debit the Account for amounts payable hereunder which remain in arrears for over 60 days.

7. In addition to the rights of Custodian under applicable law and other agreements, at any time when Customer shall not have honored any and all of its obligations to Custodian, Custodian shall have the right without notice to Customer to retain or set-off, against such obligations of Customer, any U.S. Securities or cash Custodian or a BNYM Affiliate may directly or indirectly hold for the account of Customer, and any obligations (whether matured or unmatured) that Custodian or a BNYM Affiliate may have to Customer. Any such asset of, or obligation to, Customer may be transferred to Custodian and any BNYM Affiliate in order to effect the above rights.

8. (a) Subject to the terms below, Custodian shall be entitled to rely upon any Written or Oral Instructions actually received by Custodian and reasonably believed by Custodian to be duly authorized and delivered. Customer agrees that an Authorized Person shall forward to Custodian Written Instructions confirming Oral Instructions by the close of business of the same day that such Oral Instructions are given to Custodian. Customer agrees that the fact that such confirming Written Instructions are not received or that contrary Written Instructions are received by Custodian shall in no way affect the validity or enforceability of transactions authorized by such Oral Instructions and effected by Custodian.

(b) If Custodian receives Written Instructions which appear on their face to have been transmitted by an Authorized Person via (i) computer facsimile, email, the Internet or other insecure electronic method, or (ii) secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, Customer understands and agrees that Custodian cannot determine the identity of the actual sender of such Written Instructions and that Custodian shall conclusively presume that such Written Instructions have been sent by an Authorized Person. Customer shall be responsible for ensuring that only Authorized Persons transmit such Written Instructions to Custodian and that all Authorized Persons treat applicable user and authorization codes, passwords and/or authentication keys with extreme care.

(c) Customer acknowledges and agrees that it is fully informed of the protections and risks associated with the various methods of transmitting Written Instructions to Custodian and that there may be more secure methods of transmitting Written Instructions than the method(s) selected by Customer. Customer agrees that the security procedures (if any) to be followed in connection with its transmission of Written Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

(d) If Customer elects to transmit Written Instructions through an on-line communication system offered by Custodian, Customer's use thereof shall be subject to the Terms and Conditions attached hereto as Appendix I. If Customer elects (with Custodian's prior consent) to transmit written instructions through an on-line communications service owned or operated by a third party, Customer agrees that Custodian shall not be responsible or liable for the reliability or availability of any such service.

9. Upon reasonable request and provided Custodian shall suffer no significant disruption of its normal activities, Customer shall have access to Custodian's books and records relating to the Account during Custodian's normal business hours. Upon reasonable request, copies of any such books and records shall be provided to Customer at Customer's expense.

10. It is understood that Custodian is authorized to supply any information regarding the Account which is required by any law, regulation or rule now or hereafter in effect.

11. Custodian shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; it being understood that Custodian shall use its best efforts to resume performance as soon as practicable under the circumstances.

12. Custodian is hereby authorized to assign its rights and delegate its duties hereunder to any BNYM Affiliate, whenever and on such terms and conditions as it deems necessary or appropriate to perform its services hereunder, without any further notice to Customer. Customer agrees to be bound by all actions taken by a BNYM Affiliate pursuant to the preceding sentence to the same extent as if they were taken by Custodian, it being understood and agreed that no such assignment or delegation shall discharge Custodian from its obligations hereunder. Customer each further agrees that any BNYM Affiliate providing services pursuant to the foregoing authorization shall be entitled to all of the protections afforded to Custodian under this Agreement (including, without limitation, pursuant to Articles V and VI). If so advised by Custodian, Customer shall provide Oral or Written Instructions or other information to a BNYM Affiliate rather than to Custodian.

13. Custodian shall have no duties or responsibilities whatsoever except such duties and responsibilities as are specifically set forth in this Agreement, and no covenant or obligation shall be implied against Custodian in connection with this Agreement.

ARTICLE VII
TERMINATION

Either party may terminate this Agreement by giving to the other party a notice in writing specifying the date of such termination, which shall be not less than ninety (90) days after the date of such notice. Upon termination hereof, Customer shall pay to Custodian such compensation as may be due to Custodian, and shall likewise reimburse Custodian for other amounts payable or reimbursable to Custodian hereunder. Custodian shall follow such reasonable Oral or Written Instructions concerning the transfer of custody of records, U.S. Securities and other items as Customer shall give; provided, that (a) Custodian shall have no liability for shipping and insurance costs associated therewith, and (b) full payment shall have been made to Custodian of its compensation, costs, expenses and other amounts to which it is entitled hereunder. If any U.S. Securities or cash remain in the Account, Custodian may deliver to Customer such U.S. Securities and cash. Upon termination of this Agreement, except as otherwise provided herein, all obligations of the parties to each other hereunder shall cease.

ARTICLE VIII
MISCELLANEOUS

1. Customer agrees to furnish to Custodian a new Certificate of Authorized Persons in the event of any change in the then present Authorized Persons. Until such new Certificate is received, Custodian shall be fully protected in acting upon Oral Instructions and Written Instructions of such present Authorized Persons.

2. Any notice or other instrument in writing, authorized or required by this Agreement to be given to Custodian, shall be sufficiently given if addressed to Custodian and received by it at its offices at: **Los Angeles Office**: 700 South Flower Street, Suite 200, Los Angeles, California 90017-4104; **San Francisco Office**: 550 Kearny St., Suite 600, San Francisco, California 94108; **Seattle Office**: Two Union Square, 601 Union Street, Suite 520, Seattle, Washington 98101-2321; **Jacksonville Office**: 10161 Centurion Parkway, Jacksonville, Florida 32256, or at such other place as Custodian may from time to time designate in writing.

3. Any notice or other instrument in writing, authorized or required by this Agreement to be given to Customer shall be sufficiently given if addressed to Customer and received by it at its offices at ______________________________, or at such other place as Customer may from time to time designate in writing.

4. Each and every right granted to either party hereunder or under any other document delivered hereunder or in connection herewith, or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of either party to exercise, and no delay in exercising, any right will operate as a waiver thereof, nor will any single or partial exercise by either party of any right preclude any other or future exercise thereof or the exercise of any other right.

5. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations shall not in any way be affected thereby. This Agreement may not be amended or modified in any manner except by a written agreement executed by both parties. This Agreement shall extend to and shall be binding upon the parties hereto, and their respective successors and assigns; provided however, that this Agreement shall not be assignable by either party without the written consent of the other.

6. (a) This Agreement shall be construed in accordance with the substantive laws of the State of California, without regard to conflicts of laws principles thereof. Customer and Custodian hereby consent to the jurisdiction of a state or federal court situated in California in connection with any dispute arising hereunder. Customer hereby irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any such proceeding brought in such a court and any claim that such proceeding brought in such a court has been brought in an inconvenient forum. Customer and Custodian each hereby irrevocably waives any and all rights to trial by jury in any legal proceeding arising out of or relating to this Agreement.

(b) The parties hereto agree that the establishment and maintenance of the Account, and all interests, duties and obligations with respect thereto, shall be governed by the laws of the State of California.

(c) **For Governmental Entities**: To the extent that in any jurisdiction Customer may now or hereafter be entitled to claim, for itself or its assets, immunity from suit, execution, attachment (before or after judgment) or other legal process, Customer irrevocably agrees not to claim, and it hereby waives, such immunity.

7. The parties hereto agree that in performing hereunder, Custodian is acting solely on behalf of Customer and no contractual or service relationship shall be deemed to be established hereby between Custodian and any other person.

8. Customer hereby acknowledges that Custodian is subject to federal laws, including the Customer Identification Program (CIP) requirements under the USA PATRIOT Act and its implementing regulations, pursuant to which Custodian must obtain, verify and record information that allows Custodian to identify Customer. Accordingly, prior to opening an Account hereunder Custodian will ask Customer to provide certain information including, but not limited to, Customer's name, physical address, tax identification number and other information that will help Custodian to identify and verify Customer's identity such as organizational documents, certificate of good standing, license to do business, or other pertinent identifying information. Customer agrees that Custodian cannot open an Account hereunder unless and until the Custodian verifies the Customer's identity in accordance with its CIP.

9. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts shall, together, constitute only one instrument.

CUSTODY AGREEMENT

Agreement No. P11-0015 D

CITY OF PEORIA, ARIZONA
A Municipal Corporation

for Herman Koebergen, Materials Manager
City of Peoria

Approved as to form:

Ellen Van Riper, Assistant City Attorney

for Stephen M. Kemp, City Attorney
City of Peoria

Attested by:

Wanda Nelson

Wanda Nelson, City Clerk
City of Peoria

02/10/2011
Date

IN WITNESS WHEREOF, Customer and Custodian have caused this Agreement to be executed by their respective officers, thereunto duly authorized, as of the day and year first above written.

____

By:__________________________________

Title:

Tax Identification No:

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION

By:__________________________________

Title:

bnywus.doc
(7/08)

APPENDIX I

ELECTRONIC SERVICES TERMS AND CONDITIONS

1. License; Use. (a) This Appendix I shall govern Customer's use of electronic communications, information delivery, portfolio management and banking services, that The Bank of New York Mellon and its affiliates ("BNYM") may provide to Customer, such as The Bank of New York Mellon Inform ™ and The Bank of New York Mellon CA$H-Register Plus®, and any computer software, proprietary data and documentation provided by BNYM to Customer in connection therewith (collectively, the **"Electronic Services"**). In the event of any conflict between the terms of this Appendix I and the main body of this Agreement with respect to Customer's use of the Electronic Services, the terms of this Appendix I shall control.

(b) BNYM grants to Customer a personal, nontransferable and nonexclusive license to use the Electronic Services to which Customer subscribes solely for the purpose of transmitting instructions and information ("Written Instructions"), obtaining reports, analyses and statements and other information and data, making inquiries and otherwise communicating with BNYM in connection with the Customer's relationship with BNYM. Customer shall use the Electronic Services solely for its own internal and proper business purposes and not in the operation of a service bureau. Except as set forth herein, no license or right of any kind is granted to Customer with respect to the Electronic Services. Customer acknowledges that BNYM and its suppliers retain and have title and exclusive proprietary rights to the Electronic Services, including any trade secrets or other ideas, concepts, know-how, methodologies, and information incorporated therein and the exclusive rights to any copyrights, trade dress, look and feel, trademarks and patents (including registrations and applications for registration of either), and other legal protections available in respect thereof. Customer further acknowledges that all or a part of the Electronic Services may be copyrighted or trademarked (or a registration or claim made therefor) by BNYM or its suppliers. Customer shall not take any action with respect to the Electronic Services inconsistent with the foregoing acknowledgments, nor shall Customer attempt to decompile, reverse engineer or modify the Electronic Services. Customer may not copy, distribute, sell, lease or provide, directly or indirectly, the Electronic Services or any portion thereof to any other person or entity without BNYM's prior written consent. Customer may not remove any statutory copyright notice or other notice included in the Electronic Services. Customer shall reproduce any such notice on any reproduction of any portion of the Electronic Services and shall add any statutory copyright notice or other notice upon BNYM's request.

(c) Portions of the Electronic Services may contain, deliver or rely on data supplied by third parties ("Third Party Data"), such as pricing data and indicative data, and services supplied by third parties ("Third Party Services") such as analytic and accounting services. Third Party Data and Third Party Services supplied hereunder are obtained from sources that BNYM believes to be reliable but are provided without any independent investigation by BNYM. BNYM and its suppliers do not represent or warrant that the Third Party Data or Third Party Services are correct, complete or current. Third Party Data and Third Party Services are proprietary to their suppliers, are provided solely for Customer's internal use, and may not be reused, disseminated or redistributed in any form. Customer shall not use any Third Party Data in any manner that would act as a substitute for obtaining a license for the data directly from the supplier. Third Party Data and Third Party Services should not be used in making any investment decision. BNYM AND ITS SUPPLIERS ARE NOT RESPONSIBLE FOR ANY RESULTS OBTAINED FROM THE USE OF OR RELIANCE UPON THIRD PARTY DATA OR THIRD PARTY SERVICES. BNYM's suppliers of Third Party Data and Services are intended third party beneficiaries of this Section 1(c) and Section 5 below.

(d) Customer understands and agrees that any links in the Electronic Services to Internet sites may be to sites sponsored and maintained by third parties. BNYM make no guarantees, representations or warranties concerning the information contained in any third party site (including without limitation that such information is correct, current, complete or free of viruses or other contamination), or any products or services sold through third party sites. All such links to third party Internet sites are provided solely as a convenience to Customer and Customer accesses and uses such sites at its own risk. A link in the Electronic Services to a third party site does not constitute BNYM's endorsement, authorisation or sponsorship of such site or any products and services available from such site.

2. Equipment. Customer shall obtain and maintain at its own cost and expense all equipment and services, including but not limited to communications services, necessary for it to utilize and obtain access to the Electronic Services, and BNYM shall not be responsible for the reliability or availability of any such equipment or services.

3. Proprietary Information. The Electronic Services, and any proprietary data (including Third Party Data), processes, software, information and documentation made available to Customer (other than which are or become part of the public domain or are legally required to be made available to the public) (collectively, the "Information"), are the exclusive and confidential property of BNYM or its suppliers. However, for the avoidance of doubt, reports generated by Customer containing information relating to its account(s) (except for Third Party Data contained therein) are not deemed to be within the meaning of the term "Information." Customer shall keep the Information confidential by using the same care and discretion that Customer uses with respect to its own confidential property and trade secrets, but not less than reasonable care. Upon termination of the Agreement or the licenses granted herein for any reason, Customer shall return to BNYM any and all copies of the Information which are in its possession or under its control (except that Customer may retain reports containing Third Party Data, provided that such Third Party Data remains subject to the provisions of this Appendix). The provisions of this Section 3 shall not affect the copyright status of any of the Information which may be copyrighted and shall apply to all information whether or not copyrighted.

4. Modifications. BNYM reserves the right to modify the Electronic Services from time to time. Customer agrees not to modify or attempt to modify the Electronic Services without BNYM's prior written consent. Customer acknowledges that any modifications to the Electronic Services, whether by Customer or BNYM and whether with or without BNYM's consent, shall become the property of BNYM.

5. NO REPRESENTATIONS OR WARRANTIES; LIMITATION OF LIABILITY. BNYM AND ITS MANUFACTURERS AND SUPPLIERS MAKE NO WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE ELECTRONIC SERVICES OR ANY THIRD PARTY DATA OR THIRD PARTY SERVICES, EXPRESS OR IMPLIED, IN FACT OR IN LAW, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE. CUSTOMER ACKNOWLEDGES THAT THE ELECTRONIC SERVICES, THIRD PARTY DATA AND THIRD PARTY SERVICES ARE PROVIDED "AS IS." TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL BNYM OR ANY SUPPLIER BE LIABLE FOR ANY DAMAGES, WHETHER DIRECT, INDIRECT SPECIAL, OR CONSEQUENTIAL, WHICH CUSTOMER MAY INCUR IN CONNECTION WITH THE ELECTRONIC SERVICES, THIRD PARTY DATA OR THIRD PARTY SERVICES, EVEN IF BNYM OR SUCH SUPPLIER KNEW OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL BNYM OR ANY SUPPLIER BE LIABLE FOR ACTS OF GOD, MACHINE OR COMPUTER BREAKDOWN OR MALFUNCTION, INTERRUPTION OR MALFUNCTION OF COMMUNICATION FACILITIES, LABOR DIFFICULTIES OR ANY OTHER SIMILAR OR DISSIMILAR CAUSE BEYOND THEIR REASONABLE CONTROL.

6. Security; Reliance; Unauthorized Use; Funds Transfers. BNYM will establish security procedures to be followed in connection with the use of the Electronic Services, and Customer agrees to comply with the security procedures. Customer understands and agrees that the security procedures are intended to determine whether instructions received by BNYM through the Electronic Services are authorized but are not (unless otherwise specified in writing) intended to detect any errors contained in such instructions. Customer will cause all persons utilizing the Electronic Services to treat any user and authorization codes, passwords,

authentication keys and other security devices with the highest degree of care and confidentiality. Upon termination of Customer's use of the Electronic Services, Customer shall return to BNYM any security devices (e.g., token cards) provided by BNYM. BNYM is hereby irrevocably authorized to comply with and rely upon on Written Instructions and other communications, whether or not authorized, received by it through the Electronic Services. Customer acknowledges that it has sole responsibility for ensuring that only Authorized Persons use the Electronic Services and that to the fullest extent permitted by applicable law BNYM shall not be responsible nor liable for any unauthorized use thereof or for any losses sustained by Customer arising from or in connection with the use of the Electronic Services or BNYM's reliance upon and compliance with Written Instructions and other communications received through the Electronic Services. With respect to instructions for a transfer of funds issued through the Electronic Services, when instructed to credit or pay a party by both name and a unique numeric or alpha-numeric identifier (e.g. ABA number or account number), the BNYM, its affiliates, and any other bank participating in the funds transfer, may rely solely on the unique identifier, even if it identifies a party different than the party named. Such reliance on a unique identifier shall apply to beneficiaries named in such instructions as well as any financial institution which is designated in such instructions to act as an intermediary in a funds transfer. It is understood and agreed that unless otherwise specifically provided herein, and to the extent permitted by applicable law, the parties hereto shall be bound by the rules of any funds transfer system utilized to effect a funds transfer hereunder.

7. Acknowledgments. BNYM shall acknowledge through the Electronic Services its receipt of each Written Instruction communicated through the Electronic Services, and in the absence of such acknowledgment BNYM shall not be liable for any failure to act in accordance with such Written Instruction and Customer may not claim that such Written Instruction was received by BNYM. BNYM may in its discretion decline to act upon any instructions or communications that are insufficient or incomplete or are not received by BNYM in sufficient time for BNYM to act upon, or in accordance with such instructions or communications.

8. Viruses. Customer agrees to use reasonable efforts to prevent the transmission through the Electronic Services of any software or file which contains any viruses, worms, harmful component or corrupted data and agrees not to use any device, software, or routine to interfere or attempt to interfere with the proper working of the Electronic Services.

9. Encryption. Customer acknowledges and agrees that encryption may not be available for every communication through the Electronic Services, or for all data. Customer agrees that BNYM may deactivate any encryption features at any time, without notice or liability to Customer, for the purpose of maintaining, repairing or troubleshooting its systems.

10. On-Line Inquiry and Modification of Records. In connection with Customer's use of the Electronic Services, BNYM may, at Customer's request, permit Customer to enter data directly into a BNYM database for the purpose of modifying certain information maintained by BNYM's systems, including, but not limited to, change of address information. To the extent that Customer is granted such access, Customer agrees to indemnify and hold BNYM harmless from all loss, liability, cost, damage and expense (including attorney's fees and expenses) to which BNYM may be subjected or which may be incurred in connection with any claim which may arise out of or as a result of changes to BNYM database records initiated by Customer.

11. Agents. Customer may, on advance written notice to the BNYM, permit its agents and contractors ("Agents") to access and use the Electronic Services on Customer's behalf, except that the BNYM reserves the right to prohibit Customer's use of any particular Agent for any reason. Customer shall require its Agent(s) to agree in writing to be bound by the terms of the Agreement, and Customer shall be liable and responsible for any act or omission of such Agent in the same manner, and to the same extent, as though such act or omission were that of Customer. Each submission of a Written Instruction or other communication by the Agent through the Electronic Services shall constitute a representation and warranty by the Customer that the Agent continues to be duly authorized by the Customer to so act on its behalf and the BNYM may rely on the representations and warranties made herein in complying with such Written Instruction or communication. Any Written Instruction or other communication through the Electronic Services by an Agent shall be deemed that of Customer, and Customer shall be bound thereby whether or not authorized. Customer may, subject to the terms of this Agreement and upon advance written notice to the Bank, provide a copy of the Electronic Service user manuals to its Agent if the Agent requires such copies to use the Electronic Services on Customer's behalf. Upon cessation of any such Agent's services, Customer shall promptly terminate such Agent's access to the Electronic Services, retrieve from the Agent any copies of the manuals and destroy them, and retrieve from the Agent any token cards or other security devices provided by BNYM and return them to BNYM.

CERTIFICATE OF AUTHORIZED PERSONS
(Customer - Oral and Written Instructions)

The undersigned hereby certifies that he/she is the duly elected and acting ______________________ of ____ (the "Corporation"), and further certifies that the following officers or employees of the Corporation have been duly authorized in conformity with the Corporation's Articles of Incorporation and By-Laws to deliver Oral and Written Instructions to The Bank of New York Mellon Trust Company, National Association ("BNYM") pursuant to the Custody Agreement between the Corporation and BNYM dated _______________, and that the signatures appearing opposite their names are true and correct:

Name	Title	Signature
Name	Title	Signature
Name	Title	Signature
Name	Title	Signature
Name	Title	Signature
Name	Title	Signature
Name	Title	Signature
Name	Title	Signature
Name	Title	Signature

This certificate supercedes any certificate of authorized individuals you may currently have on file.

[corporate
seal]

____

Title:

Date:

CUSTODY ACCOUNT AGENCY AUTHORIZATION

Reference is made to the Custody Agreement (the "Custody Agreement") dated as of ____________________ between ____ ("Customer") and The Bank of New York Mellon Trust Company, National Association ("BNYM").

This is to advise BNYM that for the account(s) identified below Customer has duly authorized the following investment managers (each, an "Investment Manager") to act as Customer's agent for the purpose of delivering Oral and Written Instructions to BNYM (as defined in the Custody Agreement), and to confirm to BNYM that all actions taken by BNYM in reliance upon such authorization shall be binding on Customer.

Investment Manager	**Account Title/Number**
______________________________	____________________
______________________________	____________________
______________________________	____________________
______________________________	____________________
______________________________	____________________
______________________________	____________________
______________________________	____________________
______________________________	____________________

____

[corporate seal]

By ______________________________

Title:

Date:

CERTIFICATE OF AUTHORIZED PERSONS
(Investment Manager - Oral and Written Instructions)

Re: Account Name:

Account Number:

The undersigned hereby certifies that he/she is the duly elected and acting ______________________ of ____ (the "Investment Manager"), and further certifies that the following officers or employees of the Investment Manager have been duly authorized in conformity with the Investment Manager's organizational documents to deliver oral and written instructions to The Bank of New York Mellon Trust Company, National Association ("BNYM") with respect to the above-referenced Account, and that the signatures appearing opposite their names are true and correct:

Name	Title	Signature
______________	______________	______________
______________	______________	______________
______________	______________	______________
______________	______________	______________
______________	______________	______________
______________	______________	______________
______________	______________	______________
______________	______________	______________
______________	______________	______________

This certificate supercedes any certificate of authorized individuals you may currently have on file.

[seal] ______________________________________

Title:

Date:

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[✓] Quarterly Report Pursuant To Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2010

or

[   ] Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Commission File No. 000-52710

THE BANK OF NEW YORK MELLON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	13-2614959
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

One Wall Street
New York, New York 10286
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code -- (212) 495-1784

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No ____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ✓ No ____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [✓]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ____ No ✓

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of June 30, 2010
Common Stock, $0.01 par value	1,214,041,681

THE BANK OF NEW YORK MELLON CORPORATION
SECOND QUARTER 2010 FORM 10-Q
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The Bank of New York Mellon Corporation

Consolidated Financial Highlights (unaudited)

(dollar amounts in millions, except per share amounts and unless otherwise noted)	Quarter ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	**June 30, 2010**	June 30, 2009
Reported results applicable to common shareholders of The Bank of New York Mellon Corporation:					
Net income	**$658**	$ 559	$ 176	**$1,217**	$ 498
Basic EPS	**0.54**	0.46	0.15	**1.00**	0.43
Diluted EPS	**0.54**	0.46	0.15	**1.00**	0.43
Results from continuing operations applicable to common shareholders of The Bank of New York Mellon Corporation:					
Income from continuing operations	**$668**	$ 601	$ 267	**$1,269**	$ 630
Basic EPS from continuing operations	**0.55**	0.50	0.23	**1.04**	0.54
Diluted EPS from continuing operations	**0.55**	0.49	0.23	**1.04**	0.54
Continuing operations:					
Fee and other revenue	**$2,571**	$2,549	$2,257	**$5,120**	$4,393
Income of consolidated asset management funds	**65**	65	-	**130**	-
Net interest revenue	**722**	765	700	**1,487**	1,475
Total revenue	**$3,358**	$3,379	$2,957	**$6,737**	$5,868
Return on common equity *(annualized) (a)(b)*	**8.8%**	8.2%	4.0%	**8.5%**	4.9%
Non-GAAP adjusted *(b)*	**9.5%**	10.6%	6.6%	**10.0%**	8.6%
Return on tangible common equity *(annualized)* –					
Non-GAAP *(b)*	**25.8%**	25.8%	18.4%	**25.7%**	23.2%
Non-GAAP adjusted *(b)*	**25.5%**	30.2%	24.0%	**27.7%**	33.3%
Fee and other revenue as a percent of total revenue	**77%**	75%	76%	**76%**	75%
Annualized fee revenue per employee (based on average headcount) *(in thousands)*	**$241**	$ 244	$ 241	**$243**	$ 238
Percent of non-U.S. fee and net interest revenue including noncontrolling interests related to consolidated asset management funds	**35%**	34%	31%	**35%**	30%
Pre-tax operating margin *(b)*	**30%**	26%	17%	**28%**	18%
Non-GAAP adjusted *(b)*	**32%**	34%	31%	**33%**	32%
Net interest margin (FTE)	**1.74%**	1.89%	1.80%	**1.82%**	1.84% *(c)*
Assets under management ("AUM") at period end *(in billions)*	**$1,047**	$1,105	$ 926	**$1,047**	$ 926
Assets under custody and administration ("AUC") at period end *(in trillions)*	**$ 21.8**	$ 22.4	$ 20.7	**$ 21.8**	$ 20.7
Equity securities	**28%**	30%	27%	**28%**	27%
Fixed income securities	**72%**	70%	73%	**72%**	73%
Cross-border assets at period end *(in trillions)*	**$ 8.3**	$ 8.8	$ 7.8	**$ 8.3**	$ 7.8
Market value of securities on loan at period end *(in billions) (d)*	**$ 248**	$ 253	$ 290	**$ 248**	$ 290
Average common shares and equivalents outstanding *(in thousands)*:					
Basic	**1,204,557**	1,202,533	1,171,081	**1,203,554**	1,158,649
Diluted	**1,208,830**	1,206,286	1,174,466	**1,207,578**	1,160,620

The Bank of New York Mellon Corporation

Consolidated Financial Highlights (unaudited) (continued)

(dollar amounts in millions, except per share amounts and unless otherwise noted)	Quarter ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	**June 30, 2010**	June 30, 2009
Capital ratios *(e)*:					
Tier 1 capital ratio	**13.5%**	13.3%	12.5%	**13.5%**	12.5%
Total (Tier 1 plus Tier 2) capital ratio	**17.2%**	17.2%	16.0%	**17.2%**	16.0%
Common shareholders' equity to total assets ratio *(b)*	**12.9%**	13.5%	13.4%	**12.9%**	13.4%
Tangible common shareholders' equity to tangible assets of operations ratio – Non-GAAP *(b)*	**6.3%**	6.1%	4.8%	**6.3%**	4.8%
Tier 1 common equity to risk-weighted assets ratio *(b)*	**11.9%**	11.6%	11.1%	**11.9%**	11.1%
Return on average assets *(annualized) (a)*	**1.17%**	1.09%	0.52%	**1.13%**	0.60%
Selected average balances:					
Interest-earning assets	**$167,119**	$163,429	$157,265	**$165,285**	$162,318 *(f)*
Assets of operations	**$216,801**	$212,685	$208,533	**$214,755**	$214,294
Total assets	**$228,841**	$225,415	$208,533	**$227,138**	$214,294
Interest-bearing deposits	**$ 99,963**	$101,034	$ 98,896	**$100,496**	$100,430 *(f)*
Noninterest-bearing deposits	**$ 34,628**	$ 33,330	$ 32,852	**$ 33,983**	$ 37,924 *(f)*
Total The Bank of New York Mellon Corporation shareholders' equity	**$ 30,434**	$ 29,715	$ 28,934	**$ 30,076**	$ 28,458
Other information at period end:					
Employees	**42,700**	42,300	41,800	**42,700**	41,800
Cash dividends per common share	**$ 0.09**	$ 0.09	$ 0.09	**$ 0.18**	$ 0.33
Dividend yield *(annualized)*	**1.5%**	1.2%	1.2%	**1.5%**	2.3%
Closing common stock price per common share	**$ 24.69**	$ 30.88	$ 29.31	**$ 24.69**	$ 29.31
Market capitalization	**$ 29,975**	$ 37,456	$ 35,255	**$ 29,975**	$ 35,255
Book value per common share *(b)*	**$ 25.04**	$ 24.47	$ 22.68	**$ 25.04**	$ 22.68
Tangible book value per common share – Non-GAAP *(b)*	**$ 9.33**	$ 8.69	$ 6.60	**$ 9.33**	$ 6.60
Common shares outstanding *(in thousands)*	**1,214,042**	1,212,941	1,202,828	**1,214,042**	1,202,828

(a) Return on common equity on a net income basis was 8.7% for the second quarter of 2010, 7.6% for the first quarter of 2010, 2.7% for the second quarter of 2009, 8.2% for the first six months of 2010 and 3.9% for the first six months of 2009. Return on average assets on a net income basis was 1.15% for the second quarter of 2010, 1.01% for the first quarter of 2010, 0.34% for the second quarter of 2009, 1.08% for the first six months of 2010 and 0.47% for the first six months of 2009. Return on average assets was calculated on a continuing operations basis even though the prior period balance sheets, in accordance with GAAP, have not been restated for discontinued operations.

(b) See Supplemental Information beginning on page 50 for a calculation of these ratios.

(c) Calculated on a continuing operations basis, even though the prior period balance sheet in accordance with GAAP has not been restated for discontinued operations.

(d) Represents the total amount of securities on loan, both cash and non-cash, managed by the Asset Servicing segment.

(e) Includes discontinued operations.

(f) Excludes the impact of discontinued operations.

Part I – Financial Information

Items 2. and 3. Management's Discussion and Analysis of Financial Condition and Results of Operations; Quantitative and Qualitative Disclosures about Market Risk

General

In this Quarterly Report on Form 10-Q, references to "our," "we," "us," "BNY Mellon," the "Company," and similar terms refer to The Bank of New York Mellon Corporation.

Certain business terms used in this document are defined in the glossary included in our 2009 Annual Report on Form 10-K.

The following should be read in conjunction with the Consolidated Financial Statements included in this report. Investors should also read the section entitled "Forward-looking Statements."

How we reported results

All information in this Quarterly Report on Form 10-Q is reported on a continuing operations basis, unless otherwise noted. For a description of discontinued operations, see Note 4 to the Notes to Consolidated Financial Statements.

Throughout this Form 10-Q, certain measures, which are noted, exclude certain items. BNY Mellon believes that these measures are useful to investors because they permit a focus on period-to-period comparisons, which relate to our ability to enhance revenues and limit expenses in circumstances where such matters are within our control. We also present certain amounts on a fully taxable equivalent ("FTE") basis. We believe that this presentation allows for comparison of amounts arising from both taxable and tax-exempt sources and is consistent with industry practice. The adjustment to an FTE basis has no impact on net income. See "Supplemental information – Explanation of Non-GAAP financial measures" beginning on page 50 for a reconciliation of financial measures presented in accordance with GAAP to adjusted Non-GAAP financial measures.

In the first quarter of 2010, we adopted ASU 2009-16, "Accounting for Transfers of Financial Assets" and ASU 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities." For a discussion of ASU 2009-16 and ASU 2009-17, see Notes 2 and 13 in the Notes to Consolidated Financial Statements.

Overview

BNY Mellon is a global leader in providing a comprehensive array of services that enable institutions and individuals to manage and service their financial assets, operating in 36 countries and serving more than 100 markets worldwide. We strive to be the global provider of choice for asset and wealth management and institutional services and be recognized for our broad and deep capabilities, superior client service and consistent outperformance versus peers. Our global client base consists of financial institutions, corporations, government agencies, high-net-worth individuals, families, endowments and foundations and related entities. At June 30, 2010, we had $21.8 trillion in assets under custody and administration and $1.0 trillion in assets under management, serviced $11.6 trillion in outstanding debt and, on average, we process $1.5 trillion of global payments per day. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE symbol: BK).

BNY Mellon's businesses benefit during periods of global growth in financial assets and concentration of wealth, and also benefit from the globalization of the investment process. Over the long term, our financial goals are focused on deploying capital to accelerate the long-term growth of our businesses and on achieving superior total returns to shareholders by generating first quartile earnings per share growth over time relative to a group of peer companies.

Key components of our strategy include: providing superior client service versus peers; strong investment performance (relative to investment benchmarks); above median revenue growth (relative to peer companies for each of our businesses); an increasing percentage of revenue and income derived from outside the U.S.; successful integration of acquisitions; competitive margins; and positive operating leverage. We have established Tier 1 capital as our principal capital measure and have established a targeted ratio of Tier 1 capital to risk-weighted assets of 10%.

Second quarter 2010 and subsequent events

Equity offering and forward sale agreement

In June 2010, BNY Mellon priced 25.9 million common shares in an underwritten public offering, at $27.00 per common share, for a total of $700 million. In connection with this offering, BNY Mellon entered into a forward sale agreement with a forward purchaser, who borrowed and sold to the public through the underwriters shares of the Company's common stock. The Company will not receive any proceeds from the sale of its common stock until settlement of the forward sale agreement, which is expected to occur in the third quarter of 2010. The Company intends to use any proceeds that it receives upon settlement of the forward sale agreement to fund the acquisition of Global Investment Servicing, Inc. or for general corporate purposes.

Acquisition of Global Investment Servicing, Inc.

On July 1, 2010, BNY Mellon acquired Global Investment Servicing, Inc. ("GIS") for cash of $2.31 billion. GIS provides a comprehensive suite of products which includes subaccounting, fund accounting/administration, custody, managed account services and alternative investment services. GIS is based in Wilmington, Delaware and has approximately 4,500 employees in locations across the U.S. and Europe.

At June 30, 2010, GIS had approximately $719 billion in assets under administration, including $449 billion in assets under custody. GIS will be included in the Institutional Services sector for reporting purposes. The transaction is expected to be accretive to earnings in 2010.

Approximately $3.9 billion of deposits related to GIS are expected to transition to BNY Mellon over the next eighteen months. Beginning in the third quarter of 2010 and until the transition is complete, we will receive net economic value payments for these deposits.

Acquisition of BHF Asset Servicing GmbH

On Aug. 2, 2010, BNY Mellon completed the acquisition of BHF Asset Servicing GmbH ("BAS") for cash of EUR253 million (US$330 million). This transaction included the purchase of Frankfurter Service Kapitalanlage – Gesellschaft mbH ("FSKAG"), a wholly-owned fund administration affiliate.

BAS and FSKAG will become part of BNY Mellon's Asset Servicing segment. The combined business offers a full range of tailored solutions for investment companies, financial institutions and institutional investors in Germany with EUR569 billion (US$744 billion) in assets under custody and administration and depotbanking volume of EUR122 billion (US$159 billion). The transaction is expected to be accretive to earnings in 2010.

Asset Management joint venture in Shanghai

In July 2010, the China Securities Regulatory Commission authorized BNY Mellon and Western Securities to establish a joint venture fund management company in China. The new company, BNY Mellon Western Fund Management Company Limited, will be owned by BNY Mellon (49%) and Western Securities (51%).

BNY Mellon Western Fund Management will initially manage domestic Chinese securities in a range of local retail fund products. BNY Mellon Western Fund Management will also focus on leveraging distribution within the Chinese banking and securities sectors.

Agreement to acquire I(3) Advisors

On June 18, 2010, BNY Mellon announced an agreement to acquire I(3) Advisors of Toronto, an independent wealth advisory company with more than C$3.5 billion in assets under advisement. This will be BNY Mellon's first wealth management acquisition in Canada, and is another step in the international expansion of our wealth management business. The combined business will offer clients broader global asset management opportunities, increased access to alternative investment opportunities, enhanced technology and reporting capabilities and expanded banking and wealth planning services. The transaction is expected to close in the third quarter of 2010, subject to regulatory approvals.

Asset Management license in Korea

In June 2010, BNY Mellon received approval from Korea's Financial Services Commission for a Discretionary Investment Management ("DIM") license. The DIM license allows BNY Mellon to contract for discretionary investment management services with local financial institutions and professional investors.

Creation of a Futures and Derivates Clearing Company

In June 2010, BNY Mellon Clearing, LLC ("BNY Mellon Clearing"), our wholly-owned subsidiary, became a futures commission merchant registered with the Commodity Futures Trading Commission and a member of the National Futures Association. BNY Mellon Clearing will clear futures and derivatives trades on behalf of institutional clients as well as BNY Mellon's internal derivatives clearing activity. We anticipate that BNY Mellon Clearing will become a clearing member on major exchanges and central clearinghouses on a global basis to support clients' trading activities.

Highlights of second quarter 2010 results

We reported income from continuing operations applicable to the common shareholders of BNY Mellon of $668 million, or $0.55 per diluted common share, in the second quarter of 2010 compared with $601 million, or $0.49 per diluted common share, in the first quarter of 2010 and $267 million, or $0.23 per diluted common share, in the second quarter of 2009.

Net income applicable to common shareholders, including discontinued operations, totaled $658 million, or $0.54 per diluted common share, in the second quarter of 2010, compared with $559 million, or $0.46 per diluted common share, in the first quarter of 2010 and $176 million, or $0.15 per diluted common share, in the second quarter of 2009.

Highlights for the second quarter of 2010 include:

- Assets under custody and administration ("AUC") totaled $21.8 trillion at June 30, 2010 compared with $20.7 trillion at June 30, 2009 and $22.4 trillion at March 31, 2010. The year-over-year increase reflects higher market values and net new business. The sequential decrease primarily reflects lower market value. (See the Institutional Services sector on page 25).
- Assets under management ("AUM"), excluding securities lending assets, totaled $1.0 trillion at June 30, 2010 compared with $926 billion at June 30, 2009 and $1.1 trillion at March 31, 2010. The year-over-year increase was primarily due to the acquisition of Insight Investment Management ("Insight") in the fourth quarter of 2009. The sequential decrease primarily reflects lower market values. (See the Asset and Wealth Management sector on page 20).
- Securities servicing revenue totaled $1.267 billion in the second quarter of 2010 compared with $1.293 billion in the second quarter of 2009. An increase in asset servicing revenue, excluding securities lending fee revenue, was partially offset by lower issuer and clearing services revenue, which were negatively impacted by lower money market distribution fees. (See the Institutional Services sector on page 25).
- Securities lending fee revenue totaled $46 million in the second quarter of 2010 compared with $97 million in the prior year period. The decrease reflects narrower spreads and lower loan balances. Securities lending assets totaled $248 billion at June 30, 2010 compared with $253 billion at March 31, 2010 and $290 billion at June 30, 2009. (See the Institutional Services sector on page 25).
- Asset and wealth management fees, including performance fees, totaled $676 million in the second quarter of 2010 compared with $637 million in the second quarter of 2009. The increase reflects improved market values, the Insight acquisition in the fourth quarter of 2009, and the impact of new business, partially offset by higher fee waivers and a reduction in fees due to money market outflows. (See the Asset Management and Wealth Management segments beginning on page 21).
- Foreign exchange and other trading activities revenue totaled $220 million in the second quarter of 2010 compared with $237 million in the second quarter of 2009. The decrease primarily reflects credit valuation adjustments ("CVA") on derivatives due to widening spreads and lower fixed income trading revenue, partially offset by improvement in the credit derivative portfolio which was impacted by tighter credit spreads in the second quarter of 2009 and increased volatility in the foreign currency markets. (See Fee and other revenue beginning on page 8).
- Investment income and other revenue totaled $145 million in the second quarter of 2010 compared with $53 million in the second quarter of 2009. The increase reflects positive foreign currency translations and lease residual gains, partially offset by lower seed capital revenue. (See Fee and other revenue beginning on page 8).

- Net interest revenue totaled $722 million in the second quarter of 2010 compared with $700 million in the second quarter of 2009. The increase reflects a higher yield on the restructured investment securities portfolio and a higher level of average interest-earning assets, partially offset by narrowing spreads and a reduction in the duration of placements. The net interest margin (FTE) for the second quarter of 2010 was 1.74% compared with 1.80% in the second quarter of 2009. (See Net interest revenue beginning on page 11).
- The provision for credit losses was $20 million in the second quarter of 2010 compared with $61 million in the second quarter of 2009. The decrease in the provision primarily reflects a decrease in higher risk-rated loans and nonperforming loans. (See Asset quality and allowance for credit losses beginning on page 38).
- Noninterest expense totaled $2.3 billion in the second quarter of 2010 compared with $2.4 billion in the second quarter of 2009. The decrease was primarily driven by the FDIC special assessment recorded in the second quarter of 2009 and lower merger and integration ("M&I") expenses, partially offset by the impact of the Insight acquisition and higher incentive expenses. (See Noninterest expense beginning on page 14).
- Unrealized net of tax gains on our total investment securities portfolio were $114 million at June 30, 2010 compared with an unrealized net of tax loss of $191 million at March 31, 2010. The improvement in the valuation of the investment securities portfolio was due to tightening credit spreads and a decline in interest rates. (See Consolidated balance sheet review beginning on page 33).
- The Tier 1 capital ratio was 13.5% at June 30, 2010 compared with 13.3% at March 31, 2010. The increase reflects earnings retention, partially offset by higher risk-weighted assets. (See Capital beginning on page 45).
- Nonperforming assets totaled $406 million at June 30, 2010, a decrease of $53 million, or 12%, compared with March 31, 2010, primarily due to repayments. (See Asset quality and allowance for credit losses beginning on page 38).

Fee and other revenue

Fee and other revenue (dollars in millions, unless otherwise noted)	2Q10	1Q10	2Q09	2Q10 vs. 2Q09	2Q10 vs. 1Q10	Year-to-date 2010	Year-to-date 2009	YTD10 vs. YTD09
Securities servicing fees:								
Asset servicing	$ 622	$ 608	$ 574	8%	2%	$1,230	$1,093	13%
Securities lending revenue	46	29	97	(53)	59	75	187	(60)
Issuer services	354	333	372	(5)	6	687	736	(7)
Clearing services	245	230	250	(2)	7	475	503	(6)
Total securities servicing fees	1,267	1,200	1,293	(2)	6	2,467	2,519	(2)
Asset and wealth management fees	676	678	637	6	-	1,354	1,253	8
Foreign exchange and other trading activities	220	262	237	(7)	(16)	482	544	(11)
Treasury services	125	131	132	(5)	(5)	256	257	-
Distribution and servicing	77	76	107	(28)	1	153	218	(30)
Financing-related fees	48	50	54	(11)	(4)	98	102	(4)
Investment income	72	108	44	64	(33)	180	27	N/M
Other	73	37	9	N/M	N/M	110	24	N/M
Total fee revenue – GAAP	$2,558	$2,542	$2,513	2%	1%	$5,100	$4,944	3%
Income of consolidated asset management funds, net of noncontrolling interests	32 *(a)*	41 *(a)*	-	N/M	(22)	73 *(a)*	-	N/M
Total fee revenue – Non-GAAP	$2,590	$2,583	$2,513	3%	-%	$5,173	$4,944	5%
Net securities gains (losses)	13	7	(256)	N/M	N/M	20	(551)	N/M
Total fee and other revenue – Non-GAAP *(b)*	$2,603	$2,590	$2,257	15%	1%	$5,193	$4,393	18%
Fee and other revenue as a percent of total revenue	77%	75%	76%			76%	75%	
Market value of AUM at period end *(in billions)*	$1,047	$1,105	$ 926	13%	(5)%	$1,047	$ 926	13%
Market value of AUC and administration at period end *(in trillions)*	$ 21.8	$ 22.4	$ 20.7	6%	(2)%	$ 21.8	$ 20.7	6%

(a) *As a result of adopting ASC 810 at March 31, 2010, we were required to segregate income from consolidated asset management funds of $65 million in the second quarter of 2010, $65 million in the first quarter of 2010 and $130 million in the first six months of 2010, and net income attributable to noncontrolling interests of $33 million, $24 million and $57 million, respectively, on the income statement. Prior to the adoption of ASC 810, the net of these income statement line items of $32 million in the second quarter of 2010, $41 million in the first quarter of 2010, and $73 million in the first six months of 2010, respectively, was included in asset and wealth management fees ($29 million, $25 million and $54 million, respectively) and investment income ($3 million, $16 million and $19 million, respectively).*

(b) *Total fee and other revenue on a GAAP basis was $2,571 million for the second quarter of 2010, $2,549 million for the first quarter of 2010, $2,257 million for the second quarter of 2009, $5,120 million for the first six months of 2010 and $4,393 million for the first six months of 2009.*

N/M - Not meaningful.

Fee revenue

The results of many of our businesses are influenced by client and market activities that vary by quarter.

Fee revenue increased 2% versus the year-ago quarter primarily due to increases in asset servicing revenue, asset and wealth management fees and other revenue, partially offset by decreases in securities lending revenue and foreign exchange and other trading activities. Sequentially, fee revenue increased 1% (unannualized) reflecting higher securities servicing fees and other revenue partially offset by lower foreign exchange and other trading revenue and investment income.

Securities servicing fees

Securities servicing fees were impacted by the following, compared with the second quarter of 2009 and first quarter of 2010:

- Asset servicing fees – Year-over-year results reflect higher market values and new business. The increase sequentially primarily reflects new business and higher transaction volumes.
- Securities lending revenue – The decrease year-over-year reflects narrower spreads and lower loan balances while the sequential increase reflects seasonality.
- Issuer services fees – The decrease year-over-year reflects lower Corporate Trust fee revenue resulting from decreased activity in the global debt markets and lower money market related

distribution fees, partially offset by higher Depositary Receipts revenue reflecting higher issuance and service fees. The sequential increase resulted from seasonality in Depositary Receipts and Shareowner Services, partially offset by lower Corporate Trust fee revenue.
- Clearing services fees – Year-over-year results reflect lower money market related distribution fees. The sequential increase reflects higher transaction fee volumes and higher money market fund fees.

See the "Institutional Services sector" in "Business segments review" for additional details.

Asset and wealth management fees

Asset and wealth management fees increased 6% year-over-year and were unchanged sequentially. Excluding performance fees and income from consolidated asset management funds, net of noncontrolling interests, asset and wealth management fees increased 12% compared with the second quarter of 2009 and decreased 1% (unannualized) sequentially. The year-over-year increase reflects improved market values, the Insight acquisition and the impact of new business, partially offset by higher fee waivers and a reduction in fees due to money market outflows. Sequentially, the impact of new business was more than offset by lower market values.

Total AUM for the Asset and Wealth Management sector were $1.0 trillion at June 30, 2010 compared with $1.1 trillion at March 31, 2010 and $926 billion at June 30, 2009. The increase compared with June 30, 2009 was primarily due to the Insight acquisition in the fourth quarter of 2009. The sequential decrease primarily reflects lower market values. The S&P 500 Index was 1031 at June 30, 2010 compared with 1169 at March 31, 2010 (a 12% decrease) and 919 at June 30, 2009 (a 12% increase).

See the "Asset and Wealth Management sector" in "Business segments review" for additional details regarding the drivers of asset and wealth management fees.

Foreign exchange and other trading activities

Foreign exchange and other trading activities revenue, which is primarily reported in the Asset Servicing segment, was $220 million in the second quarter of 2010, a decrease of 7% compared with the second quarter of 2009, and a decrease of 16% (unannualized) compared with the first quarter of 2010. In the second quarter of 2010, foreign exchange revenue totaled $244 million, an increase of 39% sequentially, driven by increased volatility. The negative other trading revenue of $24 million in the second quarter of 2010 primarily related to credit valuation adjustments ("CVA") on derivatives due to widening spreads and lower fixed income trading revenue.

Treasury services

Treasury services fees, which are primarily reported in the Treasury Services segment, include fees related to funds transfer, cash management and liquidity management. Treasury services fees decreased $7 million compared with the second quarter of 2009 and $6 million compared with the first quarter of 2010. The decreases compared with both prior periods primarily resulted from lower volumes.

Distribution and servicing fees

Distribution and servicing fees earned from mutual funds are primarily based on average assets in the funds and the sales of funds that we manage or administer and are primarily reported in the Asset Management segment. These fees, which include 12b-1 fees, fluctuate with the overall level of net sales, the relative mix of sales between share classes and the funds' market values.

Distribution and servicing fee revenue decreased $30 million compared with the second quarter of 2009 and increased $1 million compared with the first quarter of 2010. The year-over-year decrease primarily reflects lower money market related fees. The impact of distribution and servicing fees on income in any one period can be more than offset by distribution and servicing expense paid to other financial intermediaries to cover their cost for distribution and servicing of mutual funds. Distribution and servicing expense is recorded as noninterest expense on the income statement.

Financing-related fees

Financing-related fees, which are primarily reported in the Treasury Services segment, include capital markets fees, loan commitment fees and credit-related trade fees. Financing-related fees decreased $6 million compared with the second quarter of 2009 and $2 million sequentially. The decreases were driven by lower capital markets fees.

Investment income

Investment income *(in millions)*	2Q10	1Q10	2Q09	Year-to-date 2010	Year-to-date 2009
Corporate/bank-owned life insurance	**$ 37**	$ 36	$ 31	**$ 73**	$ 72
Lease residual gains	**14**	52	(10)	**66**	16
Equity investment income (loss)	**20**	12	13	**32**	(41)
Private equity gains (losses)	**6**	5	(9)	**11**	(29)
Seed capital gains (losses)	**(5)**	3	19	**(2)**	9
Total investment income	**$ 72**	$108	$ 44	**$180**	$ 27

Investment income, which is primarily reported in the Other and Asset Management segments, includes income from insurance contracts, lease residual gains and losses, gains and losses on seed capital investments and private equity investments, and equity investment income (loss). The increase, compared with the second quarter of 2009, primarily reflects higher lease residual and private equity investment gains partially offset by lower seed capital revenue. The decrease, compared to the first quarter of 2010, primarily reflects lower lease residual gains.

Other revenue

Other revenue *(in millions)*	2Q10	1Q10	2Q09	Year-to-date 2010	Year-to-date 2009
Expense reimbursements from joint ventures	**$ 8**	$ 10	$ 7	**$ 18**	$ 15
Asset-related gains	**3**	3	16	**6**	22
Other income (loss)	**62**	24	(14)	**86**	(13)
Total other revenue	**$ 73**	$ 37	$ 9	**$ 110**	$ 24

Other revenue includes asset-related gains, expense reimbursements from joint ventures and other income (loss). Asset-related gains include loan, real estate and other asset dispositions. Expense reimbursements from joint ventures relate to expenses incurred by BNY Mellon on behalf of joint ventures. Other income (loss) primarily includes foreign currency translation, other investments and various miscellaneous revenues.

Total other revenue increased in the second quarter of 2010 compared with the second quarter of 2009 and the first quarter of 2010 primarily due to positive foreign currency translations.

Net investment securities gains (losses)

Net securities gains totaled $13 million in the second quarter of 2010, compared with net losses of $256 million in the second quarter of 2009 and net gains of $7 million in the first quarter of 2010.

The following table details investment securities gains (losses) by type of security. See "Consolidated balance sheet review" for further information on the investment securities portfolio.

Net securities gains (losses) *(in millions)*	2Q10	1Q10	2Q09	Year-to-date 2010	Year-to-date 2009
Alt-A RMBS	**$ (6)**	$ (7)	$(114)	**$(13)**	$(239)
Prime RMBS	**-**	-	(9)	**-**	(12)
Home equity lines of credit	**-**	-	(4)	**-**	(22)
European floating rate notes	**-**	-	(66)	**-**	(70)
Credit cards	**-**	-	(26)	**-**	(28)
Other	**19**	14	(37)	**33**	(180)
Net securities gains (losses)	**$ 13**	$ 7	$(256)	**$ 20**	$(551)

Year-to-date 2010 compared with year-to-date 2009

Fee and other revenue for the first six months of 2010 totaled $5.2 billion compared with $4.4 billion in the first six months of 2009. The increase primarily reflects net securities losses reported in 2009, as well as increased investment income, asset servicing fees, asset and wealth management fees and other revenue during the first six months of 2010 offset in part by lower securities lending revenue, distribution and servicing fees, foreign exchange and other trading revenue and issuer and clearing services fees during the first six months of 2010.

Net securities gains were $20 million for the first six months of 2010 compared with a net loss of $551 million for the first six months of 2009. The net securities losses in 2009 primarily resulted from deterioration in the credit quality of residential mortgage-backed securities. The increase in asset servicing fees reflects higher market values and net new business during the first six months of 2010. The increase in asset and wealth management fees in the first six months of 2010 reflects improved equity values, the Insight acquisition and the impact of long-term inflows, partially offset by a reduction in fees due to money market outflows and higher fee waivers. The decrease in securities lending revenue in the first six months of 2010 primarily reflects narrower spreads and lower loan balances. The decrease in foreign exchange and other trading revenue in the first six months of 2010 was driven by the CVA on derivatives due to widening credit spreads and lower fixed income trading revenue. The decrease in issuer and clearing services fees in the first six months of 2010 primarily reflects lower money market related distribution fees.

Operations of consolidated asset management funds

On Jan. 1, 2010, we adopted ASC 810. See Notes 2 and 13 in the Notes to Consolidated Financial Statements for additional information. Adoption of this new standard resulted in an increase in consolidated total assets on our balance sheet at June 30, 2010 of $13.4 billion, or an increase of approximately 6% from Dec. 31, 2009.

We also separately disclosed the following on the income statement.

Income from consolidated asset management funds, net of noncontrolling interests *(in millions)*	**2Q10**	1Q10	2Q09	**Year-to-date 2010**	Year-to-date 2009
Operations of consolidated asset management funds	$65	$65	$ -	$130	$ -
Noncontrolling interest of consolidated asset management funds	33	24	-	57	-
Income from consolidated asset management funds, net of noncontrolling interests	$32	$41	$ -	$ 73	$ -

These line items were previously disclosed on the income statement as:

(in millions)	**2Q10**	1Q10	2Q09	**Year-to-date 2010**	Year-to-date 2009
Asset and wealth management revenue	$29	$25	$ -	$54	$ -
Investment income	3	16	-	19	-
Total	$32	$41	$ -	$73	$ -

Net interest revenue

Net interest revenue *(dollars in millions)*	**2Q10**	1Q10	2Q09	**2Q10 vs. 2Q09**	**2Q10 vs. 1Q10**	**Year-to-date 2010**	Year-to-date 2009	**YTD10 vs. YTD09**
Net interest revenue (non-FTE)	**$ 722**	$ 765	$ 700	3%	(6)%	**$1,487**	$1,475	1%
Tax equivalent adjustment	5	5	4	N/M	N/M	10	8	N/M
Net interest revenue (FTE) – Non-GAAP	**$ 727**	$ 770	$ 704	**3%**	**(6)%**	**$1,497**	$1,483	**1%**
Average interest-earning assets	**$167,119**	$163,429	$157,265	**6%**	**2%**	**$165,285**	$162,318 *(a)*	**2%**
Net interest margin (FTE)	**1.74%**	1.89 %	1.80%	**(6) bps**	**(15) bps**	**1.82%**	1.84% *(b)*	**(2) bps**

(a) Excludes the impact of discontinued operations.
(b) Calculated on a continuing operations basis, even though the prior period balance sheet, in accordance with GAAP has not been restated for discontinued operations.
N/M - Not meaningful.
bps - basis points.

Net interest revenue on an FTE basis totaled $727 million in the second quarter of 2010 compared with $704 million in the second quarter of 2009 and $770 million in the first quarter of 2010.

The increase in net interest revenue compared with the second quarter of 2009 principally reflects a higher yield on the restructured investment securities portfolio and a higher level of average interest-earning assets, partially offset by narrowing spreads and a reduction in the duration of placements. The decrease in net interest revenue compared with the first quarter of 2010 primarily reflects our credit strategy to reduce targeted loan exposure, as well as reducing the duration of placements, partially offset by a higher level of average interest-earning assets.

The net interest margin was 1.74% in the second quarter of 2010 compared with 1.80% in the second quarter of 2009 and 1.89% in the first quarter of 2010. The decrease compared with the second quarter of 2009 reflects a higher yield on the restructured investment securities portfolio which was more than offset by narrowing spreads and our credit strategy to reduce targeted loan exposure, as well as a reduction in the duration of placements. The sequential decrease reflects our credit strategy to reduce targeted loan exposure as well as reducing the duration of placements.

Year-to-date 2010 compared with year-to-date 2009

Net interest revenue on an FTE basis totaled $1.5 billion in the first six months of 2010, an increase of 1% compared with the first six months of 2009. The increase primarily reflects the higher yield on the restructured investment securities portfolio and higher hedging gains, partially offset by narrowing spreads and a reduction in the duration of placements. The net interest margin was 1.82% in the first six months of 2010, compared with 1.84% in the first six months of 2009. Lower spreads more than offset the higher yield on the restructured investment securities portfolio.

Average balances and interest rates

Average balances and interest rates *(a)*	Quarter ended					
	June 30, 2010		March 31, 2010		June 30, 2009	
(dollar amounts in millions)	Average balance	Average rates	Average balance	Average rates	Average balance	Average rates
Assets						
Interest-earning assets:						
Interest-bearing deposits with banks (primarily foreign banks)	**$50,741**	**1.01%**	$ 55,800	1.03%	$ 56,917	1.18%
Interest-bearing deposits held at the Federal Reserve and other central banks	**18,280**	**0.34**	12,129	0.33	6,338	0.37
Federal funds sold and securities under resale agreements	**4,652**	**0.66**	3,859	0.71	2,899	1.29
Margin loans	**5,786**	**1.49**	5,241	1.49	4,134	1.62
Non-margin loans:						
Domestic offices	**20,750**	**2.89**	19,510	3.12	20,740	3.18
Foreign offices	**10,128**	**1.53**	9,463	1.62	12,155	2.21
Total non-margin loans	**30,878**	**2.45**	28,973	2.63	32,895	2.82
Securities:						
U.S. government obligations	**6,162**	**1.46**	6,600	1.40	1,679	1.67
U.S. government agency obligations	**19,629**	**3.48**	19,429	3.58	14,748	3.74
State and political subdivisions	**638**	**6.56**	670	6.37	710	6.92
Other securities	**27,601**	**4.14**	28,653	4.20	34,766	2.85
Trading securities	**2,752**	**2.62**	2,075	2.49	2,179	2.50
Total securities	**56,782**	**3.58**	57,427	3.63	54,082	3.10
Total interest-earning assets	**167,119**	**2.08%**	163,429	2.18%	157,265	2.16%
Allowance for loan losses	**(517)**		(502)		(426)	
Cash and due from banks	**3,673**		3,514		3,412	
Other assets	**46,266**		45,346		45,975	
Assets of discontinued operations	**260**		898		2,307	
Assets of consolidated asset management funds	**12,040**		12,730		-	
Total assets	**$228,841**		$225,415		$208,533	
Liabilities and equity						
Interest-bearing liabilities:						
Money market rate accounts	**$24,279**	**0.10%**	$ 21,741	0.09%	$ 19,037	0.10%
Savings	**1,389**	**0.27**	1,372	0.27	1,070	0.44
Certificates of deposit of $100,000 & over	**332**	**0.16**	648	0.25	942	1.00
Other time deposits	**5,902**	**0.26**	5,224	0.30	4,190	0.48
Foreign offices	**68,061**	**0.19**	72,049	0.16	73,657	0.14
Total interest-bearing deposits	**99,963**	**0.17**	101,034	0.16	98,896	0.16
Federal funds purchased and securities sold under repurchase agreements	**4,441**	**0.19**	3,697	0.07	2,485	(0.46)
Other borrowed funds	**4,223**	**2.08**	2,805	1.97	2,756	1.04
Payables to customers and broker-dealers	**6,596**	**0.09**	6,372	0.08	4,901	0.13
Long-term debt	**16,462**	**1.75**	16,808	1.50	16,793	2.35
Total interest-bearing liabilities	**131,685**	**0.43%**	130,716	0.36%	125,831	0.46%
Total noninterest-bearing deposits	**34,628**		33,330		32,852	
Other liabilities	**20,042**		18,420		18,578	
Liabilities of discontinued operations	**260**		898		2,307	
Liabilities and obligations of consolidated asset management funds	**11,046**		11,540		-	
Total liabilities	**197,661**		194,904		179,568	
Total BNY Mellon shareholders' equity	**30,434**		29,715		28,934	
Noncontrolling interest	**58**		26		31	
Noncontrolling interests of consolidated asset management funds	**688**		770		-	
Total equity	**31,180**		30,511		28,965	
Total liabilities and equity	**$228,841**		$225,415		$208,533	
Net interest margin - Taxable equivalent basis		**1.74%**		1.89%		1.80%

(a) Presented on a continuing operations basis even though the balance sheet is not restated for discontinued operations.

Note: Interest and average rates were calculated on a taxable equivalent basis, at tax rates approximating 35%, using dollar amounts in thousands and actual number of days in the year.

Average balances and interest rates *(a)*	Six months ended			
	June 30, 2010		June 30, 2009	
(dollar amounts in millions)	**Average balance**	**Average rates**	Average balance	Average rates
Assets				
Interest-earning assets:				
Interest-bearing deposits with banks (primarily foreign banks)	**$53,256**	**1.02%**	$ 56,711	1.37%
Interest-bearing deposits held at the Federal Reserve and other central banks	**15,222**	**0.33**	14,719	0.37
Other short-term investments – U.S. government-backed commercial paper	**-**	**-**	631	3.15
Federal funds sold and securities under resale agreements	**4,258**	**0.68**	2,606	1.08
Margin loans	**5,515**	**1.49**	4,177	1.62
Non-margin loans:				
Domestic offices	**20,134**	**3.02**	21,183	3.04
Foreign offices	**9,797**	**1.58**	12,629	2.39
Total non-margin loans	**29,931**	**2.54**	33,812	2.80
Securities:				
U.S. government obligations	**6,380**	**1.43**	1,236	1.93
U.S. government agency obligations	**19,530**	**3.53**	13,413	3.74
State and political subdivisions	**654**	**6.49**	738	6.81
Other securities	**28,124**	**4.17**	32,320	3.59
Trading securities	**2,415**	**2.57**	1,955	2.66
Total securities	**57,103**	**3.60**	49,662	3.61
Total interest-earning assets	**165,285**	**2.13%**	162,318	2.27%
Allowance for loan losses	**(509)**		(402)	
Cash and due from banks	**3,594**		4,114	
Other assets	**45,808**		45,928	
Assets of discontinued operations	**577**		2,336	
Assets of consolidated asset management funds	**12,383**		-	
Total assets	**$227,138**		$214,294	
Liabilities and equity				
Interest-bearing liabilities:				
Money market rate accounts	**$23,017**	**0.10%**	$ 18,802	0.10%
Savings	**1,380**	**0.27**	1,117	0.53
Certificates of deposit of $100,000 & over	**489**	**0.22**	1,208	1.07
Other time deposits	**5,566**	**0.28**	4,878	0.52
Foreign offices	**70,044**	**0.18**	74,425	0.23
Total interest-bearing deposits	**100,496**	**0.16**	100,430	0.23
Federal funds purchased and securities sold under repurchase agreements	**4,071**	**0.14**	2,164	(0.23)
Other borrowed funds	**3,518**	**2.03**	3,268	1.34
Borrowings from Federal Reserve related to asset-backed commercial paper	**-**	**-**	631	2.25
Payables to customers and broker-dealers	**6,485**	**0.08**	4,352	0.16
Long-term debt	**16,634**	**1.63**	16,147	2.52
Total interest-bearing liabilities	**131,204**	**0.39%**	126,992	0.55%
Total noninterest-bearing deposits	**33,983**		37,924	
Other liabilities	**19,236**		18,551	
Liabilities of discontinued operations	**577**		2,336	
Liabilities and obligations of consolidated asset management funds	**11,291**		-	
Total liabilities	**196,291**		185,803	
Total BNY Mellon shareholders' equity	**30,076**		28,458	
Noncontrolling interest	**42**		33	
Noncontrolling interests of consolidated asset management funds	**729**		-	
Total equity	**30,847**		28,491	
Total liabilities and equity	**$227,138**		$214,294	
Net interest margin - Taxable equivalent basis		**1.82%**		1.84%

(a) Presented on a continuing operations basis even though the balance sheet is not restated for discontinued operations.
Note: Interest and average rates were calculated on a taxable equivalent basis, at tax rates approximating 35%, using dollar amounts in thousands and actual number of days in the year.

Noninterest expense

Noninterest expense (dollars in millions)	2Q10	1Q10	2Q09	2Q10 vs. 2Q09	2Q10 vs. 1Q10	Year-to-date 2010	Year-to-date 2009	YTD10 vs. YTD09
Staff:								
Compensation	$763	$ 753	$ 740	3%	1%	$1,516	$1,472	3%
Incentives	272	284	241	13	(4)	556	488	14
Employee benefits	199	183	172	16	9	382	362	6
Total staff	1,234	1,220	1,153	7	1	2,454	2,322	6
Professional, legal and other purchased services	256	241	237	8	6	497	474	5
Net occupancy	143	137	142	1	4	280	281	-
Distribution and servicing	106	109	106	-	(3)	215	213	1
Software	91	94	93	(2)	(3)	185	174	6
Furniture and equipment	71	75	76	(7)	(5)	146	153	(5)
Sub-custodian	65	52	60	8	25	117	99	18
Business development	68	52	49	39	31	120	93	29
Other	201	186	233	(14)	8	387	435	(11)
Subtotal	2,235	2,166	2,149	4	3	4,401	4,244	4
Special litigation reserves	N/A	164	N/A	N/M	N/M	164	N/A	N/M
FDIC special assessment	-	-	61	N/M	-	-	61	N/M
Amortization of intangible assets	98	97	108	(9)	1	195	215	(9)
Restructuring charges	(15)	7	6	N/M	N/M	(8)	16	N/M
M&I expenses	14	26	59	(76)	(46)	40	127	(69)
Total noninterest expense	$2,332	$2,460	$2,383	(2)%	(5)%	$4,792	$4,663	3%
Total staff expense as a percent of total revenue	37%	36%	39% *(a)*			36%	40%	
Employees at period end	42,700	42,300	41,800	2%	1%	42,700	41,800	2%

(a) Total staff expense as a percentage of total revenue excluding net securities gains (losses) was 36% in the second quarter of 2009.
N/A – Not applicable.
N/M - Not meaningful.

Total noninterest expense decreased $51 million compared with the second quarter of 2009 and $128 million compared with the first quarter of 2010. Results for the second quarter of 2009 include the FDIC special assessment. Results for the first quarter of 2010 include a charge for special litigation reserves. Excluding special litigation reserves, the FDIC special assessment, intangible amortization, restructuring charges and M&I expense, noninterest expense increased $86 million year-over-year and $69 million sequentially. The year-over-year increase was driven by the impact of the Insight acquisition, as well as higher incentive expense and business development activity. The sequential increase primarily reflects higher support agreement charges, the impact of the annual merit increase, the U.K. bonus tax and higher business development activity.

Staff expense

Given our mix of fee-based businesses, which are staffed with high quality professionals, staff expense comprised 55% of total noninterest expense, excluding special litigation reserves, FDIC special assessment, amortization of intangible assets, restructuring charges and M&I expenses.

The increase in staff expense compared with the second quarter of 2009 reflects the impact of the Insight acquisition and higher incentives primarily in the Asset Management segment. The sequential increase in staff expense reflects the annual merit increase which was effective in the second quarter of 2010. Both increases also include the U.K. bonus tax that was recorded in the second quarter of 2010.

Non-staff expense

Non-staff expense includes certain expenses that vary with the levels of business activity and levels of expensed business investments, fixed infrastructure costs and expenses associated with corporate activities related to technology, compliance, productivity initiatives and corporate development.

Non-staff expense, excluding special litigation reserves, FDIC special assessment, amortization of intangible assets, restructuring charges and M&I expenses, totaled $1.0 billion in the second quarter of 2010 compared with $996 million in the second quarter of 2009 and $946 million in the first quarter of 2010. The increase compared with the second quarter of 2009 primarily reflects the impact of the Insight acquisition and higher business development activity, higher professional, legal and other purchased services, partially offset by lower other expense. The increase compared with the first quarter of 2010 reflects higher support agreement charges resulting from a quarterly change in the market value of Lehman securities, higher professional, legal and other purchased services and higher business development activity.

Given the severity of the economic downturn, the financial services industry has seen an increase in the level of legal activity. As a result, we anticipate litigation costs for the remainder of 2010 to exceed historic trend levels. For additional information on litigation matters, see Note 18 of the Notes to Consolidated Financial Statements.

For additional information on restructuring charges, see Note 11 of the Notes to Consolidated Financial Statements.

In the second quarter of 2010, we incurred $14 million of M&I expenses primarily related to the mergers with Mellon Financial Corporation and the integration of Global Investment Servicing.

Year-to-date 2010 compared with year-to-date 2009

Noninterest expense in the first six months of 2010 increased $129 million, or 3%, compared with the first six months of 2009. The increase primarily reflects the special litigation reserves, the impact of the Insight acquisition, higher incentives, professional, legal and other purchased services and business development activity, partially offset by the FDIC special assessment in the second quarter of 2009, as well as lower M&I expenses and a recovery of restructuring charges.

Income taxes

The effective tax rate on a continuing operations basis for the second quarter of 2010 was 30.2%, compared with 2.2% in the second quarter of 2009 and 29.1% in the first quarter of 2010. Excluding the impact of tax benefits, the FDIC special assessment, M&I expenses and net securities losses, the effective tax rate was 32.4% in the second quarter of 2009. Excluding the impact of special litigation reserves, restructuring charges and M&I expenses, the effective tax rate was 31.0% in the first quarter of 2010.

We expect the effective tax rate to be approximately 30-31% for the third quarter of 2010.

Business segments review

We have an internal information system that produces performance data for our seven business segments along product and service lines.

Business segments accounting principles

Our segment data has been determined on an internal management basis of accounting, rather than the generally accepted accounting principles used for consolidated financial reporting. These measurement principles are designed so that reported results of the segments will track their economic performance.

Segment results are subject to reclassification whenever improvements are made in the measurement principles or when organizational changes are made.

The accounting policies of the business segments are the same as those described in Note 1 to the Consolidated Financial Statements in BNY Mellon's 2009 Annual Report on Form 10-K. In addition, client deposits serve as the primary funding source for our investment securities portfolio and we typically allocate all interest revenue to the businesses generating the deposits. Accordingly, the higher yield related to the restructured investment securities portfolio has been included in the segment results.

The operations of acquired businesses are integrated with the existing business segments soon after acquisitions are completed. As a result of the integration of staff support functions, management of customer relationships, operating processes and the financial impact of funding acquisitions, we cannot precisely determine the impact of acquisitions on income before taxes and therefore do not report it.

For additional information on the primary types of revenue by business segment and how our business segments are presented and analyzed, see the Business segments review and Note 28 in BNY Mellon's 2009 Annual Report on Form 10-K.

Business segment information is reported on a continuing operations basis for all periods presented. See Note 4 to the Notes to Consolidated Financial Statements for a discussion of discontinued operations.

Our business segments continued to face a challenging operating environment in the second quarter of 2010. Year-over-year higher market values and new business benefited the Asset and Wealth management segments, while a continued low level of debt issuances in the global markets and a lower level of corporate actions negatively impacted results in Issuer Services. Results in Asset Servicing benefited from higher market values and new business but were negatively impacted by lower foreign currency volatility as well as narrower spreads and lower loan balances in securities lending. Money market fee waivers also continue to suppress results in Asset Management, Issuer and Clearing Services. On a sequential basis, new business, higher transaction volumes and seasonally higher Depositary Receipts were primarily offset by lower market values. Compared with the second quarter of 2009, net interest revenue increased in nearly all segments driven by the higher yield related to the restructured investment securities portfolio and a higher level of interest-earning assets. Sequentially, net interest revenue decreased in the Institutional Services sector reflecting our credit strategy to reduce targeted loan exposure, as well as lower spreads.

Net securities gains (losses) are recorded in the Other segment. Noninterest expense increased in nearly every segment compared with both the second quarter of 2009 and the first quarter of 2010 primarily due to the impact of the annual merit increase which was effective in the second quarter of 2010 and higher business development activity. In addition, year-over-year results in the Asset Management segment were impacted by the Insight acquisition. Year-over-year and sequential results in the Asset Servicing segment were impacted by increases in support agreement charges due to a decrease in the market value of Lehman securities.

The table below presents the value of certain market indices at period end and on an average basis.

Market indices	2Q09	3Q09	4Q09	1Q10	**2Q10**	**2Q10 vs. 2Q09**	**2Q10 vs. 1Q10**	**Year-to-date 2010**	Year-to-date 2009	**YTD10 vs. YTD09**
S&P 500 Index *(a)*	919	1057	1115	1169	**1031**	**12%**	**(12)%**	**1031**	919	**12%**
S&P 500 Index – daily average	891	995	1088	1123	**1135**	**27**	**1**	**1129**	851	**33**
FTSE 100 Index *(a)*	4249	5134	5413	5680	**4917**	**16**	**(13)**	**4917**	4249	**16**
FTSE 100 Index – daily average	4258	4708	5235	5431	**5361**	**26**	**(1)**	**5394**	4149	**30**
NASDAQ Composite Index *(a)*	1835	2122	2269	2398	**2109**	**15**	**(12)**	**2109**	1835	**15**
Lehman Brothers Aggregate Bond[sm] Index *(a)*	280	304	301	300	**299**	**7**	**-**	**299**	280	**7**
MSCI EAFE® Index *(a)*	1307	1553	1581	1584	**1348**	**3**	**(15)**	**1348**	1307	**3**
NYSE Share Volume *(in billions)*	151	126	112	103	**140**	**(7)**	**36**	**243**	312	**(22)**
NASDAQ Share Volume *(in billions)*	152	144	131	143	**159**	**5**	**11**	**302**	288	**5**

(a) Period end.

Average daily U.S. fixed-income trading volume was up 2% sequentially and 7% year-over-year. Total debt issuances were down 36% sequentially and 32% year-over-year.

The period end S&P 500 Index decreased 12% sequentially and increased 12% year-over-year. The period end FTSE 100 Index decreased 13% sequentially and increased 16% year-over-year. On a daily average basis, the S&P 500 Index increased 1% sequentially and 27% year-over-year and the FTSE 100 Index decreased 1% sequentially and increased 26% year-over-year. The period end NASDAQ Composite Index decreased 12% sequentially and increased 15% year-over-year.

The changes in the value of market indices impact fee revenue in the Asset and Wealth Management segments and our securities servicing businesses.

At June 30, 2010, using the S&P 500 Index as a proxy for the equity markets, we estimate that a 100 point change in the value of the S&P 500 Index, sustained for one year, would impact fee revenue by approximately 1-2% and fully diluted earnings per common share on a continuing operations basis by $0.06-$0.07.

The following consolidating schedules show the contribution of our segments to our overall profitability.

For the quarter ended June 30, 2010 (dollar amounts in millions)	Asset Management	Wealth Management	Total Asset and Wealth Management Sector	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Total Institutional Services Sector	Other Segment	Total continuing operations
Fee and other revenue	$ 637 *(a)*	$ 147	$ 784	$906	$ 380	$ 276	$ 196	$ 1,758	$ 61	$ 2,603 *(a)*
Net interest revenue	1	56	57	216	216	93	161	686	(21)	722
Total revenue	638	203	841	1,122	596	369	357	2,444	40	3,325
Provision for credit losses	-	-	-	-	-	-	-	-	20	20
Noninterest expense	517	154	671	786	339	277	193	1,595	66	2,332
Income before taxes	$ 121 *(a)*	$ 49	$ 170	$ 336	$ 257	$ 92	$ 164	$ 849	$ (46)	$ 973 *(a)*
Pre-tax operating margin *(b)*	19%	24%	20%	30%	43%	25%	46%	35%	N/M	29%
Average assets	$24,895	$10,399	$35,294	$62,940	$48,938	$21,550	$26,485	$159,913	$33,374	$ 228,581 *(c)*
Excluding intangible amortization:										
Noninterest expense	$ 467	$ 145	$ 612	$ 781	$ 318	$ 270	$ 188	$ 1,557	$65	$ 2,234
Income before taxes	171	58	229	341	278	99	169	887	(45)	1,071
Pre-tax operating margin *(b)*	27%	28%	27%	30%	47%	27%	47%	36%	N/M	32%

(a) Total fee and other revenue and income before taxes for the second quarter of 2010 includes income from consolidated asset management funds of $65 million net of income attributable to noncontrolling interests of $33 million. The net of these income statement line items of $32 million is included above in fee and other revenue.

(b) Income before taxes divided by total revenue.

(c) Including average assets of discontinued operations of $260 million for the second quarter of 2010, consolidated average assets were $228,841 million.

N/M - Not meaningful.

For the quarter ended March 31, 2010 (dollar amounts in millions)	Asset Management	Wealth Management	Total Asset and Wealth Management Sector	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Total Institutional Services Sector	Other Segment	Total continuing operations
Fee and other revenue	$ 649 *(a)*	$ 146	$ 795	$ 798	$ 358	$ 271	$ 225	$ 1,652	$ 143	$ 2,590 *(a)*
Net interest revenue	-	55	55	210	252	95	176	733	(23)	765
Total revenue	649	201	850	1,008	610	366	401	2,385	120	3,355
Provision for credit losses	-	-	-	-	-	-	-	-	35	35
Noninterest expense	503	145	648	723	324	261	188	1,496	316	2,460
Income before taxes	$ 146 *(a)*	$ 56	$ 202	$ 285	$ 286	$ 105	$ 213	$ 889	$ (231)	$ 860 *(a)*
Pre-tax operating margin *(b)*	23%	28%	24%	28%	47%	29%	53%	37%	N/M	26%
Average assets	$25,187	$9,722	$34,909	$59,704	$52,838	$20,338	$26,716	$159,596	$30,012	$224,517 *(c)*
Excluding intangible amortization:										
Noninterest expense	$ 453	$ 136	$ 589	$ 717	$ 304	$ 255	$ 182	$ 1,458	$ 316	$ 2,363
Income before taxes	196	65	261	291	306	111	219	927	(231)	957
Pre-tax operating margin *(b)*	30%	32%	31%	29%	50%	30%	55%	39%	N/M	29%

(a) Total fee and other revenue and income before taxes for the first quarter of 2010 includes income from consolidated asset management funds of $65 million net of income attributable to noncontrolling interests of $24 million. The net of these income statement line items of $41 million is included above in fee and other revenue.

(b) Income before taxes divided by total revenue.

(c) Including average assets of discontinued operations of $898 million for the first quarter of 2010, consolidated average assets were $225,415 million.

N/M - Not meaningful.

For the quarter ended Dec. 31, 2009 (dollar amounts in millions)	Asset Management	Wealth Management	Total Asset and Wealth Management Sector	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Total Institutional Services Sector	Other Segment	Total continuing operations
Fee and other revenue	$ 680	$ 151	$ 831	$ 816	$ 410	$ 264	$ 222	$1,712	$ 52	$2,595
Net interest revenue	3	46	49	205	203	90	148	646	29	724
Total revenue	683	197	880	1,021	613	354	370	2,358	81	3,319
Provision for credit losses	-	1	1	-	-	-	-	-	64	65
Noninterest expense	521	149	670	789	338	248	193	1,568	344	2,582
Income before taxes	$ 162	$ 47	$ 209	$ 232	$ 275	$ 106	$ 177	$ 790	$(327)	$ 672
Pre-tax operating margin *(a)*	24%	24%	24%	23%	45%	30%	48%	34%	N/M	20%
Average assets	$12,859	$9,246	$22,105	$59,980	$52,028	$20,365	$26,275	$158,648	$31,459	$212,212 *(b)*
Excluding intangible amortization:										
Noninterest expense	$ 465	$ 138	$ 603	$ 783	$ 318	$ 241	$ 187	$1,529	$ 343	$2,475
Income before taxes	218	58	276	238	295	113	183	829	(326)	779
Pre-tax operating margin *(a)*	32%	29%	31%	23%	48%	32%	50%	35%	N/M	23%

(a) Income before taxes divided by total revenue.
(b) Including average assets of discontinued operations of $1,993 million for the fourth quarter of 2009, consolidated average assets were $214,205 million.
N/M - Not meaningful.

For the quarter ended Sept. 30, 2009 (dollar amounts in millions)	Asset Management	Wealth Management	Total Asset and Wealth Management Sector	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Total Institutional Services Sector	Other Segment	Total continuing operations
Fee and other revenue	$ 592	$ 146	$ 738	$ 845	$ 389	$ 291	$ 206	$1,731	$(4,685)	$(2,216)
Net interest revenue	7	49	56	229	180	81	149	639	21	716
Total revenue	599	195	794	1,074	569	372	355	2,370	(4,664)	(1,500)
Provision for credit losses	-	-	-	-	-	-	-	-	147	147
Noninterest expense	500	147	647	735	324	251	186	1,496	175	2,318
Income before taxes	$ 99	$ 48	$ 147	$ 339	$ 245	$ 121	$ 169	$ 874	$(4,986)	$(3,965)
Pre-tax operating margin *(a)*	16%	25%	19%	32%	43%	33%	48%	37%	N/M	N/M
Average assets	$12,424	$9,122	$21,546	$59,914	$47,975	$17,827	$24,223	$149,939	$32,224	$203,709 *(b)*
Excluding intangible amortization:										
Noninterest expense	$ 447	$ 135	$ 582	$ 729	$ 304	$ 245	$ 180	$1,458	$ 174	$2,214
Income before taxes	152	60	212	345	265	127	175	912	(4,985)	(3,861)
Pre-tax operating margin *(a)*	25%	31%	27%	32%	47%	34%	49%	38%	N/M	N/M

(a) Income before taxes divided by total revenue.
(b) Including average assets of discontinued operations of $2,077 million for the third quarter of 2009, consolidated average assets were $205,786 million.
N/M - Not meaningful.

For the quarter ended June 30, 2009 (dollar amounts in millions)	Asset Management	Wealth Management	Total Asset and Wealth Management Sector	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Total Institutional Services Sector	Other Segment	Total continuing operations
Fee and other revenue	$ 529	$ 140	$ 669	$ 904	$ 413	$ 314	$ 180	$1,811	$(223)	$2,257
Net interest revenue	7	49	56	211	185	87	157	640	4	700
Total revenue	536	189	725	1,115	598	401	337	2,451	(219)	2,957
Provision for credit losses	-	-	-	-	-	-	-	-	61	61
Noninterest expense	474	147	621	715	325	263	198	1,501	261	2,383
Income before taxes	$ 62	$ 42	$ 104	$ 400	$ 273	$ 138	$ 139	$ 950	$(541)	$ 513
Pre-tax operating margin *(a)*	12%	22%	14%	36%	46%	34%	41%	39%	N/M	17%
Average assets	$12,404	$ 9,131	$21,535	$58,339	$52,161	$17,014	$24,764	$152,278	$32,413	$206,226 *(b)*
Excluding intangible amortization:										
Noninterest expense	$ 419	$ 136	$ 555	$ 706	$ 305	$ 256	$ 191	$1,458	$ 262	$2,275
Income before taxes	117	53	170	409	293	145	146	993	(542)	621
Pre-tax operating margin *(a)*	22%	28%	23%	37%	49%	36%	43%	41%	N/M	21%

(a) Income before taxes divided by total revenue.
(b) Including average assets of discontinued operations of $2,307 million for the second quarter of 2009, consolidated average assets were $208,533 million.
N/M - Not meaningful.

For the six months ended June 30, 2010 *(dollar amounts in millions)*	**Asset Management**	**Wealth Management**	**Total Asset and Wealth Management Sector**	**Asset Servicing**	**Issuer Services**	**Clearing Services**	**Treasury Services**	**Total Institutional Services Sector**	**Other Segment**	**Total continuing operations**
Fee and other revenue	**$ 1,286** *(a)*	**$ 293**	**$ 1,579**	**$1,704**	**$ 738**	**$ 547**	**$ 421**	**$ 3,410**	**$ 204**	**$ 5,193** *(a)*
Net interest revenue	**1**	**111**	**112**	**426**	**468**	**188**	**337**	**1,419**	**(44)**	**1,487**
Total revenue	**1,287**	**404**	**1,691**	**2,130**	**1,206**	**735**	**758**	**4,829**	**160**	**6,680**
Provision for credit losses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**55**	**55**
Noninterest expense	**1,020**	**299**	**1,319**	**1,509**	**663**	**538**	**381**	**3,091**	**382**	**4,792**
Income before taxes	**$ 267** *(a)*	**$ 105**	**$ 372**	**$ 621**	**$ 543**	**$ 197**	**$ 377**	**$ 1,738**	**$ (277)**	**$ 1,833** *(a)*
Pre-tax operating margin *(b)*	**21%**	**26%**	**22%**	**29%**	**45%**	**27%**	**50%**	**36%**	**N/M**	**27%**
Average assets	**$25,040**	**$10,063**	**$35,103**	**$61,331**	**$50,877**	**$20,947**	**$26,600**	**$159,755**	**$31,703**	**$226,561** *(c)*
Excluding intangible amortization:										
Noninterest expense	**$ 920**	**$ 281**	**$ 1,201**	**$ 1,498**	**$ 622**	**$ 525**	**$ 370**	**$ 3,015**	**$381**	**$ 4,597**
Income before taxes	**367**	**123**	**490**	**632**	**584**	**210**	**388**	**1,814**	**(276)**	**2,028**
Pre-tax operating margin *(b)*	**28%**	**30%**	**29%**	**30%**	**48%**	**29%**	**51%**	**38%**	**N/M**	**30%**

(a) Total fee and other revenue and income before taxes for the first six months of 2010 includes income from consolidated asset management funds of $130 million net of income attributable to noncontrolling interests of $57 million. The net of these income statement line items of $73 million is included above in fee and other revenue.
(b) Income before taxes divided by total revenue.
(c) Including average assets of discontinued operations of $577 million for the six months ended June 30, 2010, consolidated average assets were $227,138 million.
N/M - Not meaningful.

For the six months ended June 30, 2009 (dollar amounts in millions)	Asset Management	Wealth Management	Total Asset and Wealth Management Sector	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Total Institutional Services Sector	Other Segment	Total continuing operations
Fee and other revenue	$ 1,008	$ 281	$ 1,289	$ 1,745	$ 818	$ 635	$ 407	$3,605	$ (501)	$ 4,393
Net interest revenue	22	99	121	460	385	169	316	1,330	24	1,475
Total revenue	1,030	380	1,410	2,205	1,203	804	723	4,935	(477)	5,868
Provision for credit losses	-	-	-	-	-	-	-	-	120	120
Noninterest expense	927	287	1,214	1,432	643	522	393	2,990	459	4,663
Income before taxes	$ 103	$ 93	$ 196	$ 773	$ 560	$ 282	$ 330	$1,945	$(1,056)	$1,085
Pre-tax operating margin *(a)*	10%	24%	14%	35%	47%	35%	46%	39%	N/M	18%
Average assets	$12,533	$9,370	$21,903	$61,752	$51,516	$17,803	$26,704	$157,775	$32,280	$211,958 *(b)*
Excluding intangible amortization:										
Noninterest expense	$ 817	$ 265	$ 1,082	$ 1,416	$ 602	$ 508	$ 380	$ 2,906	$460	$ 4,448
Income before taxes	213	115	328	789	601	296	343	2,029	(1,057)	1,300
Pre-tax operating margin *(a)*	21%	30%	23%	36%	50%	37%	47%	41%	N/M	22%

(a) Income before taxes divided by total revenue.
(b) Including average assets of discontinued operations of $2,336 million for the six months ended June 30, 2009, consolidated average assets were $214,294 million.
N/M - Not meaningful.

Asset and Wealth Management Sector

Asset and Wealth Management fee revenue is dependent on the overall level and mix of AUM and the management fees expressed in basis points (one-hundredth of one percent) charged for managing those assets. Assets under management were $1.0 trillion at June 30, 2010, compared with $1.1 trillion at March 31, 2010 and $926 billion at June 30, 2009. The increase compared with June 30, 2009 primarily reflects the acquisition of Insight Investment Management ("Insight") in the fourth quarter of 2009. The sequential decrease primarily reflects lower market values.

Net asset outflows in the second quarter of 2010 totaled $5 billion, reflecting $17 billion of money market outflows, partially offset by $12 billion of long-term inflows.

AUM at period end, by product type *(in billions)*	June 30, 2009	Sept. 30, 2009	Dec. 31 2009	March 31, 2010	**June 30, 2010**
Equity securities	$ 289	$ 328	$ 339	$ 346	**$ 309**
Money market	393	376	360	335	**317**
Fixed income securities	159	169	235	234	**239**
Alternative investments and overlay	85	93	181	190	**182**
Total AUM	$ 926	$ 966	$1,115	$1,105	**$1,047**

AUM at period end, by client type *(in billions)*	June 30, 2009	Sept. 30, 2009	Dec. 31 2009	March 31, 2010	**June 30, 2010**
Institutional	$ 425	$ 461	$ 611	$ 620	**$595**
Mutual funds	421	421	416	396	**370**
Private client	80	84	88	89	**82**
Total AUM	$ 926	$ 966	$1,115	$1,105	**$1,047**

Changes in market value of AUM from March 31, 2010 to June 30, 2010 – by business segment

(in billions)	Asset Management	Wealth Management	Total
Market value of AUM at March 31, 2010:	$1,029	$76	$1,105
Net inflows (outflows):			
Long-term	13	(1)	12
Money market	(17)	-	(17)
Total net inflows (outflows)	(4)	(1)	(5)
Net market/currency impact	(49)	(4)	(53)
Market value of AUM at June 30, 2010	**$ 976** *(a)*	**$71** *(b)*	**$1,047**

(a) Excludes $4 billion subadvised for the Wealth Management segment.
(b) Excludes private client assets managed in the Asset Management segment.

Asset Management segment

(dollar amounts in millions, unless otherwise noted)	2Q09	3Q09	4Q09	1Q10	2Q10	2Q10 vs. 2Q09	2Q10 vs. 1Q10	Year-to-date 2010	Year-to-date 2009	YTD10 vs. YTD09
Revenue:										
Asset and wealth management:										
Mutual funds	$266	$274	$266	$242	**$242**	**(9)%**	**-%**	**$ 484**	$ 529	**(9)%**
Institutional clients	175	197	227	264	**264**	**51**	**-**	**528**	356	**48**
Private clients	31	34	38	38	**37**	**19**	**(3)**	**75**	63	**19**
Performance fees	26	1	59	13	**19**	**(27)**	**46**	**32**	33	**(3)**
Total asset and wealth management revenue	498	506	590	557	**562**	**13**	**1**	**1,119**	981	**14**
Distribution and servicing	90	84	84	75	**75**	**(17)**	**-**	**150**	182	**(18)**
Other	(59)	2	6	17	**-**	**N/M**	**N/M**	**17**	(155)	**N/M**
Total fee and other revenue *(a)*	529	592	680	649	**637**	**20**	**(2)**	**1,286**	1,008	**28**
Net interest revenue	7	7	3	-	**1**	**N/M**	**N/M**	**1**	22	**N/M**
Total revenue *(b)*	536	599	683	649	**638**	**19**	**(2)**	**1,287**	1,030	**25**
Noninterest expense (ex. intangible amortization and support agreement charges)	419	415	465	453	**474**	**13**	**5**	**927**	831	**12**
Income before taxes (ex. intangible amortization and support agreement charges)	117	184	218	196	**164**	**40**	**(16)**	**360**	199	**81**
Amortization of intangible assets	55	53	56	50	**50**	**(9)**	**-**	**100**	110	**(9)**
Support agreement charges	-	32	-	-	**(7)**	**N/M**	**N/M**	**(7)**	(14)	**N/M**
Income before taxes	$ 62	$ 99	$162	$146	**$121**	**95%**	**(17)%**	**$ 267**	$ 103	**159%**
Memo: Income before taxes (ex. intangible amortization)	$117	$152	$218	$196	**$171**	**46%**	**(13)%**	**$ 367**	$ 213	**72%**
Pre-tax operating margin	12%	16%	24%	23%	**19%**			**21%**	10%	
Pre-tax operating margin (ex. intangible amortization) *(c)*	22%	25%	32%	30%	**27%**			**28%**	21%	
AUM *(in billions) (d)*	$ 860	$ 897	$1,045	$1,034	**$980**	**14%**	**(5)%**	**$ 980**	$ 860	**14%**
AUM net inflows (outflows):										
Long-term *(in billions)*	$ (18)	$ (2)	$ 13	$ 15	**$ 13**			**$ 28**	$ (20)	
Money-market *(in billions)*	$ (2)	$ (14)	$ (22)	$ (25)	**$ (17)**			**$ (42)**	$ (13)	

(a) Total fee and other revenue for the first and second quarters and year-to-date 2010 includes income from consolidated asset management funds of $65 million, $65 million and $130 million, respectively, and income attributable to noncontrolling interests of $24 million, $33 million and $57 million, respectively. The net of these income statement line items for the first and second quarters and year-to-date 2010 of $41 million, $32 million and $73 million, respectively, is included above in institutional client revenue of $25 million, $29 million and $54 million, respectively, and other revenue of $16 million, $3 million and $19 million, respectively.
(b) Investment securities gains (losses) were $(45) million in 2Q09, $- million in 3Q09, $1 million in 4Q09, $- million in 1Q10 and $1 million in 2Q10. Excluding investment securities gains (losses), the total revenue growth rate 2Q10 vs. 2Q09 was 10%.
(c) The pre-tax operating margin, excluding intangible amortization, support agreement charges and investment securities gains (losses) was 28% for 2Q09, 31% for 3Q09, 32% for 4Q09, 30% for 1Q10, 26% for 2Q10, 28% for the first six months of 2010 and 25% for the first six months of 2009.
(d) Includes $3 billion, $5 billion, $5 billion, $5 billion and $4 billion subadvised for the Wealth Management segment, respectively.
N/M – Not meaningful.

Business description

BNY Mellon Asset Management is the umbrella organization for our affiliated investment management boutiques and is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional distribution of investment management and related services. The investment management boutiques offer a broad range of equity, fixed income, cash and alternative/overlay products. In addition to the investment subsidiaries, BNY Mellon Asset Management includes BNY Mellon Asset Management International, which is responsible for the distribution of investment management products internationally, and the Dreyfus Corporation and its affiliates, which are responsible for U.S. distribution of retail mutual funds, separate accounts and annuities. We are one of the world's largest asset managers with a top 10 position in both the U.S. and Europe and 11th position globally.

In July 2010, the China Securities Regulatory Commission ("CSRC") authorized BNY Mellon and Western Securities to establish a joint venture fund management company in China. The new company, BNY Mellon Western Fund Management Company Limited, will be owned by BNY Mellon (49%) and Western Securities (51%). BNY Mellon Western Fund Management will initially manage domestic Chinese securities in a range of local retail fund products. Over time, the venture expects to develop further products using the scale and expertise of the broader BNY Mellon group. BNY Mellon Western Fund Management will also focus on leveraging distribution within the Chinese banking and securities sectors, building awareness of the new company in the region.

The results of the Asset Management segment are mainly driven by the period end and average levels of assets managed as well as the mix of those assets, as previously shown. Results for this segment are also impacted by sales of fee-based products such as fixed and variable annuities and separately managed accounts. In addition, performance fees may be generated when the investment performance exceeds various benchmarks and satisfies other criteria. Expenses in this segment are mainly driven by staffing costs, incentives, distribution and servicing expense, and product distribution costs.

In November 2009, we acquired Insight which specializes in liability-driven investment solutions, active fixed income and alternative investments. At acquisition, Insight had approximately $138 billion in assets under management.

Also, in November 2009, BNY Mellon acquired a 20% minority interest in Siguler Guff & Company, LLC (and certain related entities) ("Siguler Guff"), a multi-strategy private equity firm. At acquisition, Siguler Guff had approximately $8 billion in assets under management and committed capital.

Review of financial results

In the second quarter of 2010, Asset Management had pre-tax income of $121 million compared with $62 million in the second quarter of 2009 and $146 million in the first quarter of 2010. Excluding amortization of intangible assets, pre-tax income was $171 million in the second quarter of 2010 compared with $117 million in the second quarter of 2009 and $196 million in the first quarter of 2010.

The Asset Management segment generated 600 basis points of positive operating leverage compared with the second quarter of 2009, excluding intangible amortization and support agreement charges.

Asset and wealth management revenue in the Asset Management segment was $562 million in the second quarter of 2010 compared with $498 million in the second quarter of 2009 and $557 million in the first quarter of 2010. Excluding performance fees, asset and wealth management fee revenue increased 15% compared with the prior year period and was unchanged sequentially. The increase year-over-year reflects improved equity values, the impact of the Insight acquisition and new business, partially offset by a reduction in fees due to money market outflows and higher fee waivers. Sequentially, the impact of new business was more than offset by lower market values. Performance fees were $19 million in the second quarter of 2010 compared with $26 million in the second quarter of 2009 and $13 million in the first quarter of 2010.

In the second quarter of 2010, net long-term inflows of $13 billion were more than offset by $17 billion of money market outflows. Long-term inflows benefited from strength in institutional fixed income and global equity products and the fifth consecutive quarter of positive flows in retail funds.

In the second quarter of 2010, 43% of Asset and Wealth Management fees in the Asset Management segment were generated from managed mutual fund fees. These fees are based on the daily average net assets of each fund and the basis point management fee paid by that fund. Managed mutual fund fee revenue was $242 million in the second quarter of 2010 compared with $266 million in the second quarter of 2009 and $242 million in the first quarter of 2010. The year-over-year decrease reflects outflows in money market funds and higher fee waivers.

Distribution and servicing fees were $75 million in the second quarter of 2010 compared with $90 million in the second quarter of 2009 and $75 million in the first quarter of 2010. The year-over-year decrease primarily reflects lower money market inflows.

There was no other fee revenue in the second quarter of 2010 compared with a loss of $59 million in the second quarter of 2009 and gains of $17 million in the first quarter of 2010. The comparison with the second quarter of 2009 primarily reflects investment write-downs in the second quarter of 2009.

Revenue generated in the Asset Management segment includes 49% from non-U.S. sources in the second quarter of 2010 compared with 50% in the first quarter of 2010. Excluding investment securities losses in the second quarter of 2009, revenue includes 40% generated from non U.S. sources.

Noninterest expense (excluding amortization of intangible assets and support agreement charges) was $474 million in the second quarter of 2010 compared with $419 million in the second quarter of 2009 and $453 million in the first quarter of 2010. The year-over-year increase primarily reflects the Insight acquisition and higher incentive expense. The sequential increase reflects higher incentive expense and the impact of the annual merit increase.

Year-to-date 2010 compared with year-to-date 2009

Income before taxes totaled $267 million in the first six months of 2010 compared with $103 million in the first six months of 2009. Income before taxes (excluding intangible amortization) was $367 million in the first six months of 2010 compared with $213 million in the first six months of 2009. Fee and other revenue increased $278 million, primarily due to improved global market values, the impact of the Insight acquisition, the impact of long-term inflows and investment write-downs in the first half of 2009. Noninterest expense (excluding intangible amortization and support agreement charges) increased $96 million in the first six months of 2010 compared with the first six months of 2009, primarily due to the Insight acquisition and higher incentive expense.

Wealth Management segment

(dollar amounts in millions, unless otherwise noted)	2Q09	3Q09	4Q09	1Q10	2Q10	2Q10 vs. 2Q09	2Q10 vs. 1Q10	Year-to-date 2010	Year-to-date 2009	YTD10 vs. YTD09
Revenue:										
Asset and wealth management	$128	$133	$136	$136	**$134**	**5%**	**(1)%**	**$270**	$250	**8%**
Other	12	13	15	10	**13**	**8**	**30**	**23**	31	**(26)**
Total fee and other revenue	140	146	151	146	**147**	**5**	**1**	**293**	281	**4**
Net interest revenue	49	49	46	55	**56**	**14**	**2**	**111**	99	**12**
Total revenue	189	195	197	201	**203**	**7**	**1**	**404**	380	**6**
Provision for credit losses	-	-	1	-	**-**	**N/M**	**N/M**	**-**	-	**N/M**
Noninterest expense (ex. intangible amortization)	136	135	138	136	**145**	**7**	**7**	**281**	265	**6**
Income before taxes (ex. intangible amortization)	53	60	58	65	**58**	**9**	**(11)**	**123**	115	**7**
Amortization of intangible assets	11	12	11	9	**9**	**(18)**	**-**	**18**	22	**(18)**
Income before taxes	$ 42	$ 48	$ 47	$ 56	**$ 49**	**17%**	**(13)%**	**$105**	$ 93	**13%**
Pre-tax operating margin	22%	25%	24%	28%	**24%**			**26%**	24%	
Pre-tax operating margin (ex. intangible amortization)	28%	31%	29%	32%	**28%**			**30%**	30%	
Average loans	$5,684	$6,010	$6,191	$6,302	**$6,350**	**12%**	**1%**	**$6,326**	$5,536	**14%**
Average assets	9,131	9,122	9,246	9,722	**10,399**	**14**	**7**	**10,063**	9,370	**7**
Average deposits	6,628	6,602	6,804	7,310	**7,991**	**21**	**9**	**7,652**	6,842	**12**
Market value of total client assets under management and custody at period end *(in billions)*	$ 142	$ 151	$ 154	$ 157	**$ 150**	**6%**	**(4)%**	**$ 150**	$ 142	**6%**

N/M – Not meaningful.

Business description

In the Wealth Management segment, we offer a full array of investment management, wealth and estate planning and private banking solutions to help clients protect, grow and transfer their wealth. Clients include high net worth individuals, families, endowments and foundations and related entities. BNY Mellon Wealth Management is a top 10 U.S. wealth manager with $150 billion in client assets. We serve our clients through an expansive network of office sites in 17 states and 3 countries, including 16 of the top 25 domestic wealth markets.

The results of the Wealth Management segment are driven by the level and mix of assets managed and under custody, and the level of activity in client accounts. Net interest revenue is determined by the level of interest rate spread between loans and deposits. Expenses of this segment are driven mainly by staff expense in the investment management, sales, service and support groups.

Review of financial results

Income before taxes was $49 million in the second quarter of 2010, compared with $42 million in the second quarter of 2009 and $56 million in the first quarter of 2010. Income before taxes, excluding intangible amortization, was $58 million in the second quarter of 2010, compared with $53 million in the second quarter of 2009 and $65 million in the first quarter of 2010.

Total fee and other revenue was $147 million in the second quarter of 2010, compared with $140 million in the second quarter of 2009 and $146 million in the first quarter of 2010. The increase compared with the second quarter of 2009 reflects organic growth, the impact of higher equity markets and increased capital markets fees. Fee and other revenue increased sequentially due to organic growth and higher capital markets fees, partially offset by lower equity markets.

Client assets under management and custody were $150 billion at June 30, 2010, compared with $142 billion at June 30, 2009 and $157 billion at March 31, 2010. The decrease compared with March 31, 2010 reflects market depreciation.

Net interest revenue increased $7 million year-over-year and $1 million sequentially. The year-over-year increase was primarily due to high quality loan growth, higher loan spreads, and the higher yield related to the restructured investment securities portfolio. The sequential increase reflects higher deposit levels and higher deposit margins. Average loans increased 12% year-over-year and 1% (unannualized) sequentially. Average deposit levels increased 21% year-over-year and 9% (unannualized) sequentially.

Noninterest expense (excluding amortization of intangible assets) increased $9 million compared with both the second quarter of 2009 and first quarter of 2010. The year-over-year increase primarily reflects higher legal and FDIC expenses, the impact of the annual merit increase and production-related incentives, partially offset by workforce reductions and expense control. The sequential increase reflects the timing of business development expenses and the annual merit increase.

Year-to-date 2010 compared with year-to-date 2009

Income before taxes totaled $105 million in the first six months of 2010 compared with $93 million in the first six months of 2009. Excluding intangible amortization, income before taxes increased $8 million. Fee and other revenue increased $12 million reflecting organic growth and the impact of higher equity markets. The $12 million increase in net interest revenue was primarily due to high quality loan growth and higher loan spreads, and the higher yield related to the restructured investment securities portfolio, partially offset by lower deposit margins. Noninterest expense (excluding intangible amortization) increased $16 million primarily due to higher production-related incentive compensation for employees and FDIC expenses, partially offset by workforce reductions and expense control.

Institutional Services Sector

At June 30, 2010, our assets under custody and administration totaled $21.8 trillion, a decrease of 2% from $22.4 trillion at March 31, 2010 and a 6% increase from $20.7 trillion at June 30, 2009. The sequential decrease primarily reflects lower market values. The year-over-year increase reflects higher market values and net new business. Equity securities constituted 28% and fixed-income securities constituted 72% of the assets under custody and administration at June 30, 2010, compared with 30% equity securities and 70% fixed income securities at March 31, 2010 and 27% equity securities and 73% fixed income securities at June 30, 2009. Assets under custody and administration at June 30, 2010 consisted of assets related to custody, mutual funds, and corporate trust businesses of $17.3 trillion, broker-dealer service assets of $3.0 trillion, and all other assets of $1.5 trillion.

The market value of securities on loan at June 30, 2010 decreased to $248 billion compared with $253 billion at March 31, 2010. The market value of securities on loan was $290 billion at June 30, 2009. The year-over-year decline primarily reflects a high level of U.S. Treasury securities issuances.

On July 1, 2010, we completed the acquisition of Global Investment Servicing, Inc. and on August 2, 2010, we completed the acquisition of BHF Asset Servicing GmbH. See the "Second quarter 2010 and subsequent events" section for additional information.

Assets under custody and administration trend	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	**June 30, 2010**
Market value of assets under custody and administration *(in trillions) (a)*	$ 20.7	$ 22.1	$ 22.3	$ 22.4	**$ 21.8**
Market value of securities on loan *(in billions) (b)*	$ 290	$ 299	$ 247	$ 253	**$ 248**

(a) Includes the assets under custody or administration of CIBC Mellon Global Securities Services Company, a joint venture with Canadian Imperial Bank of Commerce, of $810 billion at June 30, 2009, $943 billion at Sept. 30, 2009, $905 billion at Dec. 31, 2009, $964 billion at March 31, 2010 and $903 billion at June 30, 2010.

(b) Represents the total amount of securities on loan, both cash and non-cash, managed by the Asset Servicing segment.

Asset Servicing segment

(dollar amounts in millions, unless otherwise noted)	2Q09	3Q09	4Q09	1Q10	2Q10	2Q10 vs. 2Q09	2Q10 vs. 1Q10	Year-to-date 2010	Year-to-date 2009	YTD10 vs. YTD09
Revenue:										
Securities servicing fees – asset servicing	$ 557	$ 573	$ 581	$ 569	**$ 586**	**5%**	**3%**	**$1,155**	$1,061	**9%**
Securities lending revenue	85	32	25	24	**30**	**(65)**	**25**	**54**	164	**(67)**
Foreign exchange and other trading activities	216	190	177	170	**207**	**(4)**	**22**	**377**	426	**(12)**
Other	46	50	33	35	**83**	**80**	**137**	**118**	94	**26**
Total fee and other revenue	904	845	816	798	**906**	**-**	**14**	**1,704**	1,745	**(2)**
Net interest revenue	211	229	205	210	**216**	**2**	**3**	**426**	460	**(7)**
Total revenue	1,115	1,074	1,021	1,008	**1,122**	**1**	**11**	**2,130**	2,205	**(3)**
Noninterest expense (ex. Intangible amortization and support agreement charges)	721	748	788	740	**765**	**6**	**3**	**1,505**	1,425	**6**
Income before taxes (ex. intangible amortization and support agreement charges)	394	326	233	268	**357**	**(9)**	**33**	**625**	780	**(20)**
Support agreement charges	(15)	(19)	(5)	(23)	**16**	**N/M**	**N/M**	**(7)**	(9)	**N/M**
Amortization of intangible assets	9	6	6	6	**5**	**(44)**	**(17)**	**11**	16	**(31)**
Income before taxes	$ 400	$ 339	$ 232	$ 285	**$ 336**	**(16)%**	**18%**	**$ 621**	$ 773	**(20)%**
Memo: Income before taxes (ex. intangible amortization)	$ 409	$ 345	$ 238	$ 291	**$341**	**(17)%**	**17%**	**$632**	$789	**(20)%**
Pre-tax operating margin	36%	32%	23%	28%	**30%**			**29%**	35%	
Pre-tax operating margin (ex. intangible amortization)	37%	32%	23%	29%	**30%**			**30%**	36%	
Market value of securities on loan at period end *(in billions)*	$ 290	$ 299	$ 247	$ 253	**$ 248**	**(14)%**	**(2)%**	**$248**	$290	**(14)%**
Average assets	$58,339	$59,914	$59,980	$59,704	**$62,940**	**8%**	**5%**	**$61,331**	$61,752	**(1)%**
Average deposits	$50,583	$52,271	$51,755	$52,183	**$55,343**	**9%**	**6%**	**$53,772**	$53,816	**-%**

N/M - Not meaningful.

Business description

The Asset Servicing segment includes global custody, global fund services, securities lending, global liquidity services, outsourcing, alternative investment services, government securities clearance, collateral management and credit-related services and other linked revenues, principally foreign exchange. Clients include corporate and public retirement funds, foundations and endowments and global financial institutions including banks, broker-dealers, investment managers, insurance companies and mutual funds.

The results of the Asset Servicing segment are driven by a number of factors which include the level of transaction activity, the extent of services provided, including custody, accounting, fund administration, daily valuations, performance measurement and risk analytics, securities lending, investment manager backoffice outsourcing and the market value of assets under administration and custody. Market interest rates impact both securities lending revenue and the earnings on client deposit balances. Broker-dealer fees depend on the level of activity in the fixed income and equity markets and the financing needs of customers, which are typically higher when the equity and fixed income markets are active. Also, tri-party repo arrangements continue to remain a key revenue driver in broker-dealer services. Foreign exchange trading revenues are influenced by the volume of client transactions and the spread realized on these transactions, market volatility in major currencies, the level of cross-border assets held in custody for clients, the level and nature of underlying cross-border investments and other transactions undertaken by corporate and institutional clients. Segment expenses are principally driven by staffing levels and technology investments.

We are one of the leading global securities servicing providers with a total of $21.8 trillion of assets under custody and administration at June 30, 2010. We continue to maintain our number one ranking in two major global custody surveys. We are one of the largest providers of fund services in the world, servicing $4.9 trillion in assets. We also service 48% of the funds in the U.S. exchange-traded funds marketplace. We are the largest custodian for U.S.

corporate and public pension plans. BNY Mellon Asset Servicing services 44% of the top 50 endowments.

We are a leading custodian in the U.K. and service 30% of U.K. pensions. European asset servicing continues to grow across all products, reflecting significant cross-border investment and capital flow. In our alternative investment services business, we are a top 10 service provider to single manager hedge funds, funds of hedge funds and private equity. In securities lending, we are one of the largest lenders of U.S. Treasury securities and depositary receipts and service a lending pool of $2.4 trillion in 31 markets around the world. We are one of the largest global providers of performance and risk analytics with $8.9 trillion in assets under measurement.

Our broker-dealer service business is a leader in global clearance, clearing equity and fixed income transactions in more than 100 markets. We are a leading clearing agent for U.S. government securities, handling a majority of transactions cleared through the Federal Reserve Bank of New York and clearing for 13 of the 18 primary dealers. We are a leading collateral management agent with $1.5 trillion in tri-party balances worldwide at June 30, 2010.

Review of financial results

Income before taxes was $336 million in the second quarter of 2010 compared with $400 million in the second quarter of 2009, and $285 million in the first quarter of 2010. Income before taxes, excluding intangible amortization and support agreement charges, was $357 million in the second quarter of 2010 compared with $394 million in the second quarter of 2009 and $268 million in the first quarter of 2010. The Asset Servicing segment generated 800 basis points of positive operating leverage compared with the first quarter of 2010, excluding support agreement charges and intangible amortization.

Revenue generated in the Asset Servicing segment includes 40% from non-U.S. sources in the second quarter of 2010, 35% in the second quarter of 2009 and 43% in the first quarter of 2010.

Securities servicing fees, excluding securities lending revenue, increased $29 million, or 5%, compared with the second quarter of 2009 and $17 million, or 3% (unannualized) sequentially. The year-over-year increase reflects higher market values and new business. The sequential increase reflects new business and higher transaction volumes.

Securities lending revenue decreased $55 million compared to the second quarter of 2009 and increased $6 million sequentially. The year-over-year decrease reflects narrower spreads and lower loan balances while the sequential increase reflects seasonality. Spreads decreased 49% compared with the second quarter of 2009 and increased 60% sequentially. Volumes decreased 9% compared with the second quarter of 2009 and increased 4% (unannualized) sequentially.

Foreign exchange and other trading decreased 4% compared with the second quarter of 2009 and increased 22% (unannualized) sequentially. Both fluctuations primarily resulted from changes in volatility.

Other revenue increased year-over-year and sequentially as a result of higher foreign exchange translation gains.

Net interest revenue increased 2% year-over-year and 3% (unannualized) sequentially. The increase compared with the second quarter of 2009 resulted from the higher yield related to the restructured investment securities portfolio, primarily offset by lower spreads on deposits. The increase sequentially reflects higher deposit levels and spreads.

Noninterest expense (excluding amortization of intangible assets and support agreement charges) increased $44 million compared with the second quarter of 2009 and $25 million sequentially. The year-over-year increase reflects higher subcustodian fees resulting from higher asset values and transaction volumes, as well as higher professional, legal and other purchased services and higher business development expense. The sequential increase was primarily driven by higher subcustodian fees and higher business development activity.

Year-to-date 2010 compared with year-to-date 2009

Income before taxes totaled $621 million in the first six months of 2010 compared with $773 million in the first six months of 2009. Excluding intangible amortization and support agreement charges, income before taxes decreased $155 million. Fee and other revenue decreased $41 million primarily due to lower securities lending revenue, reflecting narrower spreads and lower loan balances. Net interest revenue decreased $34 million primarily driven by lower spreads on deposits. Noninterest expense (excluding intangible amortization and support agreement charges) increased $80 million primarily due to higher sub-custodial fees resulting from higher asset values and transaction volume, as well as higher professional, legal and other purchased services and higher business development activity.

Issuer Services segment

(dollars in millions)	2Q09	3Q09	4Q09	1Q10	2Q10	2Q10 vs. 2Q09	2Q10 vs. 1Q10	Year-to-date 2010	Year-to-date 2009	YTD10 vs. YTD09
Revenue:										
Securities servicing fees – issuer services	$ 373	$ 359	$ 367	$ 333	**$353**	**(5)%**	**6%**	**$686**	$736	**(7)%**
Other	40	30	43	25	**27**	**(33)**	**8**	**52**	82	**(37)**
Total fee and other revenue	413	389	410	358	**380**	**(8)**	**6**	**738**	818	**(10)**
Net interest revenue	185	180	203	252	**216**	**17**	**(14)**	**468**	385	**22**
Total revenue	598	569	613	610	**596**	**-**	**(2)**	**1,206**	1,203	**-**
Noninterest expense (ex. intangible amortization)	305	304	318	304	**318**	**4**	**5**	**622**	602	**3**
Income before taxes (ex. intangible amortization)	293	265	295	306	**278**	**(5)**	**(9)**	**584**	601	**(3)**
Amortization of intangible assets	20	20	20	20	**21**	**5**	**5**	**41**	41	**-**
Income before taxes	$ 273	$ 245	$ 275	$ 286	**$257**	**(6)%**	**(10)%**	**$543**	$560	**(3)%**
Pre-tax operating margin	46%	43%	45%	47%	**43%**			**45%**	47%	
Pre-tax operating margin (ex. intangible amortization)	49%	47%	48%	50%	**47%**			**48%**	50%	
Average assets	$52,161	$47,975	$52,028	$52,838	**$48,938**	**(6)%**	**(7)%**	**$50,877**	$51,516	(1)%
Average deposits	$47,293	$43,183	$47,320	$48,470	**$44,560**	**(6)%**	**(8)%**	**$46,504**	$46,631	-%
Number of depositary receipt programs	1,320	1,322	1,330	1,336	**1,345**	**2%**	**1%**	**1,345**	1,320	**2%**

Business description

The Issuer Services segment provides a diverse array of products and services to global fixed income and equity issuers.

BNY Mellon is the number one provider of corporate trust services for all major debt categories across conventional, structured finance and specialty debt. We service $11.6 trillion in outstanding debt from 61 locations in 20 countries. We serve as depositary for 1,345 sponsored American and global depositary receipt programs, acting in partnership with leading companies from 67 countries. In addition to top-ranked stock transfer agency services, BNY Mellon Shareowner Services offers a comprehensive suite of equity solutions, including record-keeping and corporate actions processing, demutualizations, direct investment, dividend reinvestment, proxy solicitation and employee stock plan administration.

Fee revenue in the Issuer Services segment depends on:

- the volume of issuance of fixed income securities;
- depositary receipts issuance and cancellation volume;
- corporate actions impacting depositary receipts; and
- stock transfer, corporate actions and equity trading volumes.

Expenses in the Issuer Services segment are driven by staff, equipment and space required to support the services provided by the segment.

Review of financial results

Income before taxes was $257 million in the second quarter of 2010, compared with $273 million in the second quarter of 2009 and $286 million in the first quarter of 2010. Income before taxes, excluding intangible amortization, was $278 million in the second quarter of 2010, compared with $293 million in the second quarter of 2009 and $306 million in the first quarter of 2010.

Total fee and other revenue decreased 8% year-over-year and increased 6% sequentially.

- Corporate Trust – Fee and other revenue decreased year-over-year and sequentially. The

year-over-year decline reflects weakness in the global debt markets and lower money market related fees. The sequential decline reflects continued low debt issuances in the global markets.
- Depositary Receipts – Fee and other revenue increased year-over-year and sequentially primarily due to higher transaction and servicing fees. The sequential increase was also impacted by seasonality. Depositary Receipt issuances have exceeded cancellations for five consecutive quarters.
- Shareowner Services – Fee and other revenue decreased year-over-year and increased sequentially. The year-over-year decrease reflects lower corporate action fees and lower employee stock option plan fees. The sequential increase reflects higher seasonal shareholder services revenue, partially offset by lower corporate action fees.

Net interest revenue increased $31 million, or 17%, compared with the second quarter of 2009, and decreased $36 million, or 14% (unannualized), compared with the first quarter of 2010. The year-over-year increase was driven by the higher yield related to the restructured investment securities portfolio and higher deposit spreads. The sequential decline reflects lower client deposits.

Noninterest expense (excluding intangible amortization) increased $13 million, or 4%, compared with the second quarter of 2009 and $14 million, or 5% (unannualized) sequentially. The year-over-year increase reflects higher legal and FDIC expenses. The sequential increase resulted from higher legal expense and timing of business development activity. Staff expense decreased year-over-year and was unchanged sequentially.

Year-to-date 2010 compared with year-to-date 2009

Income before taxes totaled $543 million in the first six months of 2010 compared with $560 million in the first six months of 2009. Excluding intangible amortization, income before taxes decreased $17 million. Fee and other revenue decreased $80 million primarily reflecting weakness in the global debt markets and lower money market related fees. Net interest revenue increased $83 million driven by the higher yield related to the restructured investment securities portfolio. Noninterest expense (excluding intangible amortization) increased $20 million primarily driven by higher legal and FDIC expenses.

Clearing Services segment

(dollar amounts in millions, unless otherwise noted)	2Q09	3Q09	4Q09	1Q10	2Q10	2Q10 vs. 2Q09	2Q10 vs. 1Q10	Year-to-date 2010	Year-to-date 2009	YTD10 vs. YTD09
Revenue:										
Securities servicing fees – clearing services	$ 248	$ 232	$ 219	$ 227	**$240**	**(3)%**	**6%**	**$467**	$497	**(6)%**
Other	66	59	45	44	**36**	**(45)**	**(18)**	**80**	138	**(42)**
Total fee and other revenue	314	291	264	271	**276**	**(12)**	**2**	**547**	635	**(14)**
Net interest revenue	87	81	90	95	**93**	**7**	**(2)**	**188**	169	**11**
Total revenue	401	372	354	366	**369**	**(8)**	**1**	**735**	804	**(9)**
Noninterest expense (ex. intangible amortization)	256	245	241	255	**270**	**5**	**6**	**525**	508	**3**
Income before taxes (ex. intangible amortization)	145	127	113	111	**99**	**(32)**	**(11)**	**210**	296	**(29)**
Amortization of intangible assets	7	6	7	6	**7**	**N/M**	**N/M**	**13**	14	**N/M**
Income before taxes	$ 138	$ 121	$ 106	$ 105	**$92**	**(33)%**	**(12)%**	**$197**	$282	**(30)%**
Pre-tax operating margin	34%	33%	30%	29%	**25%**			**27%**	35%	
Pre-tax operating margin (ex. intangible amortization)	36%	34%	32%	30%	**27%**			**29%**	37%	
Average active accounts *(in thousands)*	4,999	4,771	4,758	4,811	**4,896**	**(2)%**	**2%**	**4,854**	5,224	**(7)%**
Average assets	$17,014	$17,827	$20,365	$20,338	**$21,550**	**27%**	**6%**	**$20,947**	$17,803	**18%**
Average margin loans	$ 4,121	$ 4,322	$ 4,651	$ 5,229	**$ 5,775**	**40%**	**10%**	**$ 5,504**	$ 4,164	**32%**
Average payables to customers and broker-dealers	$ 4,901	$ 5,845	$ 6,476	$ 6,495	**$ 6,593**	**35%**	**2%**	**$ 6,544**	$ 4,352	**50%**

N/M – Not meaningful.

Business description

Our Clearing Services segment consists of Pershing's global clearing and execution business in over 60 markets. Located in 20 offices worldwide, Pershing provides operational support, trading services, flexible technology, an expansive array of investment solutions including managed accounts, mutual funds and cash management, practice management support and service excellence. Pershing takes a consultative approach, working behind the scenes for its more than 1,150 customers who represent approximately five million individual and institutional investors. Pershing serves a broad array of customers including financial intermediaries, broker-dealers, independent registered investment advisors and hedge fund managers.

Pershing is the enterprise name for Pershing, Pershing Advisor Solutions, Pershing Prime Services, iNautix USA, the Lockwood companies, and its international affiliates in Canada, Ireland, the U.K. and Singapore.

Revenue in this segment includes fees and commissions from broker-dealer services, registered investment advisor services, prime brokerage services and electronic trading services, which are primarily driven by trading volumes, particularly those related to retail customers and overall market levels.

A substantial amount of revenue in this segment is generated from non-transactional activities, such as asset gathering; providing services to mutual funds, money market funds and retirement programs; and administration and other services.

Segment expenses are driven by staff, equipment and space required to support the services provided by the segment and the cost of execution and clearance of trades.

Review of financial results

Income before taxes was $92 million in the second quarter of 2010, $138 million in the second quarter of 2009 and $105 million in the first quarter of 2010.

Total fee and other revenue decreased $38 million, or 12%, compared with the second quarter of 2009 and increased $5 million, or 2% (unannualized) compared with the first quarter of 2010. The year-over-year decrease was primarily due to lower money market related distribution fees and lower trading volumes, partially offset by higher mutual fund fee revenue driven by improved asset values. The sequential increase was primarily due to higher transaction fee volumes and higher money market fund fees, partially offset by lower trading revenue.

Net interest revenue increased $6 million compared with the second quarter of 2009 and decreased $2 million compared with the first quarter of 2010. Both variances were impacted by the fluctuation in accretion related to the restructured investment securities portfolio. The sequential comparison was also impacted by a higher level of interest-earning assets partially offset by lower spreads.

Noninterest expense (excluding intangible amortization) increased $14 million, or 5%, compared to the second quarter of 2009 and $15 million, or 6% (unannualized) compared with the first quarter of 2010. Both increases primarily reflect higher expenses in support of future client conversions and higher professional, legal and other purchased services expenses. The sequential increase also reflects higher clearing expense driven by increased volumes.

Year-to-date 2010 compared with year-to-date 2009

Income before taxes totaled $197 million in the first six months of 2010 compared with $282 million in the first six months of 2009. Fee and other revenue decreased $88 million primarily reflecting lower money market related distribution fees and lower trading volumes. Net interest revenue increased $19 million compared with the second quarter of 2009, primarily reflecting the higher yield related to the restructured investment securities portfolio. Noninterest expense (excluding intangible amortization) increased $17 million primarily reflecting higher expenses in support of future client conversions and higher professional legal and other purchased services expense.

Treasury Services segment

(dollar amounts in millions)	2Q09	3Q09	4Q09	1Q10	2Q10	2Q10 vs. 2Q09	2Q10 vs. 1Q10	Year-to-date 2010	Year-to-date 2009	YTD10 vs. YTD09
Revenue:										
Treasury services	$ 128	$ 124	$ 130	$ 127	**$ 121**	**(5)%**	**(5)%**	**$ 248**	$ 249	**-%**
Other	52	82	92	98	**75**	**44**	**(23)**	**173**	158	**9**
Total fee and other revenue	180	206	222	225	**196**	**9**	**(13)**	**421**	407	**3**
Net interest revenue	157	149	148	176	**161**	**3**	**(9)**	**337**	316	**7**
Total revenue	337	355	370	401	**357**	**6**	**(11)**	**758**	723	**5**
Noninterest expense (ex. intangible amortization)	191	180	187	182	**188**	**(2)**	**3**	**370**	380	**(3)**
Income before taxes (ex. intangible amortization)	146	175	183	219	**169**	**16**	**(23)**	**388**	343	**13**
Amortization of intangible assets	7	6	6	6	**5**	**(29)**	**(17)**	**11**	13	**(15)**
Income before taxes	$ 139	$ 169	$ 177	$ 213	**$ 164**	**18%**	**(23)%**	**$ 377**	$ 330	**14%**
Pre-tax operating margin	41%	48%	48%	53%	**46%**			**50%**	46%	
Pre-tax operating margin (ex. intangible amortization)	43%	49%	50%	55%	**47%**			**51%**	47%	
Average loans	$13,228	$11,648	$10,982	$10,436	**$10,290**	**(22)%**	**(1)%**	**$10,363**	$13,573	**(24)%**
Average assets	$24,764	$24,223	$26,275	$26,716	**$26,485**	**7%**	**(1)%**	**$26,600**	$26,704	**-%**
Average deposits	$20,321	$19,989	$22,138	$22,257	**$22,209**	**9%**	**-%**	**$22,233**	$22,582	**(2)%**

Business description

The Treasury Services segment includes cash management solutions, trade finance services, international payment services and global markets, capital markets and liquidity services.

Treasury services revenue is directly influenced by the volume of transactions and payments processed, loan levels, types of service provided, net interest revenue earned from deposit balances generated by activity across our business operations and the value of the credit derivatives portfolio. Treasury services revenue is indirectly influenced by other factors including market volatility in major currencies and the level and nature of underlying cross-border investments, as well as other transactions undertaken by corporate and institutional clients.

Segment expenses are driven by staff, equipment and space required to support the services provided, as well as operating services in support of volume increases.

Treasury Services offers leading-edge technology, innovative products, and industry expertise to help its clients optimize cash flow, manage liquidity and make payments around the world in more than 100 different countries. We maintain a global network of branches, representative offices and correspondent banks to provide comprehensive payment services including funds transfer, cash management, foreign exchange, trade services and liquidity management. We are the fourth largest Fedwire and CHIPS payment processor, processing about 160 thousand or an average of about $1.5 trillion, global payments daily.

Our corporate lending strategy is to focus on those clients and industries that are major users of securities servicing and treasury services. Revenue from our lending activities is primarily driven by loan levels and spreads over funding costs.

Review of financial results

Income before taxes was $164 million in the second quarter of 2010 compared with $139 million in the second quarter of 2009, and $213 million in the first quarter of 2010.

Total fee and other revenue increased $16 million compared with the second quarter of 2009 and decreased $29 million compared with the first quarter of 2010. The year-over-year increase resulted from an improvement in the mark-to-market adjustments on credit default swaps, partially offset by lower trading revenue, lower financing-related fees and lower global payment fees. The sequential decrease was due primarily to lower trading revenue, global payment fees and financing-related fees.

Net interest revenue increased $4 million compared to the second quarter of 2009 and decreased $15 million sequentially. The year-over-year increase primarily resulted from the higher yield related to the restructured investment securities portfolio, partially offset by lower average loan balances reflecting our credit strategy to reduce targeted risk exposure. The sequential decrease reflects lower spreads.

Noninterest expense (excluding intangible amortization) decreased $3 million compared with the second quarter of 2009 and increased $6 million sequentially. The year-over-year decrease reflects overall expense control and lower FDIC expense. The sequential increase primarily reflects seasonally lower expenses in the first quarter of 2010.

Year-to-date 2010 compared with year-to-date 2009

Income before taxes totaled $377 million in the first six months of 2010 compared with $330 million in the first six months of 2009. Fee and other revenue increased $14 million primarily reflecting an improvement in the mark-to-market adjustments on credit default swaps, partially offset by lower financing-related fees. Net interest revenue increased $21 million primarily due to the higher yield related to the restructured investment securities portfolio partially offset by lower average loan balances reflecting our credit strategy to reduce targeted risk exposure. Noninterest expense (excluding intangible amortization) decreased $10 million primarily reflecting ongoing expense management.

Other Segment

(dollars in millions)	2Q09	3Q09	4Q09	1Q10	**2Q10**	Year-to-date **2010**	Year-to-date 2009
Revenue:							
Fee and other revenue	$ (223)	$(4,685)	$ 52	$ 143	**$ 61**	**$ 204**	$(501)
Net interest revenue (expense)	4	21	29	(23)	**(21)**	**(44)**	24
Total revenue	(219)	(4,664)	81	120	**40**	**160**	(477)
Provision for credit losses	61	147	64	35	**20**	**55**	120
Noninterest expense (ex. special litigation reserves, FDIC special assessment, intangible amortization, M&I expenses and restructuring charges)	136	125	152	119	**66**	**185**	256
Income (loss) before taxes (ex. special litigation reserves, FDIC special assessment, intangible amortization, M&I expenses and restructuring charges)	(416)	(4,936)	(135)	(34)	**(46)**	**(80)**	(853)
Special litigation reserves	N/A	N/A	N/A	164	**N/A**	**164**	N/A
FDIC special assessment	61	-	-	-	**-**	**-**	61
Amortization of intangible assets	(1)	1	1	-	**1**	**1**	(1)
M&I expenses	59	54	52	26	**14**	**40**	127
Restructuring charges	6	(5)	139	7	**(15)**	**(8)**	16
Income (loss) before taxes	$ (541)	$(4,986)	$ (327)	$(231)	**$ (46)**	**$ (277)**	$ (1,056)
Average assets	$32,413	$32,224	$31,459	$30,012	**$33,374**	**$31,703**	$32,280
Average deposits	6,923	6,507	5,378	4,144	**4,457**	**4,293**	8,470

N/A – Not applicable.

Business description

On Jan. 15, 2010, we completed the sale of Mellon United National Bank ("MUNB"), our national bank located in Florida. We applied discontinued operations accounting to this business. All prior period results have been restated.

The Other segment primarily includes:

- the results of the leasing portfolio;
- corporate treasury activities, including our investment securities portfolio;
- 33.2% equity interest in BNY ConvergEx; and
- business exits and corporate overhead.

Revenue primarily reflects:

- net interest revenue from the leasing portfolio;
- interest income remaining after transfer pricing allocations;
- fee and other revenue from corporate and bank-owned life insurance; and
- gains (losses) associated with the valuation of investment securities and other assets.

Noninterest expense includes:

- M&I expenses;
- restructuring charges;

- direct expenses supporting leasing, investing and funding activities; and
- certain corporate overhead not directly attributable to the operations of other segments.

Review of financial results

Income before taxes was a loss of $46 million for the second quarter of 2010, compared with losses of $541 million in the second quarter of 2009 and $231 million in the first quarter of 2010.

The Other segment includes the following activity:

In the second quarter of 2010:

- a CVA and debit valuation adjustment ("DVA") of $43 million;
- a provision for credit losses of $20 million; and
- lease residual gains of $15 million.

In the first quarter of 2010:

- a $164 million charge related to special litigation reserves;
- a provision for credit losses of $35 million; and
- lease residual gains of $52 million.

In the second quarter of 2009:

- a $208 million (pre-tax) securities loss associated with other-than-temporary impairment ("OTTI") recorded in total fee and other revenue;
- a $61 million (pre-tax) FDIC special assessment; and
- lease residual losses of $ 10 million.

Year-to-date 2010 compared with year-to-date 2009

Income before taxes in the Other segment was a loss of $277 million in the first six months of 2010 compared with a loss of $1.1 billion in the first six months of 2009. Total revenue increased $637 million primarily reflecting the OTTI charges recorded in the first half of 2009. Non-interest expenses (excluding special litigation reserves, FDIC special assessment, intangible amortization, M&I expenses and restructuring charges) decreased $71 million reflecting lower expense for litigation and government assessments.

Critical accounting estimates

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements contained in BNY Mellon's 2009 Annual Report on Form 10-K. Our more critical accounting estimates are those related to goodwill and other intangibles, the allowance for loan losses and allowance for lending related commitments, fair value of financial instruments and derivatives, OTTI and pension accounting as referenced below.

Critical policy	Reference
Pension accounting	BNY Mellon's 2009 Annual Report, pages 43 through 45.
Goodwill and other intangibles	BNY Mellon's 2009 Annual Report, pages 42 and 43.
Allowance for loan losses and allowance for lending-related commitments	BNY Mellon's 2009 Annual Report, page 39. See page 40 of this Form 10-Q for the impact of estimates on the allowance for credit losses.
Fair value of financial instruments	BNY Mellon's 2009 Annual Report, pages 39 through 41.
OTTI	BNY Mellon's 2009 Annual Report, pages 41 and 42. See page 35 of this Form 10-Q for the impact of market assumptions on portions of our securities portfolio.

Consolidated balance sheet review

At June 30, 2010, total assets were $235.7 billion compared with $212.2 billion at Dec. 31, 2009. Deposits totaled $143.7 billion at June 30, 2010 and $135.1 billion at Dec. 31, 2009. The increase in consolidated total assets resulted from the addition of $13.4 billion for the adoption of SFAS No. 167, "Amendments to FASB interpretation No. 46 (R)" (Topic 810, *Consolidation*) as well as a higher level of noninterest-bearing deposits. Total assets averaged $228.8 billion in the second quarter of 2010, compared with $225.4 billion in the first quarter of 2010 and $208.5 billion in the second quarter of 2009. Total deposits averaged $134.6 billion in the second quarter of 2010, $134.4 billion in the first quarter of 2010 and $131.7 billion in the second quarter of 2009.

At June 30, 2010, we had approximately $57.9 billion of liquid funds and $25.1 billion of cash (including approximately $21.6 billion on deposit with the Federal Reserve and other central banks) for a total of approximately $83.0 billion of available funds. This compares with available funds of $70.9 billion at Dec. 31, 2009. Our interest-bearing deposits with banks are all placed with large highly-rated global financial institutions. The average life of the interest-bearing deposits is approximately 45 days.

Investment securities were $53.6 billion or 23% of total assets at June 30, 2010, compared with $56.0 or 26% of total assets at Dec. 31, 2009.

Loans were $37.1 billion or 16% of total assets at June 30, 2010, compared with $36.7 billion or 17% of total assets at Dec. 31, 2009. The increase in loan levels was primarily due to higher margin loans.

Total shareholders' equity applicable to BNY Mellon was $30.4 billion at June 30, 2010 and $29.0 billion at Dec. 31, 2009. The increase in total shareholders' equity primarily reflects retained earnings in the first six months of 2010 and improved credit spreads in our investment securities portfolio.

Investment securities

In the discussion of our investment securities portfolio, we have included certain credit ratings information because the information indicates the degree of credit risk to which we are exposed, and significant changes in ratings classifications for our investment portfolio could result in increased risk for us.

The following table shows the distribution of our total investment securities portfolio:

Investment securities portfolio

(dollar amounts in millions)	March 31, 2010 Fair value	2Q10 change in unrealized gain/(loss)	June 30, 2010 Amortized cost	June 30, 2010 Fair value	Fair value as a % of amortized cost *(a)*	Unrealized gain/(loss)	Ratings AAA/ AA-	Ratings A+/ A-	Ratings BBB+/ BBB-	Ratings BB+ and lower	Ratings Not rated
Watch list: *(b)*											
European floating rate notes *(c)*	$ 5,032	$ 18	$ 4,962	$ 4,527	91%	$ (435)	94%	6%	-%	-%	-%
Commercial MBS	2,360	23	2,338	2,357	101	19	92	5	2	1	-
Prime RMBS	1,613	69	1,685	1,568	92	(117)	51	14	9	26	-
Alt-A RMBS	756	34	781	729	72	(52)	28	8	1	63	-
Subprime RMBS	486	31	757	501	66	(256)	70	12	8	10	-
Credit cards	588	3	541	543	98	2	2	97	1	-	-
Other	376	(8)	352	361	52	9	3	1	22	42	32
Total Watch list *(b)*	11,211	170	11,416	10,586	88	(830)	74	12	3	10	1
Agency RMBS	18,349	238	18,480	19,039	103	559	100	-	-	-	-
Sovereign debt/ sovereign guaranteed	7,710	(6)	7,047	7,126	101	79	100	-	-	-	-
U.S. Treasury securities	7,083	48	5,853	5,948	102	95	100	-	-	-	-
Grantor Trust *(d)*:											
Alt-A RMBS	2,605	38	2,355	2,536	62	181	3	4	4	89	-
Prime RMBS	2,024	42	1,831	1,969	73	138	2	3	3	92	-
Subprime RMBS	146	2	127	148	65	21	13	5	-	82	-
FDIC-insured debt	2,586	6	2,485	2,546	102	61	100	-	-	-	-
U.S. Government agency debt	1,157	(6)	1,133	1,146	101	13	100	-	-	-	-
Other	2,650	7	2,500	2,475	99	(25)	75	10	6	-	9
Total investment Securities	$55,521	$539	$53,227	$53,519 *(e)*	95%	$292 *(e)*	85%	3%	1%	10%	1%

(a) Amortized cost before impairments.
(b) The "Watch list" includes those securities we view as having a higher risk of impairment charges.
(c) Includes RMBS, commercial MBS, and other securities.
(d) The Grantor Trust RMBS were marked to market in the fourth quarter of 2009. We believe these RMBS would receive higher credit ratings if these ratings incorporated, as additional credit enhancement, the difference between the written-down amortized cost and the current face amount of each of these securities.
(e) Includes a $13 million unrealized loss on derivatives hedging available for sale securities.

The fair value of our investment securities portfolio was $53.5 billion at June 30, 2010, compared with $55.5 billion at March 31, 2010 and $55.9 billion at Dec. 31, 2009. The decrease in the securities portfolio at June 30, 2010 compared with March 31, 2010 primarily reflects maturities, sales, paydowns and foreign exchange partially offset by purchases.

At June 30, 2010, the total investment securities portfolio had an unrealized pre-tax gain of $292 million compared with an unrealized pre-tax loss of $247 million at March 31, 2010. The unrealized net of tax gain on our investment securities available for sale portfolio included in other comprehensive income was $162 million at June 30, 2010. The unrealized net of tax loss on our investment securities available for sale portfolio at March 31, 2010 was $180 million. The improvement in the valuation of the investment securities portfolio was due to tightening spreads and a decline in interest rates.

At June 30, 2010, 85% of the securities in our portfolio were rated AAA/AA-, unchanged from March 31, 2010.

We routinely test our investment securities for OTTI. (See "Critical accounting estimates" for additional disclosure regarding OTTI.)

At June 30, 2010, we had $1.5 billion of accretable discount related to the restructuring of the investment securities portfolio. The discount related to these transactions had a remaining average life of approximately 4.1 years. The accretion of discount related to these securities increased net interest revenue and is recorded on a level yield basis. The discount accretion totaled $104 million in the second quarter of 2010, $137 million in the first quarter of 2010 and $10 million in the second quarter of 2009.

Also, at June 30, 2010, we had $487 million of net amortizable purchase premium relating to investment securities with a remaining average life of approximately 2.6 years. For these securities, the amortization of net premium decreased net interest revenue and is recorded on a level yield basis. We recorded net premium amortization of $43 million in the second quarter of 2010, $67 million in the first quarter of 2010 and $9 million in the second quarter of 2009. For these securities, the amortization of net premium decreased net interest revenue and is recorded on a level yield basis.

Net securities gains in the second quarter of 2010 were $13 million. The following table provides pre-tax securities gains (losses) by type.

Net securities gains (losses) *(in millions)*	**2Q10**	1Q10	2Q09	**Year-to-date 2010**	Year-to-date 2009
Alt-A RMBS	**$ (6)**	$ (7)	$(114)	**$(13)**	$(239)
Prime RMBS	**-**	-	(9)	**-**	(12)
Home equity lines of credit	**-**	-	(4)	**-**	(22)
European floating rate notes	**-**	-	(66)	**-**	(70)
Credit cards	**-**	-	(26)	**-**	(28)
Other	**19**	14	(37)	**33**	(180)
Net securities gains (losses)	**$ 13**	$ 7	$(256)	**$ 20**	$(551)

On a quarterly basis, we perform our impairment analysis using several factors including projected loss severities and default rates. In the second quarter of 2010, this analysis resulted in a $1 million credit loss on Alt-A RMBS. If we were to increase or decrease each of our projected loss severities and default rates by 100 basis points on each of the positions in our Alt-A, subprime and prime RMBS portfolios and the securities portfolio held by the Grantor Trust, credit-related impairment charges on these securities would have increased to $2.5 million (pre-tax) or decreased to $0.3 million (pre-tax) in the second quarter of 2010. See Note 5 to the Notes to Consolidated Financial Statements for the projected weighted average default rates and loss severities.

The following table shows the fair value of the European floating rate notes by geographical location at June 30, 2010.

European floating rate notes at June 30, 2010 *(a)* *(in millions)*	United Kingdom	Netherlands	Other	Total fair value
RMBS	$2,173	$904	$ 847	$3,924
Other	262	72	269	603
Total	$2,435	$976	$1,116	$4,527

(a) 94% of these securities are in the AAA to AA- ratings category.

Included in our investment securities portfolio are the following securities that have credit enhancement provided through a guarantee by a monoline insurer:

Investment securities guaranteed by monoline insurers *(in millions)*	**June 30, 2010**	Dec. 31, 2009
State and political subdivisions	**$621**	$610
Mortgage-backed securities	**133**	137
Total fair value	**$754** *(a)*	$ 747
Amortized cost less securities losses	**$793**	$761
Mark-to-market unrealized (loss) (pre-tax)	**$(39)**	$(14)

(a) The par value guaranteed by the monoline insurers was $854 million.

At June 30, 2010, securities guaranteed by monoline insurers were rated 43% AAA to AA-, 21% A+ to A-, 13% BBB+ to BBB- and 23% BB+ and lower. The increase in fair value from Dec. 31, 2009 primarily reflects purchases of municipal securities partially offset by maturities, calls and paydowns of mortgage-backed securities. When purchasing securities, we review the credit quality of the underlying securities, as well as the insurer.

See Note 15 to the Notes to Consolidated Financial Statements for the detail of securities by level in the fair value hierarchy.

Loans

Total exposure – consolidated	**June 30, 2010**			Dec. 31, 2009		
(in billions)	**Loans**	**Unfunded commitments**	**Total exposure**	Loans	Unfunded commitments	Total exposure
Non-margin loans:						
Financial institutions	**$ 9.2**	**$16.9**	**$26.1**	$ 9.0	$18.5	$27.5
Commercial	**2.4**	**20.7**	**23.1**	3.0	22.5	25.5
Subtotal institutional	**11.6**	**37.6**	**49.2**	12.0	41.0	53.0
Wealth management loans and mortgages	**6.2**	**1.9**	**8.1**	6.2	1.8	8.0
Commercial real estate	**2.0**	**1.5**	**3.5**	2.0	1.7	3.7
Lease financing	**3.3**	**0.1**	**3.4**	3.5	0.1	3.6
Other residential mortgages	**2.2**	**-**	**2.2**	2.2	-	2.2
Overdrafts	**5.9**	**-**	**5.9**	6.1	-	6.1
Other	**0.3**	**0.1**	**0.4**	-	-	-
Subtotal non-margin loans	**31.5**	**41.2**	**72.7**	32.0	44.6	76.6
Margin loans	**5.6**	**-**	**5.6**	4.7	-	4.7
Total	**$37.1**	**$41.2**	**$78.3**	$36.7	$44.6	$81.3

At June 30, 2010, total exposures were $78.3 billion, a decrease of 4% from $81.3 billion at Dec. 31, 2009, primarily reflecting a decrease in institutional exposure.

Our financial institutions and commercial portfolios comprise our largest concentrated risk. These portfolios make up 63% of our total lending exposure.

Our total exposure to Portugal and Greece was $4 million at June 30, 2010.

Financial institutions

The diversity of the financial institutions portfolio is shown in the following table:

Financial institutions portfolio exposure	**June 30, 2010**					Dec. 31, 2009		
(dollar amounts in billions)	**Loans**	**Unfunded commitments**	**Total exposure**	**% Inv grade**	**% due <1 yr**	Loans	Unfunded commitments	Total exposure
Banks	**$4.1**	**$ 2.5**	**$ 6.6**	**67%**	**92%**	$3.3	$ 2.9	$ 6.2
Securities industry	**3.7**	**2.5**	**6.2**	**92**	**97**	3.6	2.1	5.7
Insurance	**0.2**	**5.0**	**5.2**	**88**	**44**	0.4	6.0	6.4
Asset managers	**0.9**	**2.7**	**3.6**	**95**	**85**	1.0	2.8	3.8
Government	**0.1**	**2.2**	**2.3**	**97**	**52**	0.1	2.9	3.0
Other	**0.2**	**2.0**	**2.2**	**92**	**48**	0.6	1.8	2.4
Total	**$9.2**	**$16.9**	**$26.1**	**86%**	**76%**	$9.0	$18.5	$27.5

The financial institutions portfolio exposure was $26.1 billion at June 30, 2010, compared to $27.5 billion at Dec. 31, 2009. The decrease from Dec. 31, 2009 primarily reflects decreases in insurance and government exposure. Financial institution exposures are high quality with 86% meeting the investment grade equivalent criteria of our rating system at June 30, 2010. These exposures are generally short-term, with 76% expiring within one year and are frequently secured by securities that we hold in custody on behalf of those financial institutions. For example, securities industry and asset managers often borrow against marketable securities held in custody.

As a conservative measure, our internal credit rating classification for international counterparties caps the rating based upon the sovereign rating of the country where the counterparty resides regardless of the credit rating of the counterparty or the underlying collateral.

Our exposure to banks is predominately to investment grade counterparties in developed countries. Non-investment grade bank exposures are short-term in nature supporting our global trade finance and U.S. dollar clearing businesses in developing countries.

The asset manager portfolio exposures are high quality with 95% meeting our investment grade equivalent ratings criteria as of June 30, 2010. These exposures are generally short-term liquidity facilities with the vast majority to regulated mutual funds.

Commercial

The diversity of the commercial portfolio is shown in the following table:

Commercial portfolio exposure	**June 30, 2010**					Dec. 31, 2009		
(dollar amounts in billions)	**Loans**	**Unfunded commitments**	**Total exposure**	**% Inv grade**	**% due <1 yr**	Loans	Unfunded commitments	Total exposure
Services and other	**$ 0.8**	**$ 6.8**	**$ 7.6**	**84%**	**38%**	$ 1.0	$ 7.7	$ 8.7
Manufacturing	**0.7**	**6.1**	**6.8**	**83**	**23**	0.9	6.4	7.3
Energy and utilities	**0.5**	**5.9**	**6.4**	**82**	**22**	0.6	6.3	6.9
Media and telecom	**0.4**	**1.9**	**2.3**	**58**	**28**	0.5	2.1	2.6
Total	**$ 2.4**	**$20.7**	**$23.1**	**80%**	**28%**	$ 3.0	$22.5	$25.5

The commercial portfolio exposure decreased 9% to $23.1 billion at June 30, 2010, from $25.5 billion at Dec. 31, 2009, reflecting decreased exposures in all categories. Our goal is to migrate towards a predominantly investment grade portfolio.

We continue to actively monitor automotive industry exposure given ongoing weakness in the domestic automotive industry. At both June 30, 2010 and Dec. 31, 2009, total exposures in our automotive portfolio included $109 million of secured exposure to one of the big three U.S. automotive manufacturers. We also had $61 million of exposure to four automotive suppliers at June 30, 2010.

The table below summarizes the percent of the financial institutions and commercial exposures that are investment grade.

Percent of the portfolios that are investment grade	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	**June 30, 2010**
Financial institutions	90%	84%	85%	85%	**86%**
Commercial	80%	80%	80%	80%	**80%**

Wealth Management loans and mortgages

Wealth Management loans and mortgages are primarily composed of loans to high-net-worth individuals, which are secured by marketable securities and/or residential property. Wealth management mortgages are primarily interest-only adjustable rate mortgages with an average loan to value ratio of 61% at origination. In the wealth management portfolio, 1% of the mortgages were past due at June 30, 2010.

At June 30, 2010, the private wealth mortgage portfolio was comprised of the following geographic concentrations: New York - 22%; Massachusetts - 17%; California - 17%; Florida - 9%; and other 35%.

Commercial real estate

Our commercial real estate credit facilities are focused on experienced owners and are structured with moderate leverage based on existing cash flows. Our commercial real estate lending activities include both construction facilities and medium-term loans. Our client base consists of experienced developers and long-term holders of real estate assets. Loans are approved on the basis of existing or projected cash flow, and supported by appraisals and knowledge of local market conditions. Development loans are structured with moderate leverage, and in most instances, involve some level of recourse to the developer. Our commercial real estate exposure totaled $3.5 billion at June 30, 2010 and $3.7 billion at Dec. 31, 2009.

At June 30, 2010, approximately 72% of our commercial real estate portfolio was secured. The secured portfolio is diverse by project type with approximately 53% secured by residential buildings, 30% secured by office buildings, 8% secured by retail properties and 9% by other categories. Approximately 95% of the unsecured portfolio is allocated to real estate investment trusts ("REITs") under revolving credit agreements.

At June 30, 2010, our commercial real estate portfolio was comprised of the following concentrations: New York metro – 51%; investment grade REITs – 26%; and other – 23%.

Lease financings

The leasing portfolio consisted of non-airline exposures of $3.2 billion and $226 million of airline exposures at June 30, 2010. Approximately 91% of the leasing exposure is investment grade, or investment grade equivalent.

At June 30, 2010, our $226 million of exposure to the airline industry consisted of a $16 million real estate lease exposure, as well as the airline-leasing portfolio which included $74 million to major U.S. carriers, $122 million to foreign airlines and $14 million to U.S. regional airlines.

During the second quarter of 2010, the U.S. domestic airline industry continued to be in a weak financial condition due to high debt levels. Combined with their high cost operation models, the domestic airlines remain vulnerable. As such, we continue to maintain a sizable allowance for loan losses against these exposures and to closely monitor the portfolio.

Other residential mortgages

The other residential mortgage portfolio primarily consists of 1-4 family residential mortgage loans and totaled $2.2 billion at June 30, 2010. Included in this portfolio is approximately $900 million of mortgage loans purchased in 2005, 2006 and the first quarter of 2007 that are predominantly prime mortgage loans, with a small portion of Alt-A loans. As of June 30, 2010, the remaining prime and Alt-A mortgage loans in this portfolio had a weighted-average original loan-to-value ratio of 75% and approximately 26% of these loans were at least 60 days delinquent. The properties securing the prime and Alt-A mortgage loans were located (in order of concentration) in California, Florida, Virginia, the tri-state area (New York, New Jersey and Connecticut) and Maryland.

To determine the projected loss on the prime and Alt-A mortgage portfolio, we calculate the total estimated defaults of these mortgages and multiply that amount by an estimate of realizable value upon sale in the marketplace (severity).

At June 30, 2010, we had less than $15 million in subprime mortgages included in our other residential mortgage portfolio. The subprime loans were issued to support our Community Reinvestment Act requirements.

Overdrafts

Overdrafts primarily relate to custody and securities clearance clients. Overdrafts occur on a daily basis in the custody and securities clearance business and are generally repaid within two business days.

Asset quality and allowance for credit losses

Over the past several years, we have improved our risk profile through greater focus on clients who are active users of our non-credit services, de-emphasizing broad-based loan growth. Our primary exposure to the credit risk of a customer consists of funded loans, unfunded formal contractual commitments to lend, standby letters of credit and overdrafts associated with our custody and securities clearance businesses.

The role of credit has shifted to one that complements our other services instead of as a lead product. Credit solidifies customer relationships and, through a disciplined allocation of capital, can earn acceptable rates of return as part of an overall relationship.

We have implemented a credit strategy to reduce exposures that no longer meet risk/return criteria, including an assessment of overall relationship profitability. In addition, we make use of credit derivatives and other risk mitigants as economic hedges of portions of the credit risk in our portfolio. The effect of these transactions is to transfer credit risk to creditworthy, independent third parties.

Allowance for credit losses activity *(dollar amounts in millions)*	**June 30, 2010**	March 31, 2010	Dec. 31, 2009	June 30, 2009
Margin loans	**$ 5,602**	$ 4,863	$ 4,657	$ 3,922
Non-margin loans	**31,545**	29,024	32,032	34,312
Total loans	**$37,147**	$33,887	$36,689	$38,234
Quarterly activity				
Allowance for credit losses:				
Beginning balance	**$ 638**	$ 628	$ 596	$ 559
Transferred to discontinued operations	**-**	-	-	(40)
Provision for credit losses	**20**	35	65	61
Net (charge-off) recoveries:				
Commercial	**-**	12	(14)	(25)
Commercial real estate	**(1)**	(5)	(2)	(13)
Other residential mortgages	**(10)**	(12)	(17)	(16)
Financial institutions	**(1)**	(20)	-	-
Wealth Management	**(1)**	-	-	-
Net (charge-offs)	**(13)**	(25)	(33)	(54)
Total allowance for credit losses	**$ 645**	$ 638	$ 628	$ 526
Allowance for loan losses	**$ 542**	$ 520	$ 503	$ 434
Allowance for unfunded commitments	**103**	118	125	92
Allowance for loan losses as a percent of total loans	**1.46%**	1.53%	1.37%	1.14%
Allowance for loan losses as a percent of non-margin loans	**1.72%**	1.79%	1.57%	1.27%
Total allowance for credit losses as a percent of total loans	**1.74%**	1.88%	1.71%	1.38%
Total allowance for credit losses as a percent of non-margin loans	**2.04%**	2.20%	1.96%	1.53%

Net charge-offs were $13 million in the second quarter of 2010, $25 million in the first quarter of 2010, $33 million in the fourth quarter of 2009 and $54 million in the second quarter of 2009. Net charge-offs in the second quarter of 2010 included $10 million in residential mortgages. Net charge-offs in the first quarter of 2010 included $15 million to a mortgage company and $12 million in residential mortgages, partially offset by $12 million of recoveries from the media portfolio. Net charge-offs in the fourth quarter of 2009 included $17 million in residential mortgages and $9 million to finance and lease companies. Net charge-offs in the second quarter of 2009 included $16 million in residential mortgages, $13 million in commercial real estate, $10 million from the media portfolio and $8 million from an automotive supply manufacturer.

The provision for credit losses was $20 million in the second quarter of 2010 compared with $35 million in the first quarter of 2010, $65 million in the fourth quarter of 2009 and $61 million in the second quarter of 2009. The decrease in the provision for credit losses primarily reflects a decrease in higher risk-rated loans and nonperforming loans.

The total allowance for credit losses was $645 million at June 30, 2010, $638 million at March 31, 2010, $628 million at Dec. 31, 2009 and $526 million at June 30, 2009. The increase in the allowance for credit losses compared with March 31, 2010 resulted from a provision for credit losses of $20 million, partially offset by net charge-offs of $13 million. The ratio of the total allowance for credit losses to non-margin loans was 2.04% at June 30, 2010, 2.20% at March 31, 2010, 1.96% at Dec. 31, 2009 and 1.53% at June 30, 2009. The ratio of the allowance for loan losses to non-margin loans was 1.72% at June 30, 2010, 1.79% at March 31, 2010, 1.57% at Dec. 31, 2009 and 1.27% at June 30, 2009. The decrease in these ratios at June 30, 2010 compared with March 31, 2010 resulted from a higher level of overdrafts and broker-dealer loans.

We had $5.6 billion of secured margin loans on our balance sheet at June 30, 2010 compared with $4.9 billion at March 31, 2010, $4.7 billion at Dec. 31, 2009 and $3.9 billion at June 30, 2009. We have rarely suffered a loss on these types of loans and do not allocate any of our allowance for credit losses to them. As a result, we believe that the ratio of total allowance for credit losses to non-margin loans is a more appropriate metric to measure the adequacy of the reserve.

The allowance for loan losses and the allowance for unfunded commitments consist of three elements:

- an allowance for impaired credits (nonaccrual loans over $1 million);
- an allowance for higher risk rated credits and pass rated credits; and
- an unallocated allowance based on general economic conditions and risk factors in our individual markets.

Our lending is primarily to institutional customers. As a result, our loans are generally larger than $1 million. Therefore, the first element, impaired credits, is based on individual analysis of all nonperforming loans over $1 million. The allowance is measured by the difference between the recorded value of impaired loans and their impaired value. Impaired value is either the present value of the expected future cash flows from the borrower, the market value of the loan, or the fair value of the collateral.

The second element, higher risk-rated credits and pass rated credits, is based on our expected loss model. Borrowers are assigned to pools based on their credit ratings. The expected loss for each loan in a pool incorporates the borrower's credit rating, loss given default rating and maturity. The loss given default incorporates a recovery expectation. The borrower's probability of default is derived from the associated credit rating. Borrower ratings are reviewed at least annually and are periodically mapped to third party databases, including rating agency and default and recovery databases, to ensure ongoing consistency and validity. Higher risk-rated credits are reviewed quarterly. Commercial loans over $1 million are individually analyzed before being assigned a credit rating. We also apply this technique to our leasing and wealth management portfolios.

The third element, the unallocated allowance, is based on management's judgment regarding the following factors:

- Economic conditions including duration of the current cycle;
- Collateral values;
- Specific credits and industry conditions;
- Results of bank regulatory and internal credit exams;
- Geopolitical issues and their impact on the economy; and
- Volatility and model risk.

Based on an evaluation of these three elements, including individual credits, historical credit losses, and global economic factors, we have allocated our allowance for credit losses on a continuing operations basis as follows:

Allocation of allowance

	June 30, 2010	March 31, 2010	Dec. 31, 2009	June 30, 2009
Commercial	**35%**	37%	41%	50%
Other residential mortgages	**28**	27	25	18
Financial institutions	**6**	9	13	17
Commercial real estate	**6**	6	7	2
Wealth management *(a)*	**5**	5	9	7
Foreign	**1**	1	1	1
Unallocated	**19**	15	4	5
Total	**100%**	100%	100%	100%

(a) Includes the allowance for wealth management mortgages.

The allocation of allowance for credit losses is inherently judgmental, and the entire allowance for credit losses is available to absorb credit losses regardless of the nature of the loss.

The unallocated allowance reflects various factors in the current credit environment and is also available to, among other things, absorb further deterioration across all of our portfolios resulting from the current economic environment. The unallocated allowance for credit losses was 19% at June 30, 2010, up from 15% at March 31, 2010, 4% at Dec. 31, 2009 and 5% at June 30, 2009. The increase in the unallocated allowance reflects improved credit quality and a lower level of nonperforming assets compared with prior periods. At June 30, 2010, if the unallocated allowance, as a percentage of the total allowance, was 5% higher or lower, the allowance would have increased by approximately $43 million or decreased by approximately $38 million, respectively.

The credit rating assigned to each credit is another significant variable in determining the allowance. If each credit were rated one grade better on our internal rating system, the allowance for credit losses would have decreased by $119 million, while if each credit were rated one grade worse on our internal rating system, the allowance for credit losses would have increased by $162 million. Similarly, if the loss given default were one rating worse, the allowance for credit losses would have increased by $54 million, while if the loss given default were one rating better, the allowance for credit losses would have decreased by $77 million. For impaired credits, if the fair value of the loans was 10% higher or lower, the allowance for credit losses would have increased or decreased by $2 million, respectively.

Nonperforming assets

The following table shows the distribution of nonperforming assets.

Nonperforming assets *(dollar amounts in millions)*	**June 30, 2010**	March 31, 2010	Dec. 31, 2009
Loans:			
Other residential mortgages	**$ 229**	$ 204	$ 190
Wealth management	**62**	58	58
Commercial real estate	**49**	50	61
Commercial	**40**	40	65
Financial institutions	**20**	102	172
Total nonperforming loans	**$ 400**	$ 454	$ 546
Other assets owned	**6**	5	4
Total nonperforming assets	**$ 406** *(a)*	$ 459 *(a)*	$ 550
Nonperforming assets ratio	**1.1%**	1.4%	1.5%
Allowance for loan losses/ nonperforming loans	**135.5**	114.5	92.1
Allowance for loan losses/ nonperforming assets	**133.5**	113.3	91.5
Total allowance for credit losses/ nonperforming loans	**161.3**	140.5	115.0
Total allowance for credit losses/ nonperforming assets	**158.9**	139.0	114.2

(a) *The adoption of ASC 810 resulted in BNY Mellon consolidating loans of consolidated asset management funds of $12.1 billion at June 30, 2010 and $11.3 billion at March 31, 2010. Included in these loans are $131 million and $150 million of nonperforming loans, respectively. These loans are not part of BNY Mellon's loan portfolio. These loans are recorded at fair value and therefore do not impact the provision for credit losses and allowance for loan losses and accordingly are excluded from the nonperforming assets table above.*

The decrease in nonperforming assets compared with March 31, 2010 primarily resulted from an $87 million repayment in the financial institution portfolio, partially offset by additions of $25 million of nonperforming residential mortgages. The ratio of allowance for loan losses to nonperforming assets was 133.5% at June 30, 2010 compared with 113.3% at March 31, 2010. The increase primarily reflects the lower level of nonperforming loans.

Commercial loans are placed on nonaccrual status when principal or interest is past due 90 days or more, or when there is reasonable doubt that interest or principal will be collected. Residential mortgage loans are generally placed on nonaccrual status, when, in our judgment, collection is in doubt or the loans are 90 days or more delinquent, subject to an impairment test. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is reversed against current period interest revenue. Interest receipts on nonaccrual and impaired loans are recognized as interest revenue or are applied to principal when we believe the ultimate collectability of principal is in doubt. Nonaccrual loans generally are restored to an accrual basis when principal and interest become current.

The allowance for credit losses is reduced by the charge-off of loans and other credit extensions. Loans, or portions thereof, and other forms of credit extensions will be charged off at the time they are deemed to be uncollectible or as otherwise required by applicable regulations or direction from regulatory agencies. BNY Mellon's practice is to record charge-offs at the end of each quarter.

Nonperforming assets quarterly activity *(in millions)*	**June 30, 2010**	March 31, 2010	Dec. 31, 2009
Balance at beginning of period	**$ 459**	$ 550	$ 560
Additions	**44**	17	25
Net charge-offs	**(3)**	(25)	(12)
Paydowns/sales	**(95)**	(84)	(22)
Other	**1**	1	(1)
Balance at end of period	**$ 406**	$ 459	$ 550

Loans past due 90 days and still accruing interest totaled $390 million at June 30, 2010 compared with $397 million at March 31, 2010. Past due loans at both June 30, 2010 and March 31, 2010 include loans to an asset manager that has filed for bankruptcy (see Legal proceedings). These loans are well secured, largely by cash and high grade fixed income securities, and are in the process of collection. The remainder of past due loans at June 30, 2010 primarily include $77 million of other residential mortgages.

Interest income would have increased by $7.1 million and $4.1 million for the second quarters of 2010 and 2009, respectively, if loans of $400 million on nonaccrual status at June 30, 2010 and $372 million at June 30, 2009 had been performing for the entire period. On a year-to-date basis, interest income would have increased by $13.9 million and $7.9 million for the six months ended 2010 and 2009, respectively, had loans on nonaccrual status been performing for the entire period.

Impaired loans

The following table sets forth information about our impaired loans greater than $1 million. We use the discounted cash flow, collateral value, or market price methods for valuing our impaired loans. Impaired commercial loans in amounts less than $1 million at June 30, 2010 were $3.8 million and had an allowance for loan losses associated with them of

$0.5 million. The allowance for loan losses for impaired loans less than $1 million was measured using our expected loss model described on page 40.

Impaired loans *(in millions)*	**June 30, 2010**	March 31, 2010	Dec. 31, 2009	June 30, 2009
Impaired loans with an allowance	**$142**	$224	$303	$200
Impaired loans without an allowance *(a)*	**22**	20	42	1
Total impaired loans	**$164**	$244	$345	$201
Allowance for impaired loans *(b)*	**$ 25**	$ 28	$ 51	$ 41
Average balance of impaired loans during quarter	**$211**	$304	$216	$124

(a) When the discounted cash flows, collateral value or market price equals or exceeds the carrying value of the loan, then the loan does not require an allowance under the accounting standard related to impaired loans.

(b) The allowance for impaired loans is included in the allowance for loan losses.

Deposits

Total deposits were $143.7 billion at June 30, 2010, compared with $135.1 billion at Dec. 31, 2009. The increase in deposits reflects higher noninterest-bearing domestic deposits.

Noninterest-bearing deposits were $42.2 billion at June 30, 2010, compared with $33.5 billion at Dec. 31, 2009. Interest-bearing deposits were $101.5 billion at June 30, 2010, compared with $101.6 billion at Dec. 31, 2009.

Support agreements

In 2008, we voluntarily provided support to clients invested in money market mutual funds, cash sweep funds and similar collective funds, managed by our affiliates, as well as clients invested in funds within our securities lending business.

These support agreements are designed to enable these funds to continue to operate at a stable net asset value. In the second quarter of 2010, we recorded support agreement charges of $9 million (pre-tax). This charge primarily reflects a decrease in the market value of Lehman securities. At June 30, 2010, the value of Lehman securities decreased to 19.50% from 23.00% at March 31, 2010.

At June 30, 2010, our potential maximum exposure to support agreements was approximately $116 million, after deducting the reserve at June 30, 2010. Potential maximum exposure is based on the securities subject to these agreements being valued at zero and the NAV of the related funds declining below established thresholds. This exposure includes agreements covering Lehman securities ($90 million) as well as other client agreements ($26 million).

Liquidity and dividends

BNY Mellon defines liquidity as the ability of the Company and its subsidiaries to access funding or convert assets to cash quickly and inexpensively, especially during periods of market stress. Appropriate consideration in managing the balance sheet is given to balancing the competing needs to maintain adequate levels of liquidity while maintaining profitability. Liquidity risk is the potential for loss resulting from an inability to satisfy contractual and contingent funding requirements, both on- and off-balance sheet, at an acceptable cost.

Our liquidity policy is based on several core principles. BNY Mellon seeks to maintain an adequate liquidity cushion in both normal and stressed environments and seeks to diversify funding sources by customer, market segment and maturity. Liquidity is managed on a subsidiary basis, a consolidated basis and at The Bank of New York Mellon Corporation parent company ("Parent") level.

Primary uses of liquidity include withdrawals of customer deposits and client drawdowns on unfunded credit or liquidity facilities. We actively monitor unfunded loan commitments, thereby reducing unanticipated funding requirements.

At June 30, 2010, we had approximately $57.9 billion of liquid funds and $25.1 billion of cash (including approximately $21.6 billion on deposit with the Federal Reserve and other central banks) for a total of approximately $83.0 billion of available funds. This compares with available funds of $70.9 billion at Dec. 31, 2009. Our liquid assets to total assets were 35% at June 30, 2010 compared with 33% at Dec. 31, 2009.

On an average basis for the first six months of 2010 and 2009, non-core sources of funds such as money market rate accounts, certificates of deposits greater than $100,000, federal funds purchased and other borrowings were $31.1 billion and $25.4 billion, respectively. The increase year-over-year primarily reflects higher levels of money market rate accounts and federal funds purchased, partially offset by lower levels of certificates of deposits greater than $100,000. Average foreign deposits, primarily from our European-based securities servicing business, were $70.0 billion and $74.4 billion for the first six months of 2010 and 2009, respectively. Domestic savings and other time deposits averaged $6.9 billion for the first six months of 2010, compared with $6.0 billion for the first six months of 2009.

Average payables to customers and broker-dealers were $6.5 billion for the first six months of 2010 and $4.4 billion for the first six months of 2009. Long-term debt averaged $16.6 billion in the first six months of 2010 and $16.1 billion in the first six months of 2009. Average noninterest-bearing deposits decreased to $34.0 billion in the first six months of 2010 from $37.9 billion in the first six months of 2009. A significant reduction in our securities servicing businesses would reduce our access to deposits.

The Parent has five major sources of liquidity:

- cash on hand;
- dividends from its subsidiaries;
- access to the commercial paper market;
- a revolving credit agreement with third party financial institutions; and
- access to the long-term debt and equity markets.

As a result of charges recorded in 2009 related to the restructuring of the investment securities portfolios, The Bank of New York Mellon and BNY Mellon, N.A. are required to obtain consent from our regulators prior to paying a dividend. Despite this limitation, management estimates that liquidity at the Parent will continue to be sufficient to meet BNY Mellon's ongoing quarterly dividends at the current level of $0.09 per share. Based on projections, we currently expect this restriction to be lifted in the fourth quarter of 2010.

At June 30, 2010, our other bank subsidiaries had the ability to pay dividends of approximately $212 million to the Parent without the need for a regulatory waiver. In addition, at June 30, 2010, nonbank subsidiaries of the Parent had liquid assets of approximately $1.1 billion.

Any increase in BNY Mellon's ongoing quarterly dividends would require consultation with the Federal Reserve and, until the settlement of the equity forward contract executed in June 2010, may trigger an early valuation event under such forward contract.

Restrictions on our ability to obtain funds from our subsidiaries are discussed in more detail in Note 22 to the Notes to Consolidated Financial Statements contained in BNY Mellon's 2009 Annual Report on Form 10-K.

For the quarter ended June 30, 2010, the Parent's quarterly average commercial paper borrowings were $11 million compared with $263 million for the quarter ended June 30, 2009. The Parent had cash of $3.0 billion at June 30, 2010 compared with $4.4 billion at Dec. 31, 2009. The Parent issues commercial paper, on an overnight basis, to certain custody clients with excess demand deposit balances. Overnight commercial paper outstanding issued by the Parent was $7 million at June 30, 2010 and $12 million at Dec. 31, 2009. Net of commercial paper outstanding, the Parent's cash position at June 30, 2010 decreased by $1.4 billion compared with Dec. 31, 2009 reflecting maturity of long-term debt. The Parent's liquidity target is to have sufficient cash on hand to meet its obligations over the next 18 months without the need to receive dividends from its bank subsidiaries or issue debt. As of June 30, 2010, the Parent met its liquidity target.

In July 2010, the Parent launched a new commercial paper program, which is in addition to the program discussed above, under which it may issue commercial paper to certain institutional accredited investors in transactions exempt from the registration requirements of the Securities Act of 1933, as amended. Commercial paper notes issued under this program will have a maturity not exceeding 397 days from the date of issuance.

We currently have a $226 million credit agreement with 10 financial institutions that matures in October 2011. The fee on this facility depends on our credit rating and at June 30, 2010 was 6 basis points. The credit agreement requires us to maintain:

- shareholders' equity of $5 billion;
- a ratio of Tier 1 capital plus the allowance for credit losses to nonperforming assets of at least 2.5;
- a double leverage ratio less than 130% and
- adequate capitalization of all our bank subsidiaries for regulatory purposes.

We are currently in compliance with these covenants. There were no borrowings under this facility at June 30, 2010.

We also have the ability to access the capital markets. In June 2010, we filed shelf registration statements on Form S-3 with the Securities and Exchange Commission ("SEC") covering the issuance of certain securities, including an unlimited amount of debt, common stock, preferred stock and trust preferred securities, as well as common stock issued under the Direct Stock Purchase and Dividend Reinvestment Plans.

Our ability to access capital markets on favorable terms, or at all, is partially dependent on our credit ratings, which, as of June 30, 2010 were as follows:

Debt ratings at June 30, 2010	Moody's	Standard & Poor's	Fitch	DBRS
Parent:				
Long-term senior debt	Aa2	AA-	AA-	AA (low)
Subordinated debt	Aa3	A+	A+	A (high)
The Bank of New York Mellon:				
Long-term senior debt	Aaa	AA	AA-	AA
Long-term deposits	Aaa	AA	AA	AA
BNY Mellon, N.A.:				
Long-term senior debt	Aaa	AA	AA- *(a)*	AA
Long-term deposits	Aaa	AA	AA	AA
Outlook	**Stable**	**Stable**	**Stable**	**Stable** (long-term)

(a) Represents senior debt issuer default rating.

In April 2010, one of the rating agencies announced that regulatory changes proposed by the Senate Regulatory Reform Bill, which has since been signed into law as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), could result in lower debt and deposit ratings for U.S. banks and other financial institutions whose ratings currently benefit from assumed government support. The rating agency anticipates that once implementing regulations clarify the final form of regulatory reform, the potentially affected ratings would be placed under review. The rating agency further indicated it would consider the pace over which any benefits resulting from regulatory reform would accrue versus the likely pace over which systemic support would be curtailed. Currently, the ratings for the Parent benefit from one notch of "lift" and The Bank of New York Mellon and BNY Mellon, N.A. benefit two notches of "lift" as a result of the rating agency's government support assumptions. Other institutions benefit between one and five notches of "lift". If these rating changes occur as proposed, the Parent, The Bank of New York Mellon and BNY Mellon, N.A. would remain at the highest level for all U.S. bank holding companies and U.S. banks.

The Parent's major uses of funds are payment of dividends, principal and interest on its borrowings, acquisitions, and additional investments in its subsidiaries.

In the second quarter of 2010, we issued $650 million of senior long-term debt and $500 million of senior long-term debt matured. The Parent has $100 million of long-term debt that will mature in the remainder of 2010. The Parent has the option to call $1.1 billion of subordinated debt in the remainder of 2010, which it may call and refinance if market conditions are favorable.

We have $850 million of trust-preferred securities that are freely callable in 2010. These securities currently qualify as Tier 1 capital. Any decision to call these securities will be based on interest rates, the availability of cash and capital, and regulatory conditions, as well as the implementation of the Dodd-Frank Act, which eliminates these trust-preferred securities from the Tier 1 capital of large bank holding companies, including BNY Mellon, over a three year period beginning Jan. 1, 2013.

The double leverage ratio is the ratio of investment in subsidiaries divided by our consolidated equity plus trust preferred securities. Our double leverage ratios at June 30, 2010 and 2009 were 104.15% and 103.48%, respectively. Our target double leverage ratio is a maximum of 120%. The double leverage ratio is monitored by regulators and rating agencies and is an important constraint on our ability to invest in our subsidiaries and expand our businesses.

Pershing LLC, an indirect subsidiary of BNY Mellon, has committed and uncommitted lines of credit in place for liquidity purposes which are guaranteed by the Parent. The committed line of credit of $935 million extended by 14 financial institutions matures in March 2011. In the second quarter of 2010, the average borrowing against these lines of credit was $176 million. Additionally, Pershing has another committed line of credit for $125 million extended by one financial institution that matures in September 2010. The average borrowing against this line of credit was $2 million during the second quarter of 2010. Pershing LLC has five separate uncommitted lines of credit amounting to $1 billion in aggregate. Average daily borrowing under these lines was $572 million, in aggregate, during the second quarter of 2010.

The committed line of credit maintained by Pershing LLC requires the Parent to maintain:

- shareholders' equity of $5 billion;
- a ratio of Tier 1 capital plus the allowance for credit losses to nonperforming assets of at least 2.5; and
- a double leverage ratio less than 130%.

We are currently in compliance with these covenants.

Pershing Limited, an indirect U.K.-based subsidiary of BNY Mellon, has committed and uncommitted lines of credit in place for liquidity purposes, which are guaranteed by the Parent. The committed line of credit of $233 million extended by five financial institutions matures in March 2011. In the second quarter of 2010, there were no borrowings against these lines of credit. Pershing Limited has three separate uncommitted lines of credit amounting to $250 million in aggregate. Average daily borrowing under these lines was $5 million, in aggregate, during the second quarter of 2010.

Statement of cash flows

Cash used for operating activities was $0.1 billion for the six months ended June 30, 2010, compared with $0.3 billion provided by operating activities for the six months ended June 30, 2009. In the first six months of 2010, changes in trading activities partially offset by earnings and depreciation and amortization were a significant use of funds. In the first six months of 2009, earnings, partially offset by changes in trading activities, accruals and other balances were a significant source of funds.

In the first six months of 2010, cash used for investing activities was $14.3 billion compared with $30.8 billion provided by investing activities in the first six months of 2009. In the first six months of 2010, an increase in interest-bearing deposits with the Federal Reserve and other central banks, margin loans and federal funds sold and securities purchased under resale agreements were a significant use of funds partially offset by a decrease in securities available for sale. In the first six months of 2009, a decrease in interest-bearing deposits with banks and the Federal Reserve and other central banks was a significant source of funds, partially offset by purchases of securities available for sale.

Through June 30, 2010, cash provided by financing activities was $14.3 billion, compared to $32.2 billion used for financing activities in the first six months of 2009. In the first six months of 2010, changes in deposits and other funds borrowed were a significant source of funds, partially offset by repayments of long-term debt. In the first six months of 2009, changes in deposits, other borrowed funds and the repurchase of the Series B preferred stock were significant uses of funds, partially offset by proceeds from issuances of long-term debt and common stock.

Capital

Capital data *(dollar amounts in millions except per share amounts; common shares in thousands)*	**June 30, 2010**	March 31, 2010	Dec. 31, 2009	June 30, 2009
Average total BNY Mellon shareholders' equity to average total assets	**13.3%**	13.2%	13.5%	13.9%
At period end:				
Common shareholders' equity to total assets ratio	**12.9%**	13.5%	13.7%	13.4%
Total The Bank of New York Corporation shareholders' equity	**$30,396**	$29,683	$28,977	$27,276
Tangible common shareholders' equity – Non-GAAP *(a)*	**$11,331**	$10,537	$ 9,540	$ 7,945
Book value per common share	**$ 25.04**	$ 24.47	$ 23.99	$ 22.68
Tangible book value per common share – Non-GAAP *(a)*	**$ 9.33**	$ 8.69	$ 7.90	$ 6.60
Dividends per common share	**$ 0.09**	$ 0.09	$ 0.09	$ 0.09
Dividend yield	**1.5%**	1.2%	1.3%	1.2%
Closing common stock price per share	**$ 24.69**	$ 30.88	$ 27.97	$ 29.31
Market capitalization	**$29,975**	$37,456	$33,783	$35,255
Common shares outstanding	**1,214,042**	1,212,941	1,207,835	1,202,828

(a) See supplemental information beginning on page 50 for the reconciliation of GAAP to non-GAAP.

Total The Bank of New York Mellon Corporation shareholders' equity increased compared with Dec. 31, 2009. The increase primarily reflects retained earnings in the first six months of 2010 and an unrealized gain in the investment securities portfolio resulting from improved credit spreads.

The unrealized net of tax gain on our available-for-sale securities portfolio recorded in other comprehensive income was $162 million at June 30, 2010 compared with an unrealized net of tax loss of $180 million at March 31, 2010. The improvement primarily reflects tightening credit spreads and a decline in interest rates.

In June 2010, BNY Mellon priced 25.9 million common shares in an underwritten public offering, at $27.00 per common share, for a total of $700 million. In connection with this offering, BNY Mellon has entered into a forward sale agreement with a forward purchaser, who borrowed and sold to the public through the underwriters shares of the Company's common stock. The Company will not receive any proceeds from the sale of its common stock until settlement of the forward sale agreement, which is expected to occur in the third quarter of 2010.

In July 2010, we declared a quarterly common stock dividend of $0.09 per common share that will be paid on Aug. 10, 2010, to shareholders of record as of the close of business on July 30, 2010.

Capital adequacy

Regulators establish certain levels of capital for bank holding companies and banks, including BNY Mellon and our bank subsidiaries, in accordance with established quantitative measurements. For the Parent to maintain its status as a financial holding company, our bank subsidiaries must, among other things, qualify as well capitalized. In addition, major bank holding companies such as the Parent are expected by the regulators to be well capitalized.

As of June 30, 2010, the Parent and our bank subsidiaries were considered well capitalized on the basis of the ratios (defined by regulation) of Total and Tier 1 capital to risk-weighted assets and leverage (Tier 1 capital to average assets).

Our consolidated and largest bank subsidiary, The Bank of New York Mellon, capital ratios are shown below.

Consolidated and largest bank subsidiary capital ratios	Well capitalized	Adequately capitalized	**June 30, 2010**	March 31, 2010	Dec. 31, 2009	June 30, 2009
Consolidated capital ratios:						
Tier 1 capital	6%	4%	**13.5%**	13.3%	12.1%	12.5%
Total capital	10	8	**17.2**	17.2	16.0	16.0
Leverage	5	3	**6.6**	6.5	6.5	7.6
Tangible common shareholders' equity to tangible assets ratio – Non-GAAP *(a)*			**6.3%**	6.1%	5.2%	4.8%
Tier 1 common equity to risk-weighted assets ratio *(a)*			**11.9**	11.6	10.5	11.1
The Bank of New York Mellon capital ratios:						
Tier 1 capital	6%	4%	**12.5%**	12.3%	11.2%	11.8%
Total capital	10	8	**16.5**	16.3	15.0	15.1
Leverage	5	3	**6.6**	6.6	6.3	7.6

(a) See Supplemental information beginning on page 50 for a calculation of this ratio.

The Tier 1 capital ratio varies depending on the size of the balance sheet at quarter-end and the level and types of investments. The balance sheet size fluctuates from quarter to quarter based on levels of customer and market activity. In general, when servicing clients are more actively trading securities, deposit balances and the balance sheet as a whole are higher.

Our Tier 1 capital ratio was 13.5% at June 30, 2010, compared with 13.3% at March 31, 2010, 12.1% at Dec. 31, 2009 and 12.5% at June 30, 2009. The increase from March 31, 2010 primarily reflects earnings retention, partially offset by higher risk-weighted assets.

In January 2010, the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of Thrift Supervision issued a final rule requiring banks to hold capital for assets consolidated under ASU 2009-16 and ASU

2009-17. The final rule allows for (1) opting for a two-quarter delay through June 30, 2010, of recognition of the effect on risk-weighted assets and allowance for loan losses includable in Tier 2 capital that results from implementation of this standard and (2) a phase-in of 50% of those effects for the quarters ending Sept. 30, 2010 and Dec. 31, 2010 with full phase-in for the quarter ending March 31, 2011. BNY Mellon elected to defer the implementation of ASC 810 for capital purposes. At June 30, 2010, had we fully phased-in the implementation of ASC 810, our Tier 1 capital ratio would have been negatively impacted by approximately 136 basis points, assuming we had taken no mitigating actions.

A billion dollar change in risk-weighted assets changes the Tier 1 capital ratio by approximately 13 basis points while a $100 million change in common equity changes the Tier 1 capital ratio by approximately 10 basis points.

Our tangible common equity to tangible assets ratio was 6.3% at June 30, 2010, up from 6.1% at March 31, 2010, 5.2% at Dec. 31, 2009 and 4.8% at June 30, 2009. The increase compared with March 31, 2010 was due to earnings retention and the improvement in the unrealized gain on our available-for-sale securities portfolio, partially offset by a larger balance sheet at June 30, 2010.

At June 30, 2010, we had approximately $1.7 billion of trust preferred securities outstanding, net of issuance costs, all of which currently qualifies as Tier 1 capital.

The following table presents the components of our risk-based capital at June 30, 2010, March 31, 2010, Dec. 31, 2009 and June 30, 2009, respectively.

Components of Tier 1 and total risk-based capital *(a)* *(in millions)*	**June 30, 2010**	March 31, 2010	Dec. 31, 2009	June 30, 2009
Tier 1 capital:				
Common shareholders' equity	**$ 30,396**	$ 29,683	$ 28,977	$ 27,276
Trust-preferred securities	**1,663**	1,667	1,686	1,691
Adjustments for:				
Goodwill and other intangibles *(b)*	**(19,064)**	(19,145)	(19,437)	(19,331)
Pensions	**1,045**	1,062	1,070	1,085
Securities valuation allowance	**(162)**	180	619	4,352
Merchant banking investments	**(21)**	(21)	(32)	(29)
Total Tier 1 capital	**13,857**	13,426	12,883	15,044
Tier 2 capital:				
Qualifying unrealized gains on equity securities	**3**	4	3	1
Qualifying subordinate debt	**3,191**	3,330	3,429	3,611
Qualifying allowance for credit losses	**645**	639	665	617
Total Tier 2 capital	**3,839**	3,973	4,097	4,229
Total risk-based capital	**$ 17,696**	$ 17,399	$ 16,980	$ 19,273
Total risk-weighted assets	**$102,807**	$101,197	$106,328	$120,566

(a) *On a regulatory basis and including discontinued operations.*
(b) *Reduced by deferred tax liabilities of $2.4 billion at June 30, 2010, March 31, 2010, Dec. 31, 2009 and June 30, 2009 associated with non-tax deductible identifiable intangible assets and tax deductible goodwill.*

Trading activities and risk management

Our trading activities are focused on acting as a market maker for our customers. The risk from these market making activities and from our own positions is managed by our traders and limited in total exposure through a system of position limits, a value-at-risk ("VAR") methodology based on a Monte Carlo simulation, stop loss advisory triggers, and other market sensitivity measures. See Note 17 of the Notes to Consolidated Financial Statements for additional information on the VAR methodology.

The following tables indicate the calculated VAR amounts for the trading portfolio for the periods indicated:

VAR *(a)* *(in millions)*	**2nd Quarter 2010** Average	Minimum	Maximum	**June 30, 2010**
Interest rate	$5.1	$3.4	$8.9	$ 4.5
Foreign exchange	2.8	1.7	5.0	1.8
Equity	3.0	1.6	5.0	4.2
Credit	0.8	0.5	1.3	1.1
Diversification	(5.5)	N/M	N/M	(5.0)
Overall portfolio	6.2	3.5	10.1	6.6

VAR (a) (in millions)	1st Quarter 2010 Average	Minimum	Maximum	March 31, 2010
Interest rate	$7.6	$4.8	$10.9	$8.4
Foreign exchange	2.3	0.9	4.3	3.5
Equity	2.5	1.3	3.9	3.1
Credit	0.7	0.5	0.8	0.6
Diversification	(4.9)	N/M	N/M	(4.7)
Overall portfolio	8.2	5.5	11.4	10.9

VAR (a) (in millions)	2nd Quarter 2009 Average	Minimum	Maximum	June 30, 2009
Interest rate	$ 4.8	$ 2.8	$ 8.0	$ 4.5
Foreign exchange	2.7	1.2	4.6	2.2
Equity	2.3	1.7	3.0	1.7
Credit	3.8	2.4	6.0	2.7
Diversification	(6.1)	N/M	N/M	(6.6)
Overall portfolio	7.5	4.5	12.6	4.5

VAR (a) (in millions)	**Year-to-date 2010** **Average**	**Minimum**	**Maximum**
Interest rate	**$6.4**	**$3.4**	**$10.9**
Foreign exchange	**2.6**	**0.9**	**5.0**
Equity	**2.7**	**1.3**	**5.0**
Credit	**0.7**	**0.5**	**1.3**
Diversification	**(5.2)**	**N/M**	**N/M**
Overall portfolio	**7.2**	**3.5**	**11.4**

VAR (a) (in millions)	Year-to-date 2009 Average	Minimum	Maximum
Interest rate	$ 4.9	$ 2.8	$ 8.0
Foreign exchange	2.5	1.2	5.6
Equity	2.9	1.6	8.1
Credit	4.1	2.4	7.5
Diversification	(6.5)	N/M	N/M
Overall portfolio	7.9	4.5	13.2

(a) *VAR figures do not reflect the impact of the credit valuation adjustment guidance in ASC 820. This is consistent with the Regulatory treatment.*

N/M - Because the minimum and maximum may occur on different days for different risk components, it is not meaningful to compute a portfolio diversification effect.

During the second quarter of 2010, interest rate risk generated 43% of average VAR, equity risk generated 26%.of average VAR, foreign exchange risk generated 24% of average VAR and credit risk generated 7% of average VAR. During the second quarter of 2010, our daily trading loss did not exceed our calculated VAR amount on any given day.

BNY Mellon monitors a volatility index of global currency using a basket of 30 major currencies. In the second quarter of 2010, the volatility of this index increased approximately 36 basis points from the first quarter of 2010.

The following table of total daily revenue or loss illustrates the number of trading days in which our revenue or loss fell within particular ranges during the past year.

Distribution of trading revenues (losses) *(a)*

(dollar amounts in millions)	Quarter ended June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	**June 30, 2010**
Revenue range:	Number of days				
Less than $(2.5)	2	-	1	-	**1**
$(2.5) - $0	2	5	5	3	**2**
$0 - $2.5	11	16	13	15	**18**
$2.5 - $5.0	23	24	22	22	**21**
More than $5.0	26	19	21	21	**22**

(a) *Distribution of trading revenues (losses) does not reflect the impact of the credit valuation adjustment guidance in ASC 820. This is consistent with the Regulatory treatment.*

Foreign exchange and other trading

Under our mark to market methodology for derivative contracts, an initial "risk-neutral" valuation is performed on each position assuming time-discounting based on an AA credit curve. In addition, we consider credit risk in arriving at the fair value of our derivatives.

As required by ASC 820 - *Fair Value Measurements and Disclosures*, we reflect external credit ratings as well as observable credit default swap spreads for both ourselves as well as our counterparties when measuring the fair value of our derivative positions.

Accordingly, the valuation of our derivative positions is sensitive to the current changes in our own credit spreads, as well as those of our counterparties. In addition, in cases where a counterparty is deemed impaired, further analyses are performed to value such positions.

At June 30, 2010, our over-the-counter ("OTC") derivative assets of $5.2 billion included a credit valuation adjustment ("CVA") deduction of $131 million, including $65 million related to the credit quality of certain CDO counterparties and Lehman. Our OTC derivative liabilities of $6.0 billion included $20 million of debit valuation adjustments ("DVA") related to our own credit spread.

Adjustments to the CVA and DVA decreased foreign exchange and other trading activities revenue by $43 million in the second quarter of 2010. Adjustments related to exposure that we applied our own credit spread to decreased foreign exchange and other trading activities revenue by $5 million in the second quarter of 2010.

The table below summarizes the risk ratings for our foreign exchange, interest rate and equity derivative counterparty credit exposure.

Foreign exchange and other trading counterparty risk rating profile *(a)*	Quarter ended				
	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	**June 30, 2010**
Rating:					
AAA to AA-	57%	58%	56%	54%	**52%**
A+ to A-	20	17	22	23	**19**
BBB+ to BBB-	14	16	15	16	**22**
Noninvestment grade (BB+ and lower)	9	9	7	7	**7**
Total	100%	100%	100%	100%	**100%**

(a) *Represents credit rating agency equivalent of internal credit ratings.*

Asset/liability management

Our diversified business activities include processing securities, accepting deposits, investing in securities, lending, raising money as needed to fund assets, and other transactions. The market risks from these activities are interest rate risk and foreign exchange risk. Our primary market risk is exposure to movements in U.S. dollar interest rates and certain foreign currency interest rates. We actively manage interest rate sensitivity and use earnings simulation and discounted cash flow models to identify interest rate exposures.

An earnings simulation model is the primary tool used to assess changes in pre-tax net interest revenue. The model incorporates management's assumptions regarding interest rates, balance changes on core deposits, market spreads, changes in the prepayment behavior of loans and securities and the impact of derivative financial instruments used for interest rate risk management purposes. These assumptions have been developed through a combination of historical analysis and future expected pricing behavior and are inherently uncertain. As a result, the earnings simulation model cannot precisely estimate net interest revenue or the impact of higher or lower interest rates on net interest revenue. Actual results may differ from projected results due to timing, magnitude and frequency of interest rate changes, and changes in market conditions and management's strategies, among other factors.

We evaluate the effect on earnings by running various interest rate ramp scenarios from a baseline scenario. These scenarios are reviewed to examine the impact of large interest rate movements. Interest rate sensitivity is quantified by calculating the change in pre-tax net interest revenue between the scenarios over a 12-month measurement period.

The following table shows net interest revenue sensitivity for BNY Mellon:

Estimated changes in net interest revenue at June 30, 2010 *(dollar amounts in millions)*	**Sensitivity** $	**Sensitivity** %
up 200 bps vs. baseline	**$364**	**12.6%**
up 100 bps vs. baseline	**236**	**8.1**

bps - basis points.

The baseline scenario's Fed Funds rate in the June 30, 2010 analysis was 0.25%. The 100 basis point ramp scenario assumes short-term rates increase 25 basis points in each of the next four quarters and the 200 basis point ramp scenario assumes a 50 basis point per quarter increase. Both the up 200 basis point and the up 100 basis point June 30, 2010 scenarios assume 10-year rates rise 250 and 150 basis points, respectively.

These scenarios do not reflect strategies that management could employ to limit the impact as interest rate expectations change. The previous table relies on certain critical assumptions regarding the balance sheet and depositors' behavior related to interest rate fluctuations and the prepayment and extension risk in certain of our assets. To the extent that actual behavior is different from that assumed in the models, there could be a change in interest rate sensitivity.

Off-balance-sheet financial instruments

Off-balance sheet arrangements discussed in this section are limited to guarantees, retained or contingent interests, support agreements and certain derivative instruments related to our common stock. For BNY Mellon, these items include certain credit guarantees and securitizations. Guarantees include: lending-related guarantees issued as part of our corporate banking business; securities lending indemnifications issued as part of our servicing and fiduciary businesses and support agreements issued to customers in our asset servicing and asset management businesses.

See the Support agreements section and Note 18 of the Notes to Consolidated Financial Statements for a further discussion of our off-balance sheet arrangements.

Supplemental information – Explanation of Non-GAAP financial measures

BNY Mellon has included in this Form 10-Q certain Non-GAAP financial measures based upon tangible common shareholders' equity. BNY Mellon believes that the ratio of tangible common shareholders' equity to tangible total assets of operations is a measure of capital strength that adds additional useful information to investors, supplementing the Tier 1 capital ratio which is utilized by regulatory authorities. Unlike the Tier 1 capital ratio, the tangible common shareholders' equity ratio fully incorporates those changes in investment securities valuations which are reflected in shareholders' equity. In addition, this ratio is expressed as a percentage of the actual book value of assets, as opposed to a percentage of a risk-based reduced value established in accordance with regulatory requirements, although BNY Mellon in its calculation has excluded certain assets which are given a zero percent risk-weighting for regulatory purposes. This ratio is also informative to investors in BNY Mellon's common stock because, unlike the Tier 1 capital ratio, it excludes trust preferred securities issued by BNY Mellon. Further, BNY Mellon believes that the return on tangible common equity measure, which excludes goodwill and intangible assets net of deferred tax liabilities, is a useful additional measure for investors because it presents a measure of BNY Mellon's performance in reference to those assets which are productive in generating income.

BNY Mellon has provided a measure of tangible book value per share which it believes provides additional useful information as to the level of such assets in relation to shares of common stock outstanding. BNY Mellon has presented revenue measures which exclude the effect of net securities gains (losses) and noncontrolling interests related to consolidated asset management funds; and expense measures which exclude special litigation reserves taken in the first quarter of 2010, the FDIC special assessment, restructuring charges, M&I expenses and intangible amortization expenses, and measures which utilize net income excluding tax items such as benefit of tax settlements. Return on equity measures and operating margin measures which exclude some or all of these items are also presented. BNY Mellon believes that these measures are useful to investors because they permit a focus on period to period comparisons which relate to the ability of BNY Mellon to enhance revenues and limit expenses in circumstances where such matters are within BNY Mellon's control. The excluded items in general relate to situations where accounting rules require certain ongoing charges as a result of prior transactions, or where valuation or other accounting/regulatory requirements require charges unrelated to operational initiatives. M&I expenses primarily relate to the merger with Mellon Financial Corporation in 2007. M&I expenses generally continue for approximately three years after the transaction, and can vary on a year-to-year basis depending on the stage of the integration. BNY Mellon believes that the exclusion of M&I expenses provides investors with a focus on BNY Mellon's business as it would appear on a consolidated going-forward basis, after such M&I expenses have ceased, typically after approximately three years. Future periods will not reflect such M&I expenses, and thus may be more easily compared to our current results if M&I expenses are excluded. With regards to the exclusion of net securities gains (losses), BNY Mellon's primary businesses are Asset and Wealth Management and Institutional Services. The management of these sectors is evaluated on the basis of the ability of these businesses to generate fee and net interest revenue and to control expenses, and not on the results of BNY Mellon's investment securities portfolio. Management of the investment securities portfolio is a shared service contained in the Other segment. The primary objective of the investment securities portfolio is to generate net interest revenue from the liquidity generated by BNY Mellon's processing businesses. BNY Mellon does not generally originate or trade the securities in the investment securities portfolio. With regards to higher yields related to the restructured investment securities portfolio, client deposits serve as the primary funding source for our investment securities portfolio and we typically allocate all interest revenue to the businesses generating the deposits. Accordingly, the higher yield related to the restructured investment securities portfolio has been included in the segment results. Restructuring charges relate to migrating positions to global growth centers and the elimination of certain positions.

Excluding the benefit of tax settlements permits investors to calculate the tax impact of BNY Mellon's primary businesses. The presentation of financial measures excluding special litigation reserves in the first quarter of 2010 provides investors with the ability to view performance metrics on the basis that management views results. The presentation of income of consolidated asset management funds, net of noncontrolling interests related to the consolidation of certain asset management funds, permits investors to view revenue on a basis consistent with prior periods. BNY Mellon believes that these presentations, as a supplement to GAAP information, gives investors a clearer picture of the results of its primary businesses.

In this Form 10-Q, certain amounts are presented on an FTE basis. We believe that this presentation provides comparability of amounts arising from both taxable and tax-exempt sources, and is consistent with industry practice. The adjustment to an FTE basis has no impact on net income.

Each of these measures as described above is used by management to monitor financial performance, both on a company-wide and on a business segment basis.

Reconciliation of income (loss) from continuing operations before income taxes – pre-tax operating margin *(dollars in millions)*	**2Q10**	1Q10	2Q09	**YTD10**	YTD09
Income (loss) from continuing operations before income taxes – GAAP	**$1,006**	$ 884	$ 513	**$1,890**	$1,085
Less: Net securities gains (losses)	**13**	7	(256)	**20**	(551)
Noncontrolling interests of consolidated asset management funds	**33**	24	-	**57**	-
Add: Special litigation reserves	**N/A**	164	N/A	**164**	N/A
FDIC special assessment	**-**	-	61	**-**	61
M&I expenses	**14**	26	59	**40**	127
Restructuring charges	**(15)**	7	6	**(8)**	16
Intangible amortization	**98**	97	108	**195**	215
Income (loss) from continuing operations before income taxes excluding net securities gains (losses), noncontrolling interests of consolidated asset management funds, special litigation reserves, FDIC special assessment, M&I expenses, restructuring charges and intangible amortization – Non-GAAP	**$1,057**	$1,147	$1,003	**$2,204**	$2,055
Fee and other revenue – GAAP	**$2,571**	$2,549	$2,257	**$5,120**	$4,393
Income of consolidated asset management funds – GAAP	**65**	65	-	**130**	-
Net interest revenue – GAAP	**722**	765	700	**1,487**	1,475
Total revenue – GAAP	**3,358**	3,379	2,957	**6,737**	5,868
Less: Net securities gains (losses)	**13**	7	(256)	**20**	(551)
Noncontrolling interests of consolidated asset management funds	**33**	24	-	**57**	-
Total revenue excluding net securities gains (losses) and noncontrolling interests of consolidated asset management funds – Non-GAAP	**$3,312**	$3,348	$3,213	**$6,660**	$6,419
Pre-tax operating margin *(a)*	**30%**	26%	17%	**28%**	18%
Pre-tax operating margin excluding net securities gains (losses), noncontrolling interests of consolidated asset management funds, special litigation reserves, FDIC special assessment, M&I expenses, restructuring charges and intangible amortization – Non-GAAP *(a)*	**32%**	34%	31%	**33%**	32%

(a) Income (loss) before taxes divided by total revenue.
N/A – Not applicable.

Asset servicing revenue *(in millions)*	**2Q10**	1Q10	2Q09
Asset servicing revenue	**$668**	$637	$671
Less: Securities lending fee revenue	**46**	29	97
Asset servicing revenue excluding securities lending fee revenue	**$622**	$608	$574

Asset and wealth management fee revenue				**2Q10 vs.**	
(dollars in millions)	**2Q10**	1Q10	2Q09	**1Q10**	**2Q09**
Asset and wealth management fee revenue	**$676**	$678	$637	**-%**	**6%**
Less: Performance fees	**19**	13	26		
Add: Revenue from consolidated asset management funds, net of noncontrolling interests	**29**	25	-		
Asset and wealth management fee revenue excluding performance fees	**$686**	$690	$611	**(1)%**	**12%**

Return on common equity and tangible common equity – continuing operations *(dollars in millions)*	**2Q10**	1Q10	2Q09	**YTD10**	YTD09
Net income applicable to common shareholders of The Bank of New York Mellon Corporation - GAAP	**$658**	$ 559	$ 176	**$1,217**	$ 498
Less: Loss from discontinued operations, net of tax	**(10)**	(42)	(91)	**(52)**	(132)
Net income from continuing operations applicable to common shareholders of The Bank of New York Mellon Corporation	**668**	601	267	**1,269**	630
Add: Intangible amortization	**60**	62	67	**122**	133
Net income from continuing operations applicable to common shareholders of The Bank of New York Mellon Corporation excluding intangible amortization – Non-GAAP	**728**	663	334	**1,391**	763
Less: Net securities gains (losses)	**8**	5	(161)	**13**	(344)
Add: Special litigation reserves	**N/A**	98	N/A	**98**	N/A
FDIC special assessment	**-**	-	36	**-**	36
M&I expenses	**9**	16	36	**25**	77
Restructuring charges	**(9)**	5	4	**(4)**	11
Benefit of tax settlements	**-**	-	(134)	**-**	(134)
Net income from continuing operations excluding net securities gains (losses), special litigation reserves, FDIC special assessment, M&I expenses, restructuring charges, benefit of tax settlements and intangible amortization– Non-GAAP	**$720**	$ 777	$ 437	**$1,497**	$1,097
Average common shareholders' equity	**$30,434**	$29,715	$26,566	**$30,076**	$25,881
Less: Average goodwill	**16,073**	16,143	15,989	**16,108**	15,913
Average intangible assets	**5,421**	5,513	5,673	**5,466**	5,713
Add: Deferred tax liability – tax deductible goodwill	**746**	720	643	**746**	643
Deferred tax liability – non-tax deductible intangible assets	**1,649**	1,660	1,743	**1,649**	1,743
Average tangible common shareholders' equity – Non-GAAP	**$11,335**	$10,439	$7,290	**$10,897**	$6,641
Return on common equity– GAAP *(a)*	**8.8%**	8.2%	4.0%	**8.5%**	4.9%
Return on common equity excluding net securities gains (losses), special litigation reserves, FDIC special assessment, M&I expenses, restructuring charges, benefit of tax settlements and intangible amortization – Non-GAAP *(a)*	**9.5%**	10.6%	6.6%	**10.0%**	8.6%
Return on tangible common equity – Non-GAAP *(a)*	**25.8%**	25.8%	18.4%	**25.7%**	23.2%
Return on tangible common equity excluding net securities gains (losses), special litigation reserves, FDIC special assessment, M&I expenses, restructuring charges and benefit of tax settlements – Non-GAAP *(a)*	**25.5%**	30.2%	24.0%	**27.7%**	33.3%

(a) Annualized.
N/A – Not applicable.

Calculation of Tier 1 common equity to risk-weighted assets ratio *(a)* *(dollars in millions)*	**June 30, 2010**	March 31, 2010	June 30, 2009
Total Tier 1 capital	**$ 13,857**	$ 13,426	$15,044
Less: Trust preferred securities	**1,663**	1,667	1,691
Total Tier 1 common equity	**$ 12,194**	$ 11,759	$13,353
Total risk-weighted assets	**$102,807**	$101,197	$120,566
Tier 1 common equity to risk-weighted assets ratio	**11.9%**	11.6%	11.1%

(a) On a regulatory basis.

Equity to assets and book value per common share *(dollars in millions, unless otherwise noted)*	**June 30, 2010**	March 31, 2010	June 30, 2009
Common shareholders' equity at period end - GAAP	**$ 30,396**	$ 29,683	$ 27,276
Less: Goodwill	**16,106**	16,077	16,040
Intangible assets	**5,354**	5,449	5,677
Add: Deferred tax liability – tax deductible goodwill	**746**	720	643
Deferred tax liability – non-tax deductible intangible assets	**1,649**	1,660	1,743
Tangible common shareholders' equity at period end – Non-GAAP	**$ 11,331**	$ 10,537	$ 7,945
Total assets at period end - GAAP	**$235,693**	$220,551	$203,012
Less: Assets of consolidated asset management funds	**13,260**	12,568	-
Total assets of operations – Non-GAAP	**222,433**	207,983	203,012
Less: Goodwill	**16,106**	16,077	16,040
Intangible assets	**5,354**	5,449	5,677
Cash on deposit with the Federal Reserve and other central banks *(a)*	**21,548**	14,709	16,458
Tangible total assets of operations at period end – Non-GAAP	**$179,425**	$171,748	$164,837
Common shareholders' equity to total assets – GAAP	**12.9%**	13.5%	13.4%
Tangible common shareholders' equity to tangible total assets of operations – Non-GAAP	**6.3%**	6.1%	4.8%
Period end common shares outstanding *(in thousands)*	**1,214,042**	1,212,941	1,202,828
Book value per common share	**$ 25.04**	$ 24.47	$ 22.68
Tangible book value per common share – Non-GAAP	**$ 9.33**	$ 8.69	$ 6.60

(a) Assigned a zero percent risk weighting by the regulators.

Recent accounting and regulatory developments

ASU 2010-11 – Scope Exception Related to Embedded Credit Derivatives

In March 2010, the Financial Accounting Standards Board ("FASB") issued ASU 2010-11, "Scope Exception Related to Embedded Credit Derivatives." This ASU amends Subtopic 815-15 to clarify the scope of the exception for embedded credit derivative features related to the transfer of credit risk in the form of subordination of one financial instrument to another. It addresses how to determine which embedded credit derivative features, including those in collateralized debt obligations and synthetic collateralized debt obligations are considered to be embedded derivatives that should not be analyzed for potential bifurcation and separate accounting. This ASU was effective July 1, 2010. The impact of this ASU is not expected to be material to our results of operations.

ASU 2010-18 – Effect of a Loan Modification When the Loan is Part of a Pool that is Accounted for as a Single Asset

In April 2010, the FASB issued ASU 2010-18, "Effect of a Loan Modification when the Loan is Part of a Pool that is Accounted for as a Single Asset." This ASU provides guidance that would maintain the integrity of the pool as a single unit of account and exempt these loans from troubled debt restructuring reporting. Modified purchased credit impaired loans accounted for in a pool would remain in the pool subject to ASC 310-30 regardless of whether the modification is a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. This ASU does not contain any additional disclosure requirements. This ASU was effective July 1, 2010. The impact of this ASU is not expected to be material to our results of operations.

ASU 2010-20 – Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

In July 2010, the FASB issued ASU 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This ASU requires additional disclosures about the allowance for credit losses and the credit quality of financing receivables. This ASU defines two levels of disaggregation – portfolio segment and class of financing receivable. Existing disclosures are amended to require: rollforward schedule of allowance for credit losses, with the ending balance further disaggregated on the basis of impairment method; related recorded investment in each ending balance noted above; nonaccrual status by class of financing receivable; and impaired financing receivables by class of financing receivables. This ASU requires the following additional disclosures: credit quality indicators by class of financing receivable; aging of past due financing receivables by class; nature and extent of troubled debt restructuring by class of financing receivable and their effect on allowance for credit losses; nature and extent of financing receivables modified as troubled debt restructurings by class and their effect on the allowance for credit losses; and significant purchases and sales by portfolio segment. These disclosures are required for interim and annual financial statements and are effective Dec. 31, 2010.

Proposed ASU – Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

In May 2010, the FASB issued Proposed ASU, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities." Under this proposed ASU, most financial instruments would be measured at fair value in the balance sheet. However, information about the amortized cost of certain financial instruments would also be presented when an entity's business strategy involves holding the financial instrument for collection or payment of contractual cash flows. At inception, all financial instruments would be classified as either: (1) fair value, with changes in fair value recognized in net income (default category); (2) fair value, with qualifying changes in fair value recognized in OCI (elective for qualifying debt instruments); or (3) amortized cost (elective for qualifying liabilities and short-term payables and receivables). Comments on this proposed ASU are due Sept. 30, 2010. The effective date will be determined by the FASB when it issues the final ASU.

Proposed ASU – Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs

In June 2010, the FASB issued Proposed ASU, "Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This proposed ASU is the result of a joint project of the FASB and International Accounting Standards Board ("IASB") to converge fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards ("IFRS"). This proposed ASU would change the wording used to describe many of the principles and requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements, and would change how the fair value measurement guidance in ASC 820 is applied. This proposed ASU would also require several new disclosures: (a) measurement uncertainty disclosures, (b) reasons if an entity's use of an asset is different from its highest and best use, and (c) fair value hierarchy disclosures for financial institutions not measured at fair value. Comments on this proposed ASU are due on Sept. 7, 2010. The effective date will be determined after the FASB considers the feedback on this proposed ASU.

Proposed ASU – Revenue from Contracts with Customers

In June 2010, the FASB issued Proposed ASU, "Revenue from Contracts with Customers." This proposed ASU is the result of a joint project of the FASB and IASB to clarify the principles for recognizing revenue and develop a common standard for U.S. GAAP and IFRS. This proposed ASU would establish a broad principle that would require an entity to identify the contract with a customer, identify the separate performance obligations in the contract, determine the transaction price, allocate the transaction price to the separate performance obligations, and recognize revenue when each separate performance obligation is satisfied. Comments on this proposed ASU are due on Oct. 22, 2010. The effective date will be determined after the FASB considers the feedback on this proposed ASU.

Proposed ASU – Disclosure of Certain Loss Contingencies

In July 2010, the FASB issued Proposed ASU, "Disclosure of Certain Loss Contingencies." This proposed ASU would require an entity to disclose qualitative and quantitative information about loss contingencies to enable financial statement users to understand the nature of loss contingencies, their potential magnitude and their potential timing (if known). Available information may be limited during the early stages of a loss contingency's life cycle and therefore, disclosure may be less extensive in early stages of a loss contingency. In subsequent reporting periods, disclosure may be more extensive as additional information about a potentially unfavorable outcome becomes available. Additionally, an entity may aggregate disclosures about similar contingencies so that the disclosures are understandable and not too detailed. An entity would also then disclose the basis for aggregation.

Comments on this proposed FASB are due on Aug. 20, 2010. The proposed FASB would be effective Dec. 31, 2010.

Adoption of new accounting standards

For a discussion of the adoption of new accounting standards, see Note 2 to the Notes to Consolidated Financial Statements.

Regulatory developments

We are currently assessing the following regulatory developments, which may have an impact on BNY Mellon's business.

Regulatory reform

In July 2010, Congress enacted regulatory reform legislation known as the Dodd-Frank Wall Street Reform and Consumer Protection Act, which the President signed into law on July 21, 2010. This new law broadly affects the financial services industry by establishing a framework for systemic risk oversight, creating a resolution authority, mandating higher capital and liquidity requirements, requiring banks to pay increased fees to regulatory agencies and containing numerous other provisions aimed at strengthening the sound operation of the financial services sector and will fundamentally change the system of oversight described under "Business – Supervision and Regulation" in Part I, Item 1 of our Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2009. Many aspects of the law are subject to further rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact to BNY Mellon or across the industry.

Proposed FDIC assessments

On April 13, 2010, the FDIC issued a notice of proposed rulemaking ("NPR") which would revise the risk-based assessment system for all large insured depository institutions; and alter the initial and total base assessment rates for all insured depository institutions. The NPR would: eliminate risk categories and the use of long-term debt issuer ratings in calculating risk-based assessments for large institutions; use two scorecards – one for most large institutions and another for large institutions that are structurally and operationally complex or that pose unique challenges and risks in the event of failure (highly complex institutions) – to calculate the assessment rates for all large institutions; allow the FDIC to take additional information into account to make limited adjustments to the scores; and use the scorecard to determine the assessment rate for each institution.

The NPR would also alter assessment rates applicable to all insured depository institutions to ensure that the revenue collected under the new assessment system would approximately equal that collected under the existing assessment system and ensure that the lowest rate applicable to small and large institutions would be the same. The proposed changes would be effective Jan. 1, 2011.

The Dodd-Frank Act also changes the deposit insurance assessment framework, primarily by basing assessments on an institution's total assets less tangible equity (subject to further adjustment for custodial banks) rather than domestic deposits, which is expected to shift to a greater portion of the aggregate assessments to large banks.

Proposed Financial Crisis Responsibility Fee

In January 2010, President Obama proposed a "Financial Crisis Responsibility Fee" which would apply to banks, thrifts, insurance companies and broker-dealers with more than $50 billion in consolidated assets. The fee is intended to recoup the cost of the Troubled Asset Relief Program ("TARP") to the U.S. Government. As proposed, the fee would be calculated on total assets excluding Tier 1 capital and assessed deposits and would remain in force for 10 years or longer. Based on the amount of assets on our balance sheet at June 30, 2010, we estimate that we would be responsible for paying approximately $200 million annually under this proposal, if enacted as currently proposed.

Basel Committee – Proposed capital and liquidity reforms

On Dec. 17, 2009, the Basel Committee issued two consultative documents proposing reforms to bank capital and liquidity regulation. The documents were titled *"Strengthening the Resilience of the Banking Sector"*, which proposed reforms to bank capital, and *"International Framework for Liquidity Risk Management, Standards and Monitoring."* On July 26, 2010, the Committee announced that it had reached a broad agreement on the overall design of the capital and liquidity requirements that were proposed in the consultative documents.

IFRS

International Financial Reporting Standards ("IFRS") are a set of standards and interpretations adopted by the International Accounting Standards Board. The SEC is currently considering a potential IFRS adoption process in the U.S., which would, in the near term, provide domestic issuers with an alternative accounting method and ultimately could replace U.S. GAAP reporting requirements with IFRS reporting requirements. The intention of this adoption would be to provide the capital markets community with a single set of high-quality, globally accepted accounting standards. The adoption of IFRS for U.S. companies with global operations would allow for streamlined reporting, allow for easier access to foreign capital markets and investments, and facilitate cross-border acquisitions, ventures or spin-offs.

In November 2008, the SEC proposed a "roadmap" for phasing in mandatory IFRS filings by U.S. public companies. The roadmap is conditional on progress towards milestones that would demonstrate improvements in both the infrastructure of international standard setting and the preparation of the U.S. financial reporting community. The SEC will monitor progress of these milestones between now and 2011, when the SEC plans to consider requiring U.S. public companies to adopt IFRS.

In February 2010, the SEC issued a statement confirming their position that they continue to believe that a single set of high quality, globally accepted accounting standards would benefit U.S. investors. The SEC continues to support the dual goals of improving financial reporting in the U.S. and reducing country-by-country disparities in financial reporting. The SEC is developing a work plan to aid in its evaluation of the impact of IFRS on the U.S. securities market. If the SEC determines in 2011 to incorporate IFRS into the U.S. financial reporting system, and the work plan validates the four-to-five year timeline for implementation, the first time that U.S. companies would report under IFRS would be no earlier than 2015.

While the SEC decides whether IFRS will be required to be used in the preparation of our consolidated financial statements, a number of countries have mandated the use of IFRS by BNY Mellon's subsidiaries in their statutory reports. Such countries include the Netherlands, Australia and Hong Kong. Other countries which have established an IFRS conversion time frame which will affect our statutory reporting include Belgium (2010), Brazil (2010), Canada (2011), South Korea (2011), the United Kingdom (2012) and Ireland (2012).

Government monetary policies and competition

Government monetary policies

The Federal Reserve Board has the primary responsibility for U.S. monetary policy. Its actions have an important influence on the demand for credit and investments and the level of interest rates, and thus on the earnings of BNY Mellon.

Competition

BNY Mellon is subject to intense competition in all aspects and areas of our business. Our Asset Management and Wealth Management business segments experience competition from asset management firms; hedge funds; investment banking companies; bank and financial holding companies; banks, including trust banks; brokerage firms; and insurance companies. These firms and companies may be domiciled domestically or internationally. Our Asset Servicing, Clearing Services and Treasury Services business segments compete with domestic and foreign banks that offer institutional trust, custody and cash management products as well as a wide range of technologically capable service providers, such as data processing and shareholder service firms and other firms that rely on automated data transfer services for institutional and retail customers.

Many of our competitors, with the particular exception of bank and financial holding companies, banks and trust companies, are not subject to regulation as extensive as BNY Mellon, and, as a result, may have a competitive advantage over us and our subsidiaries in certain respects.

As a result of current conditions in the global financial markets and the economy in general, competition could intensify and consolidation of financial service companies could increase.

As part of our business strategy, we seek to distinguish ourselves from competitors by the level of service we deliver to clients. We also believe that technological innovation is an important competitive factor, and, for this reason, have made and continue to make substantial investments in this area. The ability to recover quickly from unexpected events is a competitive factor, and we have devoted significant resources to this. See Item 1, "Business – Competition" in our 2009 Annual Report on Form 10-K.

Website information

Our website is www.bnymellon.com. We currently make available the following information on our website as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC.

- All of our SEC filings, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports, SEC Forms 3, 4 and 5 and any proxy statement mailed in connection with the solicitation of proxies;
- Financial statements and footnotes prepared using Extensible Business Reporting Language ("XBRL");
- Our earnings releases and selected management conference calls and presentations; and
- Our Corporate Governance Guidelines and the charters of the Audit, Corporate Governance and Nominating, Human Resources and Compensation, Risk and Corporate Social Responsibility Committees of our Board of Directors.

The contents of the website listed above are not incorporated into this Quarterly Report on Form 10-Q.

The SEC reports, the Corporate Governance Guidelines and committee charters are available in print to any shareholder who requests them. Requests should be sent by email to corpsecretary@bnymellon.com or by mail to the Secretary of The Bank of New York Mellon Corporation, One Wall Street, 9th Floor, New York, NY 10286.

Item 1. Financial Statements

The Bank of New York Mellon Corporation (and its subsidiaries)

Consolidated Income Statement (unaudited)

(in millions)	Quarter ended June 30, 2010	Quarter ended March 31, 2010	Quarter ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Fee and other revenue					
Securities servicing fees:					
Asset servicing	**$668**	$ 637	$ 671	**$ 1,305**	$ 1,280
Issuer services	**354**	333	372	**687**	736
Clearing services	**245**	230	250	**475**	503
Total securities servicing fees	**1,267**	1,200	1,293	**2,467**	2,519
Asset and wealth management fees	**676**	678	637	**1,354**	1,253
Foreign exchange and other trading activities	**220**	262	237	**482**	544
Treasury services	**125**	131	132	**256**	257
Distribution and servicing	**77**	76	107	**153**	218
Financing-related fees	**48**	50	54	**98**	102
Investment income	**72**	108	44	**180**	27
Other	**73**	37	9	**110**	24
Total fee revenue	**2,558**	2,542	2,513	**5,100**	4,944
Securities gains (losses) – other-than-temporary-impairment	**9**	(20)	(680)	**(11)**	(2,265)
Noncredit-related (losses) on securities not expected to be sold (recognized in OCI)	**(4)**	(27)	(424)	**(31)**	(1,714)
Net securities gains (losses)	**13**	7	(256)	**20**	(551)
Total fee and other revenue	**2,571**	2,549	2,257	**5,120**	4,393
Operations of consolidated asset management funds					
Investment income	**188**	155	-	**343**	-
Interest of asset management fund note holders	**123**	90	-	**213**	-
Income of consolidated asset management funds	**65**	65	-	**130**	-
Net interest revenue					
Interest revenue	**862**	883	845	**1,745**	1,824
Interest expense	**140**	118	145	**258**	349
Net interest revenue	**722**	765	700	**1,487**	1,475
Provision for credit losses	**20**	35	61	**55**	120
Net interest revenue after provision for credit losses	**702**	730	639	**1,432**	1,355
Noninterest expense					
Staff	**1,234**	1,220	1,153	**2,454**	2,322
Professional, legal and other purchased services	**256**	241	237	**497**	474
Net occupancy	**143**	137	142	**280**	281
Distribution and servicing	**106**	109	106	**215**	213
Software	**91**	94	93	**185**	174
Furniture and equipment	**71**	75	76	**146**	153
Business development	**68**	52	49	**120**	93
Sub-custodian	**65**	52	60	**117**	99
Other	**201**	350	294	**551**	496
Subtotal	**2,235**	2,330	2,210	**4,565**	4,305
Amortization of intangible assets	**98**	97	108	**195**	215
Restructuring charges	**(15)**	7	6	**(8)**	16
Merger and integration expenses	**14**	26	59	**40**	127
Total noninterest expense	**2,332**	2,460	2,383	**4,792**	4,663
Income					
Income from continuing operations before income taxes	**1,006**	884	513	**1,890**	1,085
Provision for income taxes	**304**	258	12	**562**	173
Income from continuing operations	**702**	626	501	**1,328**	912
Discontinued operations:					
Loss from discontinued operations	**(16)**	(70)	(144)	**(86)**	(209)
Benefit for income taxes	**(6)**	(28)	(53)	**(34)**	(77)
Loss from discontinued operations, net of tax	**(10)**	(42)	(91)	**(52)**	(132)
Net income	**692**	584	410	**1,276**	780
Net (income) loss attributable to noncontrolling interests ($33 for quarter ended June 30, 2010, $24 for quarter ended March 31, 2010 and $57 for six months ended June 30, 2010 related to asset management funds)	**(34)**	(25)	2	**(59)**	1
Redemption charge and preferred dividends	**-**	-	(236)	**-**	(283)
Net income applicable to common shareholders of The Bank of New York Mellon Corporation	**$658**	$ 559	$176	**$1,217**	$498

The Bank of New York Mellon Corporation (and its subsidiaries)

Consolidated Income Statement (unaudited) – continued

Earnings per share applicable to the common shareholders of The Bank of New York Mellon Corporation *(a)*	Quarter ended			Six months ended	
(in dollars)	**June 30, 2010**	March 31, 2010	June 30, 2009	**June 30, 2010**	June 30, 2009
Basic:					
Net income from continuing operations	**$ 0.55**	$ 0.50	$ 0.23	**$ 1.04**	$ 0.54
Loss from discontinued operations	**(0.01)**	(0.04)	(0.08)	**(0.04)**	(0.11)
Net income applicable to common stock	**$ 0.54**	$ 0.46	$ 0.15	**$ 1.00**	$ 0.43
Diluted (b):					
Net income from continuing operations	**$ 0.55**	$ 0.49	$ 0.23	**$ 1.04**	$ 0.54
Loss from discontinued operations	**(0.01)**	(0.03)	(0.08)	**(0.04)**	(0.11)
Net income applicable to common stock	**$ 0.54**	$ 0.46	$ 0.15	**$ 1.00**	$ 0.43

Average common shares and equivalents outstanding of The Bank of New York Mellon Corporation	Quarter ended			Six months ended	
(in thousands)	**June 30, 2010**	March 31, 2010	June 30, 2009	**June 30, 2010**	June 30, 2009
Basic	**1,204,557**	1,202,533	1,171,081	**1,203,554**	1,158,649
Common stock equivalents	**10,314**	10,042	9,636	**10,175**	7,718
Participating securities	**(6,041)**	(6,289)	(6,251)	**(6,151)**	(5,747)
Diluted	**1,208,830**	1,206,286	1,174,466	**1,207,578**	1,160,620
Anti-dilutive securities *(c)*	**93,012**	83,019	102,593	**88,026**	102,808

Reconciliation of net income from continuing operations applicable to the common shareholders of The Bank of New York Mellon Corporation	Quarter ended			Six months ended	
(in millions)	**June 30, 2010**	March 31, 2010	June 30, 2009	**June 30, 2010**	June 30, 2009
Net income from continuing operations	**$ 702**	$ 626	$ 501	**$1,328**	$ 912
Net (income) loss attributable to noncontrolling interests	**(34)**	(25)	2	**(59)**	1
Redemption charge and preferred dividends	**-**	-	(236)	**-**	(283)
Net income from continuing operations applicable to common shareholders of The Bank of New York Mellon Corporation	**668**	601	267	**1,269**	630
Loss from discontinued operations	**(10)**	(42)	(91)	**(52)**	(132)
Net income applicable to the common shareholders of the Bank of New York Mellon Corporation	**$ 658**	$ 559	$ 176	**$ 1,217**	$ 498

(a) Basic and diluted earnings per share under the two-class method were calculated after deducting earnings allocated to participating securities of $7 million in the second quarter of 2010, $5 million in the first quarter of 2010, $2 million in the second quarter of 2009, $12 million in the first six months of 2010 and $5 million in the first six months of 2009.

(b) Prior to the issuance of our common stock, which will occur at the settlement of the forward sale agreement, the forward sale agreement was reflected in our diluted earnings per share calculations using the treasury stock method.

(c) Represents stock options, restricted stock, restricted stock units, participating securities and warrants outstanding but not included in the computation of diluted average common shares because their effect would be anti-dilutive.

See accompanying Notes to Consolidated Financial Statements.

The Bank of New York Mellon Corporation (and its subsidiaries)

Consolidated Balance Sheet (unaudited)

(dollar amounts in millions, except per share amounts)	**June 30, 2010**	Dec. 31, 2009
Assets		
Cash and due from:		
Banks	**$ 3,569**	$ 3,732
Interest-bearing deposits with the Federal Reserve and other central banks	**21,579**	7,362
Interest-bearing deposits with banks	**53,396**	56,302
Federal funds sold and securities purchased under resale agreements	**4,453**	3,535
Securities:		
Held-to-maturity (fair value of $3,698 and $4,240)	**3,742**	4,417
Available-for-sale (June 30, 2010 includes $580 previously securitized)	**49,834**	51,632
Total securities	**53,576**	56,049
Trading assets	**7,393**	6,001
Loans	**37,147**	36,689
Allowance for loan losses	**(542)**	(503)
Net loans	**36,605**	36,186
Premises and equipment	**1,548**	1,602
Accrued interest receivable	**524**	639
Goodwill	**16,106**	16,249
Intangible assets	**5,354**	5,588
Other assets (includes $1,119 and $863, at fair value)	**17,988**	16,737
Assets of discontinued operations	**342**	2,242
Subtotal assets of operations	**222,433**	212,224
Assets of consolidated asset management funds, at fair value:		
Trading assets	**543**	-
Loans	**12,070**	-
Other assets	**647**	-
Subtotal assets of consolidated asset management funds	**13,260**	-
Total assets	**$235,693**	$212,224
Liabilities		
Deposits:		
Noninterest-bearing (principally domestic offices)	**$ 42,185**	$ 33,477
Interest-bearing deposits in domestic offices	**32,994**	32,944
Interest-bearing deposits in foreign offices	**68,488**	68,629
Total deposits	**143,667**	135,050
Federal funds purchased and securities sold under repurchase agreements	**2,712**	3,348
Trading liabilities	**8,323**	6,396
Payables to customers and broker-dealers	**10,200**	10,721
Commercial paper	**7**	12
Other borrowed funds	**2,013**	477
Accrued taxes and other expenses	**4,645**	4,484
Other liabilities (including allowance for lending related commitments of $103 and $125, also includes $281 and $610, at fair value)	**3,995**	3,891
Long-term debt (June 30, 2010 includes $276 at fair value)	**16,754**	17,234
Liabilities of discontinued operations	**-**	1,608
Subtotal liabilities of operations	**192,316**	183,221
Liabilities and obligations of consolidated asset management funds, at fair value	**12,272**	-
Total liabilities	**204,588**	183,221
Equity		
Common stock-par value $0.01 per common share; authorized 3,500,000,000 common shares; issued 1,215,948,532 and 1,208,861,641 common shares	**12**	12
Additional paid-in capital	**22,073**	21,917
Retained earnings	**9,875**	8,912
Accumulated other comprehensive loss, net of tax	**(1,509)**	(1,835)
Less: Treasury stock of 1,906,851 and 1,026,927 common shares, at cost	**(55)**	(29)
Total The Bank of New York Mellon Corporation shareholders' equity	**30,396**	28,977
Noncontrolling interests	**43**	26
Noncontrolling interests of consolidated asset management funds	**666**	-
Total equity	**31,105**	29,003
Total liabilities and equity	**$235,693**	$212,224

See accompanying Notes to Consolidated Financial Statements.

The Bank of New York Mellon Corporation (and its subsidiaries)

Consolidated Statement of Cash Flows (unaudited)

	Six months ended June 30	
(in millions)	2010	2009
Operating activities		
Net income	$ 1,276	$ 780
Net income (loss) attributable to noncontrolling interests, net of tax	(59)	1
Loss from discontinued operations, net of tax	(52)	(132)
Income from continuing operations attributable to The Bank of New York Mellon Corporation	1,269	913
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Provision for credit losses	55	120
Depreciation and amortization	257	327
Deferred tax benefit	(39)	(452)
Securities (gains) losses and venture capital income	(31)	580
Change in trading activities	(1,785)	(594)
Change in accruals and other, net	132	(485)
Net effect of discontinued operations	-	(96)
Net cash provided by (used for) operating activities	(142)	313
Investing activities		
Change in interest-bearing deposits with banks	(720)	2,586
Change in interest-bearing deposits with Federal Reserve and other central banks	(14,217)	36,772
Change in margin loans	(944)	54
Purchases of securities held-to-maturity	(13)	(108)
Paydowns of securities held-to-maturity	135	346
Maturities of securities held-to-maturity	124	196
Purchases of securities available-for-sale	(5,460)	(15,428)
Sales of securities available-for-sale	3,495	184
Paydowns of securities available-for-sale	3,496	3,284
Maturities of securities available-for-sale	1,124	931
Net principal received from loans to customers	15	3,130
Sales of loans and other real estate	366	485
Change in federal funds sold and securities purchased under resale agreements	(918)	(1,697)
Change in seed capital investments	(193)	6
Purchases of premises and equipment/capitalized software	(82)	(187)
Acquisitions, net cash	(115)	(11)
Dispositions, net cash	133	-
Proceeds from the sale of premises and equipment	6	2
Other, net	(577)	116
Net effect of discontinued operations	-	183
Net cash provided by (used for) investing activities	(14,345)	30,844
Financing activities		
Change in deposits	14,420	(28,529)
Change in federal funds purchased and securities sold under repurchase agreements	(636)	958
Change in payables to customers and broker-dealers	(521)	(782)
Change in other funds borrowed	2,411	(3,306)
Change in commercial paper	(5)	134
Net proceeds from the issuance of long-term debt	650	2,100
Repayments of long-term debt	(1,764)	(540)
Proceeds from the exercise of stock options	23	4
Issuance of common stock	10	1,360
Treasury stock acquired	(24)	(23)
Common cash dividends paid	(219)	(378)
Preferred dividends paid	-	(74)
Repurchase of Series B preferred stock	-	(3,000)
Net effect of discontinued operations	-	(119)
Net cash provided by (used for) financing activities	14,345	(32,195)
Effect of exchange rate changes on cash	(21)	(60)
Change in cash and due from banks:		
Change in cash and due from banks	(163)	(1,098)
Cash and due from banks at beginning of period	3,732	4,881
Cash and due from banks at end of period	$ 3,569	$ 3,783
Supplemental disclosures		
Interest paid	$ 229	$ 407
Income taxes paid	246	2,136
Income taxes refunded	188	43

See accompanying Notes to Consolidated Financial Statements.

The Bank of New York Mellon Corporation (and its subsidiaries)

Consolidated Statement of Changes in Equity (unaudited)

Six months ended June 30, 2010

	The Bank of New York Mellon Corporation shareholders							
(in millions)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss), net of tax	Treasury stock	Non-controlling interest	Non-controlling interest of consolidated asset management funds	Total equity
Balance at Dec. 31, 2009	$12	$21,917	$8,912	$(1,835)	$(29)	$26	$ -	$29,003
Adjustment for the cumulative effect of applying ASC 810, net of tax	-	-	52	24	-	-	-	76
Adjustment for the cumulative effect of applying ASC 825, net of tax	-	-	(73)	-	-	-	-	(73)
Adjusted balance at Jan. 1, 2010	12	21,917	8,891	(1,811)	(29)	26	-	29,006
Purchase of subsidiary shares from noncontrolling interest	-	(18)	-	-	-	(6)	-	(24)
Distributions paid to noncontrolling interests	-	-	-	-	-	(4)	(38)	(42)
Other net changes in noncontrolling interests	-	-	-	-	-	26	-	26
Consolidation of asset management funds	-	-	-	-	-	-	745	745
Deconsolidation of asset management funds	-	-	-	-	-	-	(7)	(7)
Comprehensive income:								
Net income	-	-	1,217	-	-	2	57	1,276
Other comprehensive income:								
Unrealized gain (loss) on securities available for sale	-	-	-	737	-	-	-	737
Employee benefit plans:								
Pensions	-	-	-	21	-	-	-	21
Other post-retirement benefits	-	-	-	2	-	-	-	2
Foreign currency translation adjustments	-	-	-	(471)	-	(1)	(91)	(563)
Net unrealized gain (loss) on cash flow hedges	-	-	-	12	-	-	-	12
Reclassification adjustment/other *(a)*	-	-	(14)	1	-	-	-	(13)
Total comprehensive income	-	-	1,203	302	-	1	(34)	1,472 *(b)*
Dividends on common stock at $0.18 per share	-	-	(219)	-	-	-	-	(219)
Repurchase of common stock	-	-	-	-	(24)	-	-	(24)
Common stock issued under employee benefit plans	-	18	-	-	-	-	-	18
Common stock issued under direct stock purchase and dividend reinvestment plan	-	8	-	-	-	-	-	8
Stock awards and options exercised	-	148	-	-	(2)	-	-	146
Balance at June 30, 2010	**$ 12**	**$22,073**	**$9,875**	**$(1,509)**	**$(55)**	**$43**	**$666**	**$31,105**

(a) Includes $(12) million (after-tax) related to OTTI, and a $14 million reclassification to retained earnings from other comprehensive income.
(b) Comprehensive income attributable to The Bank of New York Mellon Corporation shareholders for the six months ended June 30, 2010 and 2009 was $1,505 million and $1,275 million, respectively.

See accompanying Notes to Consolidated Financial Statements.

Note 1 – Basis of presentation

Basis of presentation

The accounting and financial reporting policies of BNY Mellon, a global financial services company, conform to U.S. generally accepted accounting principles ("GAAP") and prevailing industry practices.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates based upon assumptions about future economic and market conditions which affect reported amounts and related disclosures in our financial statements. Although our current estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Amounts subject to significant estimates are items such as the allowance for loan losses and lending-related commitments, goodwill and intangible assets, pension accounting, the fair value of financial instruments and other-than-temporary impairments. Among other effects, such changes could result in future impairments of investment securities, goodwill and intangible assets and establishment of allowances for loan losses and lending-related commitments as well as increased pension and post-retirement expense.

The accompanying consolidated financial statements are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods have been made. Certain other immaterial reclassifications in addition to discontinued operations (see Note 4 of the Notes to Consolidated Financial Statements) have been made to prior periods to place them on a basis comparable with current period presentation.

Note 2 – Accounting changes and new accounting guidance

ASU 2009-16 - Accounting for Transfers of Financial Assets

In December 2009, the FASB issued ASU 2009-16 "Accounting for Transfers of Financial Assets." This formally codified SFAS No. 166, "Accounting for Transfers of Financial Assets, an Amendment to FASB Statement No. 140." This ASU removed (1) the concept of a qualifying special purpose entity ("QSPE") from SFAS No. 140 (ASC 860 - *Transfers and Servicing*) and (2) the exceptions from applying FASB Interpretation No. ("FIN") 46 (R) (ASC 810 - *Consolidation*) to QSPEs. This ASU revised the de-recognition requirements for transfers of financial assets and the initial measurement of beneficial interests that are received as proceeds by a transferor in connection with transfers of financial assets. This ASU also required additional disclosure about transfers of financial assets and a transferor's continuing involvement with such transferred financial assets. This ASU was effective Jan. 1, 2010, at which time any QSPEs were evaluated for consolidation in accordance with SFAS No. 167, which amended FIN 46 (R) (ASC 810). Accordingly, the Grantor Trust into which we securitized certain of our investment securities no longer qualifies as a QSPE, resulting in $97 million being included in both our investment securities portfolio and liabilities at June 30, 2010.

ASU 2009-17 – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities

In December 2009, the FASB issued ASU 2009-17 "Improvements to Financial Reporting by Entities Involved with Variable Interest Entities." This formally codified SFAS No. 167, "Amendments to FASB Interpretation No. 46 (R)." This ASU amended FIN 46 (R) (ASC 810) to require ongoing assessments to determine whether an entity is a variable interest entity ("VIE") and whether an enterprise is the primary beneficiary of a VIE. This ASU also amended the guidance for determining which enterprise, if any, is the primary beneficiary of a VIE by requiring the enterprise to initially perform a qualitative analysis to determine if the enterprise's variable interest or interests give it a controlling financial interest. Consolidation is based on a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. If a company has control and the right to receive benefits or the obligation to absorb losses which could potentially be significant to the VIE, then consolidation is required. This ASU was effective Jan. 1, 2010 and primarily impacts our asset management businesses.

This ASU does not change the economic risk related to these businesses and therefore, BNY Mellon's computation of economic capital required by our businesses will not change.

This statement also requires additional disclosures about an enterprise's involvement in a VIE, including the requirement for sponsors of a VIE to disclose information even if they do not hold a significant variable interest in the VIE. At June 30, 2010, our consolidated balance sheet included \$13.840 billion of assets of VIEs that would not have been included in our consolidated balance sheet prior to effectiveness of the statement. Those assets included seed capital investments in mutual funds sponsored by our affiliates and securitizations, including residential mortgage-backed securities held by a grantor trust established in December 2009 when we restructured our investment securities portfolio. Adoption of this new statement accounted for an increase in consolidated total assets on our balance sheet at June 30, 2010 of \$13.402 billion, or approximately 6% from year end.

In February 2010, the FASB issued ASU 2010-10, "Amendments for Certain Investment Funds" which deferred the requirements of ASU 2009-17 for asset managers' interests in entities that apply the specialized accounting guidance for investment companies or that have the attributes of investment companies and asset managers' interests in money market funds. This amendment was effective Jan. 1, 2010.

In January 2010, the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of Thrift Supervision issued a final rule requiring banks to hold capital for assets consolidated under SFAS No. 166 (ASU 2009-16) and SFAS No. 167 (ASU 2009-17). The final rule allows for (1) opting for a two-quarter delay through June 30, 2010, of recognition of the effect on risk-weighted assets and allowance for loan losses includable in Tier 2 capital that results from implementation of this standard and (2) a phase-in of 50% of those effects for the quarters ending Sept. 30, 2010 and Dec. 31, 2010 and will be fully phased-in for the quarter ending March 31, 2011. BNY Mellon elected to defer the implementation of SFAS No. 167 for capital purposes. At June 30, 2010, had we fully phased-in the implementation of SFAS No. 167, our Tier 1 capital ratio would have been negatively impacted by approximately 136 basis points, assuming we had taken no mitigating actions.

As a result of adopting this guidance, we recorded a cumulative effect adjustment of \$76 million to retained earnings in the first quarter of 2010. Also, we elected the fair value option for these assets and liabilities, and as a result, recorded a \$73 million charge to retained earnings in the first quarter of 2010.

ASU 2010-6 – Improving Disclosures About Fair Value Measurements

In January 2010, the FASB issued ASU 2010-6, "Improving Disclosures about Fair Value Measurements." This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and valuation techniques and levels of disaggregation. This ASU also requires the following new disclosures: (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in interim and annual financial statements and was effective March 31, 2010. See Note 15 of the Notes to Consolidated Financial Statements for these disclosures. Additional disclosures about Level 3 purchases, sales, issuances and settlements in the rollforward activity for fair value measurements will be effective March 31, 2011.

Note 3 – Acquisitions and dispositions

We acquired a Canadian trust company for C\$29 million in the second quarter of 2010. On Jan. 15, 2010, we completed the sale of MUNB. See Note 4 of the Notes to Consolidated Financial Statements for additional information.

We sometimes structure our acquisitions with both an initial payment and later contingent payments tied to post-closing revenue or income growth. For acquisitions completed prior to Jan. 1, 2009, we record the fair value of contingent payments as an additional cost of the entity acquired in the period that the payment becomes probable. For acquisitions completed after Jan. 1, 2009, subsequent changes in the fair value of a contingent consideration liability will be recorded through the income statement. Contingent payments totaled \$88 million in the second quarter of 2010.

At June 30, 2010, we were potentially obligated to pay additional consideration which, using reasonable assumptions for the performance of the acquired companies and joint ventures based on contractual agreements, could range from approximately $12 million to $25 million over the next four years.

Acquisition in 2009

In November 2009, we acquired Insight Investment Management Limited ("Insight") for £235 million ($377 million of cash and stock). Insight specializes in liability-driven investment solutions, active fixed income and alternative investments. Insight had $138 billion in assets under management at acquisition. Goodwill related to this acquisition is non-tax deductible and totaled $202 million. Intangible assets (primarily customer contracts) related to the transaction, with a life up to 11 years, totaled $111 million. The impact of this acquisition is not expected to be material to earnings per share in 2010.

Note 4 – Discontinued operations

On Jan. 15, 2010, BNY Mellon sold MUNB, its national bank subsidiary located in Florida. We have applied discontinued operations accounting to this business. The income statements for all periods in this Form 10-Q are presented on a continuing operations basis. This business, which was previously reported in the Other segment, no longer fit our strategic focus on our asset management and securities servicing businesses. In the second quarter of 2010, we recorded an after-tax loss on discontinued operations of $10 million primarily reflecting the lower of cost or market write-downs on the retained loans held for sale.

Summarized financial information for discontinued operations is as follows:

Discontinued operations	Quarter ended			Six months ended	
(in millions)	**June 30, 2010**	March 31, 2010	June 30, 2009	**June 30, 2010**	June 30, 2009
Fee and other revenue	**$ -**	$ -	$ 1	**$ -**	$ 3
Net interest revenue	**2**	3	16	**5**	33
Provision for loan losses	**-**	-	62	**-**	83
Net interest revenue after provision for loan losses	**2**	3	(46)	**5**	(50)
Noninterest expense:					
Staff	**-**	2	6	**2**	12
Professional, legal and other purchased services	**1**	1	1	**2**	2
Net occupancy	**-**	-	2	**-**	3
Other	**1**	1	5	**2**	10
Goodwill impairment	**-**	-	-	**-**	50
Total noninterest expense	**2**	4	14	**6**	77
Loss from operations	**-**	(1)	(59)	**(1)**	(124)
Loss on assets held for sale	**(16)**	(68)	(85)	**(84)**	(85)
Loss on sale of MUNB	**-**	(1)	-	**(1)**	-
Benefit for income taxes	**(6)**	(28)	(53)	**(34)**	(77)
Loss from discontinued operations, net of tax	**$ (10)**	$ (42)	$ (91)	**$ (52)**	$(132)

Discontinued operations assets and liabilities		
(in millions)	**June 30, 2010**	Dec 31, 2009
Cash and due from banks	**$ -**	$ 446
Securities	**-**	488
Loans, net of allowance for loan losses	**253**	1,225
Premises and equipment	**-**	12
Other assets	**89**	71
Assets of discontinued operations	**$342**	$2,242
Deposits:		
Noninterest-bearing	**$ -**	$ 539
Interest-bearing	**-**	958
Total deposits	**-**	1,497
Other liabilities	**-**	111
Liabilities of discontinued operations	**$ -**	$1,608

All information in these Financial Statements and Notes reflects continuing operations, unless otherwise noted.

Note 5 – Securities

The following tables present the amortized cost, the gross unrealized gains and losses and the fair value of securities at June 30, 2010 and Dec. 31, 2009.

Securities at June 30, 2010 (in millions)	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Available-for-sale:				
U.S. Treasury	$ 5,850	$ 102	$ -	$ 5,952
U.S. Government agencies	1,133	13	-	1,146
State and political Subdivisions	610	6	54	562
Agency MBS	18,025	530	10	18,545
Alt-A RMBS	529	21	52	498
Prime RMBS	1,515	10	121	1,404
Subprime RMBS	729	-	253	476
Other RMBS	1,649	1	289	1,361
Commercial MBS	2,753	85	132	2,706
Asset-backed CLOs	242	-	17	225
Other asset-backed securities	584	9	5	588
Other debt securities	10,168	184	26	10,326 *(a)*
Equity securities	1,385	8	1	1,392
Grantor Trust:				
Alt-A RMBS	2,355	210	29	2,536
Prime RMBS	1,831	150	12	1,969
Subprime RMBS	127	21	-	148
Total securities available-for-sale	49,485	1,350	1,001	49,834
Held-to-maturity:				
State and political subdivisions	139	3	-	142
Agency MBS	455	39	-	494
Alt-A RMBS	252	3	24	231
Prime RMBS	170	-	6	164
Subprime RMBS	28	-	3	25
Other RMBS	2,660	55	108	2,607
Commercial MBS	32	-	3	29
Other debt securities	1	-	-	1
Other securities	5	-	-	5
Total securities held-to-maturity	3,742	100	144	3,698
Total securities	$53,227	$1,450	$1,145	$53,532

(a) Includes $9.7 billion, at fair value, of government-sponsored and guaranteed entities, and sovereign debt.

Securities at Dec. 31, 2009 (in millions)	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Available-for-sale:				
U.S. Treasury	$ 6,358	$ 30	$ 10	$ 6,378
U.S. Government agencies	1,235	25	-	1,260
State and political subdivisions	538	6	24	520
Agency MBS	18,247	303	95	18,455
Alt-A RMBS	588	12	63	537
Prime RMBS	1,743	3	234	1,512
Subprime RMBS	758	-	311	447
Other RMBS	2,199	1	430	1,770
Commercial MBS	2,762	31	203	2,590
Asset-backed CLOs	424	15	50	389
Other asset-backed securities	869	5	38	836
Other debt securities	11,419	86	48	11,457 *(a)*
Equity securities	1,314	8	1	1,321
Grantor Trust Class B certificates *(b)*	4,049	111	-	4,160
Total securities available-for-sale	52,503	636	1,507	51,632
Held-to-maturity:				
State and political subdivisions	150	3	-	153
Agency MBS	531	30	-	561
Alt-A RMBS	304	-	62	242
Prime RMBS	189	-	17	172
Subprime RMBS	30	-	7	23
Other RMBS	3,195	39	162	3,072
Commercial MBS	11	-	1	10
Other debt securities	3	-	-	3
Other securities	4	-	-	4
Total securities held-to-maturity	4,417	72	249	4,240
Total securities	$56,920	$ 708	$ 1,756	$55,872

(a) Includes $10.8 billion, at fair value, of government-sponsored and guaranteed entities, and sovereign debt.
(b) The Grantor Trust contains Alt-A, prime and subprime RMBS.

The amortized cost and fair value of securities at June 30, 2010, by contractual maturity, are as follows:

Securities by contractual maturity at June 30, 2010

(in millions)	Available-for-sale Amortized cost	Available-for-sale Fair value	Held-to-maturity Amortized cost	Held-to-maturity Fair value
Due in one year or less	$ 4,568	$ 4,601	$ 3	$3
Due after one year through five years	11,964	12,211	2	2
Due after five years through ten years	493	510	22	23
Due after ten years	736	664	116	118
Mortgage-backed securities	29,513	29,643	3,597	3,550
Asset-backed securities	826	813	-	-
Equity	1,385	1,392	2	2
Total securities	$49,485	$49,834	$3,742	$3,698

Net securities gains (losses) *(in millions)*	**2Q10**	1Q10	2Q09	**YTD10**	YTD09
Realized gross gains	**$ 19**	$ 14	$ 40	**$33**	$43
Realized gross losses	**(5)**	-	(6)	**(5)**	(6)
Recognized gross impairments	**(1)**	(7)	(290)	**(8)**	(588)
Total net securities gains (losses)	**$13**	$7	$(256)	**$20**	$(551)

Temporarily impaired securities

At June 30, 2010, substantially all of the unrealized losses on the investment securities portfolio were attributable to credit spreads widening since purchase and interest rate movements. We do not intend to sell these securities and it is not more likely than not that we will have to sell.

The following tables show the aggregate related fair value of investments with a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for greater than 12 months.

Temporarily impaired securities	Less than 12 months		12 months or more		Total	
(in millions)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
June 30, 2010:						
Available-for-sale:						
U.S. Treasury	$101	$ -	$ 1	$ -	$ 102	$ -
State and political subdivisions	144	35	135	19	279	54
Agency MBS	696	5	522	5	1,218	10
Alt-A RMBS	100	8	107	44	207	52
Prime RMBS	74	1	892	120	966	121
Subprime RMBS	3	-	473	253	476	253
Other RMBS	46	-	1,308	289	1,354	289
Commercial MBS	46	2	714	130	760	132
Asset-backed CLOs	-	-	225	17	225	17
Other asset-backed securities	3	2	117	3	120	5
Other debt securities	43	-	93	26	136	26
Equity securities	-	-	11	1	11	1
Grantor Trust Alt-A RMBS	731	29	-	-	731	29
Grantor Trust Prime RMBS	391	12	-	-	391	12
Total securities available-for-sale	$2,378	$ 94	$4,598	$ 907	$6,976	$1,001
Held-to-maturity:						
State and political subdivisions	$ 10	$ -	$ 2	$ -	$ 12	$ -
Alt-A RMBS	34	1	155	23	189	24
Prime RMBS	-	-	148	6	148	6
Subprime RMBS	-	-	25	3	25	3
Other RMBS	406	6	788	102	1,194	108
Commercial MBS	21	1	7	2	28	3
Total securities held-to-maturity	$ 471	$ 8	$1,125	$ 136	$1,596	$ 144
Total temporarily impaired securities	$2,849	$102	$5,723	$1,043	$8,572	$1,145 *(a)*

(a) Includes other-than-temporarily impaired securities in which portions of the other-than-temporary impairment loss remains in OCI.

Temporarily impaired securities	Less than 12 months		12 months or more		Total	
(in millions)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Dec. 31, 2009:						
Available-for-sale:						
U.S. Treasury	$ 1,226	$ 9	$ 176	$ 1	$ 1,402	$ 10
State and political subdivisions	50	13	171	11	221	24
Agency MBS	7,297	76	2,061	19	9,358	95
Alt-A RMBS	-	-	311	63	311	63
Prime RMBS	5	1	1,480	233	1,485	234
Subprime RMBS	1	2	446	309	447	311
Other RMBS	-	-	1,764	430	1,764	430
Commercial MBS	-	-	1,290	203	1,290	203
Asset-backed CLOs	18	6	274	44	292	50
Other asset-backed securities	-	-	706	38	706	38
Other debt securities	33	-	8,804	48	8,837	48
Equity securities	16	-	3	1	19	1
Total securities available-for-sale	$ 8,646	$ 107	$17,486	$1,400	$26,132	$1,507
Held-to-maturity:						
Alt-A RMBS	$ 2	$ 1	$ 221	$ 61	$ 223	$ 62
Prime RMBS	-	-	172	17	172	17
Subprime RMBS	-	-	23	7	23	7
Other RMBS	-	-	3,072	162	3,072	162
Commercial MBS	-	-	10	1	10	1
Total securities held-to-maturity	$ 2	$ 1	$ 3,498	$ 248	$ 3,500	$ 249
Total temporarily impaired securities	$ 8,648	$ 108	$20,984	$1,648	$29,632	$1,756 *(a)*

(a) Includes other-than-temporarily impaired securities in which portions of the other-than-temporary impairment loss remains in OCI.

Other-than-temporary impairment

For certain debt securities which have no debt rating at acquisition and are beneficial interests in securitized financial assets under ASC 325, OTTI occurs when we determine that there has been an adverse change in cash flows and the present value of those remaining cash flows is less than the present value of the remaining cash flows estimated at the security's acquisition date (or last estimated cash flow revision date).

We routinely conduct periodic reviews to identify and evaluate each investment security to determine whether OTTI has occurred. Economic models are used to determine whether an OTTI has occurred on these securities. While all securities are considered, the securities primarily impacted by OTTI testing are non-agency RMBS. For each non-agency RMBS in the investment portfolio (including but not limited to those whose fair value is less than their amortized cost basis), an extensive, regular review is conducted to determine if an OTTI has occurred. Various inputs to the economic models are used to determine if an unrealized loss on non-agency RMBS is other-than-temporary. The most significant inputs are:

- Default rate – the number of mortgage loans expected to go into default over the life of the transaction, which is driven by the roll rate of loans in each performance bucket that will ultimately migrate to default; and
- Severity – the loss expected to be realized when a loan defaults

To determine if the unrealized loss for non-agency RMBS is other-than-temporary, we project total estimated defaults of the underlying assets (mortgages) and multiply that calculated amount by an estimate of realizable value upon sale in the marketplace (severity) in order to determine the projected collateral loss. We also evaluate the current credit enhancement underlying the bond to determine the impact on cash flows. If we determine that a given RMBS position will be subject to a write-down or loss, we record the expected credit loss as a charge to earnings.

In addition, we have estimated the expected loss by taking into account observed performance of the underlying securities, industry studies, market forecasts, as well as our view of the economic outlook affecting collateral.

The table below shows the projected weighted-average default rates and loss severities for the 2007, 2006 and 2005 non-agency RMBS and the Grantor Trust portfolios at June 30, 2010 and Dec. 31, 2009.

Projected weighted-average default rates and severities	June 30, 2010		Dec. 31, 2009	
	Default Rate	Severity	Default Rate	Severity
Alt-A	**41%**	**49%**	43%	50%
Subprime	**69%**	**65%**	74%	69%
Prime	**20%**	**42%**	19%	44%

The following table provides pre-tax securities gains (losses) by type.

Net securities gains (losses) *(in millions)*	2Q10	1Q10	2Q09	Year-to-date 2010	Year-to-date 2009
Alt-A RMBS	**$(6)**	$ (7)	$(114)	**$(13)**	$(239)
Prime RMBS	**-**	-	(9)	**-**	(12)
Home equity lines of credit	**-**	-	(4)	**-**	(22)
European floating rate notes	**-**	-	(66)	**-**	(70)
Credit cards	**-**	-	(26)	**-**	(28)
Other	**19**	14	(37)	**33**	(180)
Net securities gains (losses)	**$13**	$ 7	$(256)	**$20**	$(551)

The following table reflects investment securities credit losses recorded in earnings. The beginning balance represents the credit loss component for which OTTI occurred on debt securities in prior periods. The additions represent the first time a debt security was credit impaired or when subsequent credit impairments have occurred. The deductions represent credit losses on securities that have been sold, are required to be sold or it is our intention to sell.

Debt securities credit loss roll forward *(in millions)*	2Q10	2Q09
Beginning balance as of March 31	**$ 208**	$ 735
Add: Initial OTTI credit losses	**-**	185
Subsequent OTTI credit losses	**1**	105
Less: Realized losses for securities sold / consolidated	**-**	-
Ending balance as of June 30	**$209**	$1,025

Debt securities credit loss roll forward *(in millions)*	Year-to-date 2010	Year-to-date 2009
Beginning balance as of Dec. 31	**$ 271**	$ 535
Add: Initial OTTI credit losses	**6**	343
Subsequent OTTI credit losses	**2**	147
Less: Realized losses for securities sold / consolidated	**70**	-
Ending balance as of June 30	**$209**	$1,025

Note 6 – Goodwill and intangible assets

Goodwill

The level of goodwill decreased in 2010 primarily due to foreign exchange translation on non-U.S. dollar denominated goodwill partially offset by contingent payments related to previous acquisitions. Goodwill impairment testing is performed at least annually at the business segment level. The table below provides a breakdown of goodwill by business segment.

Goodwill by segment *(in millions)*	Asset Management	Wealth Management	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Other	Total
Balance at Dec. 31, 2009	$7,609	$1,703	$3,397	$2,488	$918	$127	$ 7	$16,249
Acquisitions	-	-	-	13	-	-	-	13
Foreign exchange translation	(121)	-	(86)	(7)	(12)	-	(1)	(227)
Other *(a)*	86	(2)	(5)	(2)	-	-	(6)	71
Balance at June 30, 2010	**$7,574**	**$1,701**	**$3,306**	**$2,492**	**$906**	**$127**	**$ -**	**$16,106**

(a) Other changes in goodwill include purchase price adjustments and certain other reclassifications.

Goodwill by segment *(in millions)*	Asset Management	Wealth Management	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Other	Total
Balance at Dec. 31, 2008	$ 7,218	$ 1,694	$ 3,360	$ 2,463	$ 902	$ 123	$ 138	$15,898
Foreign exchange translation	184	-	32	7	18	-	-	241
Transferred to discontinued operations	-	-	-	-	-	-	(128) *(a)*	(128)
Other *(b)*	15	-	-	14	-	-	-	29
Balance at June 30, 2009	$ 7,417	$ 1,694	$ 3,392	$ 2,484	$ 920	$ 123	$ 10	$16,040

(a) Includes $50 million of goodwill impairment recorded in the first quarter of 2009.
(b) Other changes in goodwill include purchase price adjustments and certain other reclassifications.

Intangible assets

Intangible assets not subject to amortization are tested annually for impairment or more often if events or circumstances indicate they may be impaired. The decrease in intangible assets at June 30, 2010 compared with Dec. 31, 2009 resulted from intangible amortization and foreign exchange translation on non-U.S. dollar denominated intangible assets. Intangible amortization expense was $98 million in the second quarter of 2010, $108 million in the second quarter of 2009 and $97 million in the first quarter of 2010. The table below provides a breakdown of intangible assets by business segment.

Intangible assets – net carrying amount by segment

(in millions)	Asset Management	Wealth Management	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Other	Total
Balance at Dec. 31, 2009	$2,530	$295	$281	$753	$674	$203	$852	$5,588
Acquisitions	-	-	-	13	-	-	-	13
Amortization	(100)	(18)	(11)	(41)	(13)	(11)	(1)	(195)
Foreign exchange translation	(36)	-	(7)	(3)	(1)	(1)	-	(48)
Other *(a)*	-	-	(4)	-	-	-	-	(4)
Balance at June 30, 2010	**$2,394**	**$277**	**$259**	**$722**	**$660**	**$191**	**$ 851**	**$ 5,354**

(a) Other changes in intangible assets include purchase price adjustments and certain other reclassifications.

Intangible assets – net carrying amount by segment

(in millions)	Asset Management	Wealth Management	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Other	Total
Balance at Dec. 31, 2008	$2,595	$340	$302	$834	$699	$229	$857	$5,856
Amortization	(110)	(22)	(16)	(41)	(14)	(13)	1	(215)
Foreign exchange translation	45	-	-	1	2	-	-	48
Transfer to discontinued operations	-	-	-	-	-	-	(4)	(4)
Other *(a)*	-	-	6	(14)	-	-	-	(8)
Balance at June 30, 2009	$2,530	$318	$292	$780	$687	$216	$854	$5,677

(a) Other changes in intangible assets include purchase price adjustments and certain other reclassifications.

Intangible assets

	June 30, 2010				Dec. 31, 2009
(in millions)	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**	**Remaining weighted-average amortization period**	Net carrying amount
Subject to amortization:					
Customer relationships-Asset and Wealth Management	**$ 2,042**	**$ (841)**	**$ 1,201**	**12** yrs.	$ 1,336
Customer contracts-Institutional services	**2,028**	**(635)**	**1,393**	**14**	1,478
Deposit premiums	**49**	**(43)**	**6**	**2**	8
Other	**97**	**(35)**	**62**	**7**	68
Total subject to amortization	**$ 4,216**	**$(1,554)**	**$ 2,662**	**13** yrs.	$ 2,890
Not subject to amortization: *(a)*					
Trade name	**$ 1,373**	**N/A**	**$ 1,373**	**N/A**	$ 1,368
Customer relationships	**1,309**	**N/A**	**1,309**	**N/A**	1,320
Other	**10**	**N/A**	**10**	**N/A**	10
Total not subject to amortization	**$ 2,692**	**N/A**	**$ 2,692**	**N/A**	$ 2,698
Total intangible assets	**$ 6,908**	**$(1,554)**	**$ 5,354**	**N/A**	$ 5,588

(a) Intangible assets not subject to amortization have an indefinite life.
N/A - Not applicable

Estimated annual amortization expense for current intangibles for the next five years is as follows:

For the year ended ended Dec. 31,	Estimated amortization expense *(in millions)*
2010	$ 390
2011	363
2012	339
2013	293
2014	261

Note 7 – Allowance for credit losses

The allowance for credit losses is maintained at a level that, in management's judgment, is adequate to absorb probable losses associated with specifically identified loans, as well as estimated probable credit losses inherent in the remainder of the credit portfolio at the balance sheet date.

We conduct a quarterly portfolio review to determine the adequacy of our allowance for credit losses. Following this review, senior management analyzes the results and determines the allowance for credit losses. The Risk Committee of our Board of Directors reviews the allowance as of the end of each quarter.

Transactions in the allowance for credit losses are summarized as follows:

For the quarter ended June 30, 2010 *(in millions)*	Allowance for loan losses	Allowance for lending-related commitments	Allowance for credit losses
Balance at March 31, 2010	$ 520	$ 118	$ 638
Charge-offs:			
Commercial	(1)	-	(1)
Wealth Management	(1)	-	(1)
Financial institutions	(1)	-	(1)
Other residential mortgages	(10)	-	(10)
Commercial real estate	(1)	-	(1)
Total charge-offs	(14)	-	(14)
Recoveries – Commercial	1	-	1
Net charge-offs	(13)	-	(13)
Provision	35	(15)	20
Balance at June 30, 2010	**$ 542**	**$ 103**	**$ 645**

For the quarter ended June 30, 2009 *(in millions)*	Allowance for loan losses	Allowance for lending-related commitments	Allowance for credit losses
Balance at March 31, 2009	$ 470	$ 89	$ 559
Transferred to discontinued operations	(38)	(2)	(40)
Charge-offs:			
Commercial	(25)	-	(25)
Commercial real estate	(13)	-	(13)
Other residential mortgages	(16)	-	(16)
Total charge-offs	(54)	-	(54)
Recoveries	-	-	-
Net charge-offs	(54)	-	(54)
Provision	56	5	61
Balance at June 30, 2009	**$ 434**	**$ 92**	**$ 526**

For the six months ended June 30, 2010 *(in millions)*	Allowance for loan losses	Allowance for lending-related commitments	Allowance for credit losses
Balance at Dec. 31, 2009	$ 503	$ 125	$ 628
Charge-offs:			
Commercial	(1)	-	(1)
Wealth Management	(1)	-	(1)
Financial institutions	(21)	-	(21)
Other residential mortgages	(22)	-	(22)
Commercial real estate	(6)	-	(6)
Total charge-offs	(51)	-	(51)
Recoveries – Commercial	13	-	13
Net charge-offs	(38)	-	(38)
Provision	77	(22)	55
Balance at June 30, 2010	**$ 542**	**$ 103**	**$ 645**

For the six months ended June 30, 2009 *(in millions)*	Allowance for loan losses	Allowance for lending-related commitments	Allowance for credit losses
Balance at Dec. 31, 2008	$ 415	$ 114	$ 529
Transferred to discontinued operations	(17)	(2)	(19)
Charge-offs:			
Commercial	(37)	-	(37)
Financial institutions	(10)	-	(10)
Commercial real estate	(30)	-	(30)
Other residential mortgages	(28)	-	(28)
Total charge-offs	(105)	-	(105)
Recoveries – Leasing	1	-	1
Net charge-offs	(104)	-	(104)
Provision	140	(20)	120
Balance at June 30, 2009	**$ 434**	**$ 92**	**$ 526**

Note 8 – Other assets

Other assets (in millions)	June 30, 2010	Dec. 31, 2009
Corporate/bank owned life insurance	**$3,946**	$3,900
Accounts receivable	**3,643**	3,528
Equity in joint ventures and other investments *(a)*	**2,734**	2,816
Income taxes receivable	**1,841**	1,867
Fails to deliver	**1,541**	911
Margin deposits	**1,180**	459
Prepaid expenses	**882**	1,089
Prepaid pension assets	**742**	714
Software	**720**	595
Due from customers on acceptances	**355**	502
Other	**404**	356
Total other assets	**$17,988**	$16,737

(a) Includes Federal Reserve Bank stock of $399 million and $397 million, respectively, at cost.

Seed capital and private equity investments valued using net asset value per share

In our Asset Management segment, we manage investment assets, including equities, fixed income, money market and alternative investment funds for institutions and other investors; as part of that activity we make seed capital investments in certain funds. Seed capital is included in trading assets, securities available-for-sale and other assets depending on the nature of the investment. BNY Mellon also holds private equity investments which consist of investments in private equity funds, mezzanine financings and direct equity investments. Private equity investments are included in other assets. Consistent with our policy to focus on our core activities, we continue to reduce our exposure to private equity investments.

The fair value of these investments has been estimated using the net asset value ("NAV") per share of BNY Mellon's ownership interest in the funds. The table below presents information about BNY Mellon's investments in seed capital and private equity investments.

Seed capital and private equity investments valued using NAV – June 30, 2010

(dollar amounts in millions)	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds *(a)*	$ 34	$ -	Monthly-quarterly	3-45 days
Private equity funds *(b)*	133	38	N/A	N/A
Other funds *(c)*	56	-	Monthly-yearly	*(c)*
Total	$223	$38		

(a) Hedge funds include multi-strategy funds that utilize a variety of investment strategies and equity long-short hedge funds that include various funds that invest over both long-term investment and short-term investment horizons.
(b) Private equity funds primarily include numerous venture capital funds that invest in various sectors of the economy. Private equity funds do not have redemption rights. Distributions from such funds will be received as the underlying investments in the funds are liquidated.
(c) Other funds include various market neutral, leveraged loans, real estate and structured credit funds.

Note 9 – Net interest revenue

Net interest revenue	Quarter ended			Six months ended	
(in millions)	**June 30, 2010**	March 31, 2010	June 30, 2009	**June 30, 2010**	June 30, 2009
Interest revenue					
Non-margin loans	**$189**	$189	$232	**$378**	$471
Margin loans	**22**	19	17	**41**	34
Securities:					
Taxable	**478**	497	393	**975**	843
Exempt from federal income taxes	**7**	6	8	**13**	16
Total securities	**485**	503	401	**988**	859
Other short-term investments - U.S. government-backed commercial paper	**-**	-	-	**-**	10
Deposits in banks	**127**	142	166	**269**	383
Deposits with the Federal Reserve and other central banks	**15**	10	7	**25**	28
Federal funds sold and securities purchased under resale agreements	**7**	7	9	**14**	14
Trading assets	**17**	13	13	**30**	25
Total interest revenue	**862**	883	845	**1,745**	1,824
Interest expense					
Deposits	**43**	39	40	**82**	116
Borrowings from Federal Reserve related to ABCP	**-**	-	-	**-**	7
Federal funds purchased and securities sold under repurchase agreements	**2**	1	(3)	**3**	(3)
Other borrowed funds	**21**	14	8	**35**	22
Customer payables	**2**	1	1	**3**	3
Long-term debt	**72**	63	99	**135**	204
Total interest expense	**140**	118	145	**258**	349
Net interest revenue	**$722**	$765	$700	**$1,487**	$1,475

Note 10 – Employee benefit plans

The components of net periodic benefit cost (credit) are as follows:

Net periodic benefit cost (credit)	Quarter ended								
	June 30, 2010			March 31, 2010			June 30, 2009		
(in millions)	**Domestic pension benefits**	**Foreign pension benefits**	**Health care benefits**	Domestic pension benefits	Foreign pension benefits	Health care benefits	Domestic pension benefits	Foreign pension benefits	Health care benefits
Service cost	**$ 22**	**$ 7**	**$ 1**	$ 23	$ 7	$ 1	$ 24	$ 4	$ 1
Interest cost	**43**	**8**	**4**	43	7	3	39	5	4
Expected return on assets	**(76)**	**(9)**	**(2)**	(76)	(9)	(2)	(72)	(7)	(2)
Other	**14**	**2**	**2**	14	3	2	4	1	2
Net periodic benefit cost (credit)	**$ 3**	**$ 8**	**$ 5**	$ 4	$ 8	$ 4	$ (5)	$ 3	$ 5

Net periodic benefit cost (credit)	Six months ended					
	June 30, 2010			June 30, 2009		
(in millions)	**Domestic pension benefits**	**Foreign pension benefits**	**Health care benefits**	Domestic pension benefits	Foreign pension benefits	Health care benefits
Service cost	**$ 45**	**$ 14**	**$ 2**	$ 48	$ 9	$ 2
Interest cost	**86**	**15**	**7**	78	10	8
Expected return on assets	**(152)**	**(18)**	**(4)**	(144)	(14)	(4)
Other	**28**	**5**	**4**	7	2	4
Net periodic benefit cost (credit)	**$ 7**	**$ 16**	**$ 9**	$ (11)	$ 7	$10

Note 11 – Restructuring charges

Global location strategy

As part of an ongoing effort to improve efficiency and develop a global operating model that provides the highest quality of service to our clients, BNY Mellon continues to execute its global location strategy. This strategy includes migrating positions to our global growth centers and is expected to result in moving or eliminating over 2,300 positions in 2010. In the fourth quarter of 2009, we recorded a pre-tax restructuring charge of $139 million. We recorded a recovery of $11 million and a recovery of $4 million in the second quarter of 2010 and the first six months of 2010, respectively, associated with the global location strategy. The recovery was primarily due to changes made to severance plans in 2009 and attrition.

As of June 30, 2010, we have moved or eliminated approximately 500 positions. Severance payments related to these positions are primarily paid over the salary continuance period in accordance with the separation plan.

Workforce reduction program

In the fourth quarter of 2008, we announced that, due to weakness in the global economy, we would reduce our workforce by an estimated 1,800 positions, and as a result, recorded a pre-tax restructuring charge of $181 million. In the second quarter and first six months of 2010, we recorded a recovery of $4 million associated with the workforce reduction program.

As of June 30, 2010, we reduced our workforce by approximately 1,700 positions, substantially completing the program. Severance payments related to these positions are primarily paid over the salary continuance period in accordance with the separation plan.

The restructuring charges are recorded as a separate line item on the income statement. The following tables present the activity in the restructuring reserves through June 30, 2010.

Global location strategy 2009 – restructuring charge reserve activity *(in millions)*	Severance	Asset write-offs/other	Total
Original restructuring charge	$102	$37	$139
Additional charges	7	-	7
Utilization	(6)	(24)	(30)
Balance at March 31, 2010	$103	$13	$116
Additional charges/(recovery)	(14)	3	(11)
Utilization	(14)	-	(14)
Balance at June 30, 2010	**$ 75**	**$16**	**$ 91**

Workforce reduction program 2008 – restructuring charge reserve activity *(in millions)*	Severance	Stock-based incentive acceleration	Other compensation costs	Other non-personnel expenses	Total
Original restructuring charge	$166	$ 9	$ 5	$ 1	$181
Additional charges/(recovery)	4	(2)	(1)	10	11
Utilization	(124)	(7)	(4)	(11)	(146)
Balance at March 31, 2010	$ 46	$ -	$ -	$ -	$ 46
Additional charges/(recovery)	(4)	-	-	-	(4)
Utilization	(12)	-	-	-	(12)
Balance at June 30, 2010	**$ 30**	**$ -**	**$ -**	**$ -**	**$ 30**

The restructuring charges are presented below by business segment. The charges were recorded in the Other segment as these restructurings were corporate initiatives and not directly related to the operating performance of these segments.

Global location strategy 2009 – restructuring charge by segment (in millions)	2Q10	1Q10	4Q09	Total charges since inception
Asset management	$ (5)	$ 5	$ 32	$ 32
Asset servicing	3	3	34	40
Issuer services	(6)	-	18	12
Wealth management	1	1	8	10
Treasury services	2	(1)	8	9
Clearing services	(4)	(1)	8	3
Other (including shared services)	(2)	-	31	29
Total restructuring charges	$(11)	$ 7	$139	$135

Workforce reduction program 2008 – restructuring charge by segment (in millions)	2Q10	1Q10	4Q09	Total charges since inception
Asset management	$(4)	$ -	$ 2	$ 69
Asset servicing	-	-	(3)	30
Issuer services	-	-	(4)	13
Wealth management	-	-	(2)	13
Treasury services	-	-	(1)	10
Clearing services	-	-	-	6
Other (including shared services)	-	-	8	47
Total restructuring charges	$(4)	$ -	$ -	$188

Note 12 – Income taxes

The statutory federal income tax rate is reconciled to our effective income tax rate below:

Effective tax rate	Six months ended June 30, 2010	Six months ended June 30, 2009
Federal rate	**35.0%**	35.0%
State and local income taxes, net of federal income tax benefit	**4.0**	4.4
Credit for low-income housing investments	**(1.8)**	(2.6)
Tax-exempt income	**(2.8)**	(3.0)
Foreign operations	**(4.5)**	(7.5)
Tax settlements	**-**	(11.0)
Other – net	**(0.2)**	0.7
Effective rate	**29.7%**	16.0%

Our total uncertain tax positions as of June 30, 2010 were $345 million compared with $342 million at March 31, 2010. If these uncertain tax positions were unnecessary, $345 million would affect the effective tax rate in future periods. We recognize accrued interest and penalties, if applicable, related to income taxes in income tax expense. Included in the balance sheet as of June 30, 2010 is accrued interest of $88 million. The additional tax expense related to interest for the three and six months ended June 30, 2010 was $4 million and $8 million, respectively. It is reasonably possible that the total uncertain tax positions could decrease during the next 12 months by up to $14 million due to completion of tax authority examinations.

Our federal consolidated income tax returns are closed to examination through 2002. Our New York State and New York City return examinations have been completed through 2004. Our United Kingdom income tax returns are closed through 2007.

Note 13 – Securitizations and variable interest entities

Variable Interest Entities

Accounting guidance on the consolidation of Variable Interest Entities ("VIEs"), is included in ASC 810, *Consolidation*, and ASU 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, an Amendment of the FASB Accounting Standards Codification."

Effective Jan. 1, 2010, the FASB approved ASU 2010-10 "Amendments for Certain Investment Funds" which defers the requirements of ASU 2009-17 for asset managers' interests in entities that apply the specialized accounting guidance for investment companies or that have the attributes of investment companies and for interests in money market funds.

Accounting guidance on the consolidation of VIEs applies to certain entities in which the equity investors:

- do not have sufficient equity at risk for the entity to finance its activities without additional financial support,
- lack one or more of the following characteristics of a controlling financial interest:
  - The power through voting rights or similar rights, to direct the activities of an entity that most significantly impact the entity's economic performance (ASU 2009-17 model).
  - The direct or indirect ability to make decisions about the entity's activities through voting rights or similar rights (ASC 810 model).
  - The obligation to absorb the expected losses of the entity.
  - The right to receive the expected residual returns of the entity.

BNY Mellon's VIEs generally include retail, institutional and alternative investment funds offered to its retail and institutional customers in which it acts as the fund's investment manager. BNY Mellon earns management fees on these funds as well as performance fees in certain funds. It may also provide start-up capital in its new funds. These VIEs are included in the scope of ASU 2010-10 and are reviewed for consolidation based on the guidance in ASC 810.

BNY Mellon applies ASC 810 to its mutual funds, hedge funds, private equity funds, collective investment funds and real estate investment trusts. If these entities are determined to be VIEs, primary beneficiary calculations are prepared in accordance with ASC 810 to determine whether or not BNY Mellon is the primary beneficiary and required to consolidate the VIE. The primary beneficiary of a VIE is the party that absorbs a majority of the variable interests' expected losses, receives a majority of its expected residual returns or both.

The primary beneficiary calculations include estimates of ranges and probabilities of losses and returns from the funds. The calculated expected gains and expected losses are allocated to the variable interest holders of the funds, which are generally the fund's investors and which may include BNY Mellon, in order to determine which entity is required to consolidate the VIE, if any.

BNY Mellon has other VIEs, including securitization trusts, which are no longer considered QSPEs, and special investment vehicles ("SIVs"), in which BNY Mellon serves as the investment manager and may hold a subordinated interest in the SIVs. In addition, we provide trust and custody services for a fee to entities sponsored by other corporations in which we have no other interest. These VIEs are evaluated under the guidance included in ASU 2009-17.

BNY Mellon has three securitizations, including a grantor trust, and several SIVs, which are assessed for consolidation in accordance with ASU 2009-17:

The primary beneficiary of these VIEs is the entity whose variable interests provide it with a controlling financial interest, which includes the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE or the right to receive benefits of the VIE that could potentially be significant to the VIE.

In order to determine if it has a controlling financial interest in these VIEs, BNY Mellon assesses the VIE's purpose and design along with the risks it was designed to create and pass through to its variable interest holders. We also assess our involvement in the VIE and the involvement of any other variable interest holders in the VIE.

Generally, as the sponsor and the manager of its VIEs, BNY Mellon has the power to control the activities that significantly impact the VIE's economic performance. Both a qualitative and quantitative analysis of BNY Mellon's variable interests are performed to determine if BNY Mellon has the obligation to absorb losses of the VIE or the right to receive benefits of the VIE that could potentially be significant to the VIE. The analyses included assessments related to the expected performance of the VIEs and its related impact on BNY Mellon's seed capital, management fees or residual interests in the VIEs. We also assess any potential impact the VIE's expected performance has on our performance fees.

The following table presents the incremental assets and liabilities included in BNY Mellon's consolidated financial statements, after applying intercompany eliminations, as of June 30, 2010 based on the assessments performed in accordance with ASC 810 and ASU 2009-17. The net assets of any consolidated VIE are solely available to settle the liabilities of the VIE and to settle any investors' ownership liquidation requests, including any seed capital invested in the VIE by BNY Mellon.

Investments consolidated under ASC 810 at June 30, 2010

(in millions)	Asset Management funds	Securitizations	Total consolidated investments
Available for sale	$ -	$580	$ 580
Trading	543	-	543
Loans	12,070	-	12,070
Other assets	647	-	647
Total assets	$13,260	$580	$13,840
Total liabilities	$12,272	$489	$12,761
Noncontrolling interests	$ 666	$ -	$ 666

BNY Mellon voluntarily provided capital support agreements to certain VIEs. With the exception of these agreements, we are not contractually required to provide financial or any other support to any of our VIEs. Additionally, creditors of any consolidated VIEs do not have any recourse to the general credit of BNY Mellon.

Non-consolidated VIEs

As of June 30, 2010, the following assets related to the VIEs, where BNY Mellon is not the primary beneficiary, are included in its consolidated financial statements.

Non-consolidated VIEs at June 30, 2010

(in millions)	Assets	Liabilities	Maximum loss exposure
Available-for-sale	$20	$ -	$20
Trading	27	-	27
Other	21	-	21
Total	$68	$-	$68

The maximum loss exposure indicated in the above table relates solely to BNY Mellon's seed capital or residual interests invested in the VIEs.

Credit supported VIEs

BNY Mellon voluntarily provided limited credit support to certain money market, collective, commingled and separate account funds (the "Funds"). Entering into such support agreements represents an event under ASC 810, and is subject to its interpretations.

In analyzing the Funds for which credit support was provided, it was determined that interest rate risk and credit risk are the two main risks that the Funds are designed to create and pass through to their investors. Accordingly, interest rate and credit risk were analyzed to determine if BNY Mellon was the primary beneficiary of each of the Funds.

Credit risk variability quantification includes any potential future credit risk in a Fund and is evaluated using credit ratings and default rates. The full marks on any sensitive securities on watch are also included. Interest rate variability quantification includes the expected Fund yield. Standard deviations are used along with the Fund's market value to quantify the interest rate risk expected in the Fund.

BNY Mellon's analysis of the credit risk variability and interest rate risk variability associated with the supported Funds resulted in BNY Mellon not being the primary beneficiary and therefore the Funds were not consolidated.

The table below shows the financial statement items related to non-consolidated VIEs to which we have provided credit support agreements at June 30, 2010 and Dec. 31, 2009.

Credit supported VIEs at June 30, 2010

(in millions)	Assets	Liabilities	Maximum loss exposure
Other	$ -	$ -	$ 26

Credit supported VIEs at Dec. 31, 2009

(in millions)	Assets	Liabilities	Maximum loss exposure
Other	$ -	$ 14	$ 40

Consolidated credit supported VIEs

Certain funds have been created solely with securities that are subject to credit support agreements where we have agreed to absorb the majority of loss. Accordingly, these funds have been consolidated into BNY Mellon and have affected the following financial statement items at June 30, 2010 and Dec. 31, 2009.

Consolidated credit supported VIEs at June 30, 2010

(in millions)	Assets	Liabilities	Maximum loss exposure
Available-for-sale	$46	$ -	$46
Other	-	137	44
Total	$46	$137	$90

Consolidated credit supported VIEs at Dec. 31, 2009

(in millions)	Assets	Liabilities	Maximum loss exposure
Available-for-sale	$47	$ -	$47
Other	-	190	46
Total	$47	$190	$93

The maximum loss exposure shown above for the credit support agreements provided to BNY Mellon's VIEs primarily reflects a complete loss on the Lehman Brothers Holdings Inc. securities for BNY Mellon's clients that accepted our offer of support. As of June 30, 2010, BNY Mellon recorded $137 million in liabilities related to its VIEs for which credit support agreements were provided.

Note 14 – Fair value of financial instruments

The carrying amounts of our financial instruments (i.e., monetary assets and liabilities) are determined under different accounting methods - see Note 1 to the Consolidated Financial Statements contained in BNY Mellon's 2009 Annual Report on Form 10-K. The following disclosure discusses these instruments on a uniform fair value basis. However, active markets do not exist for a significant portion of these instruments, principally loans and commitments. As a result, fair value determinations require significant subjective judgments regarding future cash flows. Other judgments would result in different fair values. Among the assumptions we used are discount rates ranging principally from 0.17% to 6.01% at June 30, 2010 and 0.05% to 6.27% at Dec. 31, 2009. The fair value information supplements the basic financial statements and other traditional financial data presented throughout this report.

Note 15, "Fair value measurement" presents assets and liabilities measured at fair value by the three level valuation hierarchy established under ASC 820, as well as a roll forward schedule of fair value measurements using significant unobservable inputs.

A summary of the practices used for determining fair value is as follows.

Interest-bearing deposits with banks

The fair value of interest-bearing deposits with banks is based on discounted cash flows.

Securities, trading activities, and derivatives used for ALM

The fair value of securities and trading assets and liabilities is based on quoted market prices, dealer quotes, or pricing models. Fair value amounts for derivative instruments, such as options, futures and forward rate contracts, commitments to purchase and sell foreign exchange, and foreign currency swaps, are similarly determined. The fair value of over-the-counter interest rate swaps is the discounted value of projected future cash flows, adjusted for other factors including, but not limited to and if applicable, optionality and implied volatilities, as well as counterparty credit.

Loans and commitments

For residential mortgage loans, fair value is estimated using discounted cash flow analyses, adjusting where appropriate for prepayment estimates, using interest rates currently being offered for loans with similar terms and maturities to borrowers. To determine the fair value of other types of loans, BNY Mellon uses discounted cash flows using current market rates. The fair value of commitments to extend credit, standby letters of credit, and commercial letters of credit is based upon the cost to settle the commitment.

Other financial assets

Fair value is assumed to equal carrying value for these assets due to their short maturity.

Deposits, borrowings and long-term debt

The fair value of noninterest-bearing deposits and payables to customers and broker-dealers is assumed to be their carrying amount. The fair value of interest-bearing deposits, borrowings, and long-term debt is based upon current rates for instruments of the same remaining maturity or quoted market prices for the same or similar issues.

Summary of financial instruments

(in millions)	June 30, 2010 Carrying amount	June 30, 2010 Estimated fair value	Dec. 31, 2009 Carrying amount	Dec. 31, 2009 Estimated fair value
Assets:				
Interest-bearing deposits with banks	**$53,396**	**$53,433**	$ 56,302	$56,374
Securities	**57,869**	**58,104**	60,461	60,544
Trading assets	**7,393**	**7,393**	6,001	6,001
Loans and commitments	**33,271**	**33,377**	32,673	32,712
Derivatives used for ALM	**765**	**765**	422	422
Other financial assets	**33,355**	**33,355**	18,793	18,793
Total financial assets	**186,049**	**186,427**	$174,652	$174,846
Assets of discontinued operations	**342**	**342**	2,242	2,242
Assets of consolidated asset management funds	**13,260**	**13,260**	-	-
Non-financial assets	**36,042**		35,330	
Total assets	**$235,693**		$212,224	
Liabilities:				
Noninterest-bearing deposits	**$42,185**	**$42,185**	$ 33,477	$33,477
Interest-bearing deposits	**101,482**	**101,460**	101,573	101,570
Payables to customers and broker-dealers	**10,200**	**10,200**	10,721	10,721
Borrowings	**4,885**	**4,885**	3,922	3,922
Long-term debt	**16,754**	**17,416**	17,234	17,110
Trading liabilities	**8,323**	**8,323**	6,396	6,396
Derivatives used for ALM	**33**	**33**	71	71
Total financial liabilities	**$183,862**	**$184,502**	$173,394	$173,267
Liabilities of discontinued operations	**-**	**-**	1,608	1,608
Liabilities of consolidated asset management funds	**12,272**	**12,272**	-	-
Non-financial liabilities	**8,454**		8,219	
Total liabilities	**$204,588**		$183,221	

The table below summarizes the carrying amount of the hedged financial instruments and the related notional amount of the hedge and estimated fair value (unrealized gain/(loss)) of the derivatives that were linked to these items:

Hedged financial instruments

(in millions)	Carrying amount	Notional amount	Unrealized Gain	Unrealized (Loss)
At June 30, 2010:				
Loans	**$ 1**	**$ 1**	**$ -**	**$ -**
Securities held-for-sale	**514**	**508**	**-**	**(13)**
Deposits	**27**	**25**	**2**	**-**
Long-term debt	**13,391**	**12,183**	**763**	**(20)**
At Dec. 31, 2009:				
Loans	$ 1	$ 1	$ -	$ -
Securities held-for-sale	216	211	-	(12)
Deposits	26	25	-	(4)
Long-term debt	12,378	11,599	422	(55)

Note 15 – Fair value measurement

The guidance related to “Fair Value Measurement”, included in ASC 820 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. It establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and expands the disclosures about instruments measured at fair value. ASC 820 requires consideration of a company’s own creditworthiness when valuing liabilities.

The standard provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The objective is to determine from weighted indicators of fair value a reasonable point within the range that is most representative of fair value under current market conditions.

Determination of fair value

Following is a description of our valuation methodologies for assets and liabilities measured at fair value. We have established processes for determining fair values. Fair value is based upon quoted market prices, where available. For financial instruments where quotes from recent exchange transactions are not available, we determine fair value based on discounted cash flow analysis, comparison to similar instruments, and the use of financial models. Discounted cash flow analysis is dependent upon estimated future cash flows and the level of interest rates. Model-based pricing uses inputs of observable prices for interest rates, foreign exchange rates, option volatilities and other factors. Models are benchmarked and validated by an independent internal risk management function. Our valuation process takes into consideration factors such as counterparty credit quality, liquidity, concentration concerns, observability of model parameters and the results of stress tests. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

Most derivative contracts are valued using internally developed models which are calibrated to observable market data and employ standard market pricing theory for their valuations. An initial "risk-neutral" valuation is performed on each position assuming time-discounting based on an AA credit curve. Then, to arrive at a fair value that incorporates counterparty credit risk, a credit adjustment is made to these results by discounting each trade's expected exposures to the counterparty using the counterparty's credit spreads, as implied by the credit default swap market. We also adjust expected liabilities to the counterparty using BNY Mellon's own credit spreads, also implied by the credit default swap market. Accordingly, the valuation of our derivative position is sensitive to the current changes in our own credit spreads as well as those of our counterparties.

In certain cases, we may face additional costs to exit large risk positions or recent prices may not be observable for instruments that trade in inactive or less active markets. The costs to exit large risk positions are based on evaluating the negative change in the market during the time it would take for us to bring those positions to normal market levels for those instruments. Upon evaluating the uncertainty in valuing financial instruments subject to liquidity issues, we make an adjustment to their value. The determination of the liquidity adjustment includes the availability of external quotes, the time since the latest available quote and the price volatility of the instrument.

Certain parameters in some financial models are not directly observable and, therefore, are based on managements' estimates and judgments. These financial instruments are normally traded less actively. Examples include certain credit products where parameters such as correlation and recovery rates are unobservable. We apply valuation adjustments to mitigate the possibility of error and revision in the model based estimate value.

The methods described above may produce a current fair value calculation that may not be indicative of net realizable value or reflective of future fair values. We believe our methods of determining fair value are appropriate and consistent with other market participants. However, the use of different methodologies or different assumptions to value certain financial instruments could result in a different estimate of fair value.

Valuation hierarchy

ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are described below.

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 1 assets and liabilities include debt and equity securities and derivative financial instruments actively traded on exchanges and U.S. Treasury securities and U.S. Government securities that are actively traded in highly liquid over the counter markets.

Level 2: Observable inputs other than Level 1 prices, for example, quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs that are observable or can be corroborated, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 assets and liabilities include debt instruments that are traded less frequently than exchange traded securities and derivative instruments whose model inputs are observable in the market or can be corroborated by market observable data. Examples in this category are certain variable and fixed rate agency and non-agency securities, corporate debt securities and derivative contracts.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Examples in this category include interests in certain securitized financial assets, certain private equity investments, and derivative contracts that are highly structured or long-dated.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Loans and unfunded lending-related commitments

Where quoted market prices are not available, we generally base the fair value of loans and unfunded lending-related commitments on observable market prices of similar instruments, including bonds, credit derivatives and loans with similar characteristics. If observable market prices are not available, we base the fair value on estimated cash flows adjusted for credit risk which are discounted using an interest rate appropriate for the maturity of the applicable loans or the unfunded commitments.

Unrealized gains and losses on unfunded lending commitments carried at fair value are classified in Other assets and Other liabilities, respectively. Loans and unfunded lending commitments carried at fair value are generally classified within Level 2 of the valuation hierarchy.

Securities

Where quoted prices are available in an active market, we classify the securities within Level 1 of the valuation hierarchy. Securities are defined as both long and short positions. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities.

If quoted market prices are not available, we estimate fair values using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain agency and non-agency mortgage-backed securities, commercial mortgage-backed securities and European floating rate notes.

For securities where quotes from recent transactions are not available for identical securities, we determine fair value primarily based on pricing sources with reasonable levels of price transparency that employ financial models or obtain comparison to similar instruments to arrive at "consensus" prices.

Specifically, the pricing sources obtain recent transactions for similar types of securities (e.g., vintage, position in the securitization structure) and ascertain variables such as discount rate and speed of prepayment for the types of transaction and apply such variables to similar types of bonds. We view these as observable transactions in the current market place and classify such securities as Level 2. Pricing sources discontinue pricing any specific security whenever they determine there is insufficient observable data to provide a good faith opinion on price.

In addition, we have significant investments in more actively traded agency RMBS and the pricing sources derive the prices for these securities largely from quotes they obtain from three major inter-dealer brokers. The pricing sources receive their daily observed trade price and other information feeds from the interdealer brokers.

For securities with bond insurance, the financial strength of the insurance provider is analyzed and that information is included in the fair value assessment for such securities.

In certain cases where there is limited activity or less transparency around inputs to the valuation, we classify those securities in Level 3 of the valuation hierarchy. Securities classified within Level 3 primarily include other retained interests in securitizations, securities of state and political subdivisions and other debt securities.

At June 30, 2010, approximately 99% of our securities were valued by pricing sources with reasonable levels of price transparency. Less than 1% of our securities were priced based on economic models and non-binding dealer quotes, and are included in Level 3 of the ASC 820 hierarchy.

Consolidated collateralized loan obligations

BNY Mellon values assets in consolidated CLOs using observable market prices observed from the secondary loan market. The returns to the note holders are solely dependent on the assets and accordingly equal the value of those assets. Based on the structure of the CLOs, the valuation of the assets is attributable to the senior note holders. Changes in the values of assets and liabilities are reflected in the income statement as investment income and interest of asset management fund note holders, respectively.

Derivatives

We classify exchange-traded derivatives valued using quoted prices in Level 1 of the valuation hierarchy. Examples include exchanged-traded equity and foreign exchange options. Since few other classes of derivative contracts are listed on an exchange, most of our derivative positions are valued using internally developed models that use as their basis readily observable market parameters and we classify them in Level 2 of the valuation hierarchy. Such derivatives include basic interest rate swaps and options and credit default swaps. Derivatives valued using models with significant unobservable market parameters and that are traded less actively or in markets that lack two way flow, are classified in Level 3 of the valuation hierarchy. Examples include long-dated interest rate or currency swaps, where swap rates may be unobservable for longer maturities; and certain credit products, where correlation and recovery rates are unobservable. Certain interest rate swaps with counterparties that are highly structured entities require significant judgment and analysis to adjust the value determined by standard pricing models. The fair value of these interest rate swaps compose less than 1% of our derivative financial instruments. Additional disclosures of derivative instruments are provided in Note 17 of Notes to Consolidated Financial Statements.

Seed capital

In our Asset Management segment we manage investment assets, including equities, fixed income, money market and alternative investment funds for institutions and other investors; as part of that activity we make seed capital investments in certain funds. Seed capital is included in trading assets, securities available-for-sale and other assets, depending on the nature of the investment. When applicable, we value seed capital based on the published net asset value ("NAV") of the fund. We include funds in which ownership interests in the fund are publicly-traded in an active market and institutional funds in which investors trade in and out daily in Level 1 of the valuation hierarchy. We include open-end funds where investors are allowed to sell their ownership interest back to the fund less frequently than daily and where our interest in the fund contains no other rights or obligations in Level 2 of the valuation hierarchy. However, we generally include investments in funds which allow investors to sell their ownership interest back to the fund less frequently than monthly in Level 3, unless actual redemption prices are observable.

For other types of investments in funds, we consider all of the rights and obligations inherent in our ownership interest, including the reported NAV as well as other factors that affect the fair value of our interest in the fund. To the extent the NAV measurements reported for the investments are based on unobservable inputs or include other rights and obligations (e.g., obligation to meet cash calls), we generally classify them in Level 3 of the valuation hierarchy.

Certain interests in securitizations

For certain interests in securitizations which are classified in securities available-for-sale and other assets, we use discounted cash flow models which generally include assumptions of projected finance charges related to the securitized assets, estimated net credit losses, prepayment assumptions and estimates of payments to third-party investors. When available, we compare our fair value estimates and assumptions to market activity and to the actual results of the securitized portfolio. Changes in these assumptions may significantly impact our estimate of fair value of the interests in securitizations; accordingly, we generally classify them in Level 3 of the valuation hierarchy.

Private equity investments

Our Other segment includes holdings of nonpublic private equity investment through funds managed by third party investment managers and, to a lesser extent, direct investment in private equities. Nonpublic private equity investments generally lack quoted market prices, are less liquid and may be long term; accordingly, we must apply significant judgment in determining their fair value. We value private equity investments initially based upon the transaction price which we subsequently adjust to reflect expected exit values as evidenced by financing and sale transactions with third parties or through ongoing reviews by the investment managers.

The investment managers consider a number of factors in changes in valuation including current operating performance and future expectations of the particular investment, industry valuations of comparable public companies, changes in market outlook and the financing environment. Nonpublic private equity investments are included in Level 3 of the valuation hierarchy.

Private equity investments also include publicly held equity investments, generally obtained through the initial public offering of privately held equity investments. These equity investments are often held in a partnership structure. Publicly held investments are marked-to-market at the quoted public value less adjustments for regulatory or contractual sales restrictions or adjustments to reflect the difficulty in selling a partnership interest.

Discounts for restrictions are quantified by analyzing the length of the restriction period and the volatility of the equity security. Publicly held investments are primarily classified in Level 2 of the valuation hierarchy.

The following tables present the financial instruments carried at fair value at June 30, 2010 and Dec. 31, 2009, by caption on the consolidated balance sheet and by ASC 820 valuation hierarchy (as described above). For the six months ended June 30, 2010, there were no transfers between Level 1 and Level 2.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2010 (dollar amounts in millions)	Level 1	Level 2	Level 3	Netting (a)	Total carrying value
Available-for-sale securities:					
U.S. Treasury	$ 5,952	$ -	$ -	$ -	$ 5,952
U.S. government agencies	-	1,146	-	-	1,146
State and political subdivisions	-	553	9	-	562
Agency RMBS	-	18,545	-	-	18,545
Alt-A RMBS	-	498	-	-	498
Prime RMBS	-	1,404	-	-	1,404
Subprime RMBS	-	476	-	-	476
Other RMBS	-	1,361	-	-	1,361
Commercial MBS	-	2,706	-	-	2,706
Asset-backed CLOs	-	225	-	-	225
Other asset-backed securities	-	588	-	-	588
Equity securities (b)	489	903	-	-	1,392
Other debt securities (b)	94	3,057	49	-	3,200
Sovereign debt	-	7,126	-	-	7,126
Grantor Trust - Alt-A RMBS	-	2,536	-	-	2,536
Grantor Trust - Prime RMBS	-	1,969	-	-	1,969
Grantor Trust - Subprime RMBS	-	148	-	-	148
Total available-for-sale	6,535	43,241	58	-	49,834
Trading assets:					
Debt and equity instruments (c)	1,739	933	20	-	2,692
Derivative assets:					
Interest rate	-	16,841	83	N/A	
Foreign exchange	4,174	155	-	N/A	
Equity	374	331	3	N/A	
Other	-	3	-	N/A	
Total derivative assets	4,548	17,330	86	(17,263) (f)	4,701
Total trading assets	6,287	18,263	106	(17,263)	7,393
Loans	-	15	8	-	23
Other assets (d)	104	906	109	-	1,119
Subtotal assets of operations at fair value	**$12,926**	**$62,425**	**$281**	**$(17,263)**	**$58,369**
Percent of assets prior to netting	17.1%	82.5%	0.4%		
Assets of consolidated asset management funds:					
Trading assets	543	-	-	-	543
Loans	-	12,070	-	-	12,070
Other assets	463	184	-	-	647
Total assets of consolidated asset management funds	1,006	12,254	-	-	13,260
Total assets	**$13,932**	**$74,679**	**$281**	**$(17,263)**	**$71,629**
Percent of assets prior to netting	15.7%	84.0%	0.3%		
Trading liabilities:					
Debt and equity instruments	$ 1,749	$ 562	$ -	$ -	$ 2,311
Derivative liabilities:					
Interest rate	-	17,626	124	N/A	
Foreign exchange	4,203	149	-	N/A	
Equity	59	220	50	N/A	
Other	-	1	-	N/A	
Total derivative liabilities	4,262	17,996	174	(16,420)(f)	6,012
Total trading liabilities	6,011	18,558	174	(16,420)	8,323
Long-term debt	-	276	-	-	276
Other liabilities (e)	-	279	2	-	281
Subtotal liabilities at fair value	**$ 6,011**	**$19,113**	**$176**	**$(16,420)**	**$ 8,880**
Percent of liabilities prior to netting	23.8%	75.5%	0.7%		
Liabilities and obligations of consolidated asset management funds	3	12,269	-	-	12,272
Total liabilities	**$ 6,014**	**$31,382**	**$176**	**$(16,420)**	**$21,152**
Percent of liabilities prior to netting	16.0%	83.5%	0.5%		

(a) *ASC 815 permits the netting of derivative receivables and derivative payables under legally enforceable master netting agreements and permits the netting of cash collateral.*
(b) *Includes seed capital and certain interests in securitizations.*
(c) *Includes loans classified as trading assets and certain interests in securitizations.*
(d) *Includes private equity investments, seed capital and derivatives in designated hedging relationships.*
(e) *Includes the fair value adjustment for certain unfunded lending-related commitments and derivatives in designated hedging relationships and support agreements.*
(f) *Netting cannot be disaggregated by product.*

Details of certain items measured at fair value on a recurring basis at June 30, 2010 *(dollar amounts in millions)*	Total carrying value *(a)*	Ratings AAA/ AA-	A+/ A-	BBB+/ BBB-	BB+ and lower
Alt-A RMBS:					
2007	$ 1	-%	-%	-%	100%
2006	199	-	-	-	100
2005	220	-	8	-	92
2004 and earlier	78	71	25	4	-
Total Alt-A RMBS	$ 498	11%	7%	1%	81%
Prime RMBS:					
2007	$ 304	49%	27%	8%	16%
2006	182	-	40	-	60
2005	358	35	-	22	43
2004 and earlier	560	80	11	7	2
Total prime RMBS	$1,404	52%	15%	10%	23%
Subprime RMBS:					
2007	$ 7	9%	-%	91%	-%
2005	81	45	12	22	21
2004 and earlier	388	74	13	4	9
Total subprime RMBS	$ 476	68%	13%	9%	10%
Commercial MBS - Domestic:					
2007	$ 674	84%	8%	8%	-%
2006	630	88	8	-	4
2005	490	100	-	-	-
2004 and earlier	571	100	-	-	-
Total commercial MBS - Domestic	$2,365	92%	5%	2%	1%
European Floating Rate Notes:					
United Kingdom	$816	99%	1%	-%	-%
Netherlands	134	79	21	-	-
Other	941	77	23	-	-
Total European Floating Rate Notes	$1,891	87%	13%	-%	-%
Sovereign debt:					
Germany	$2,827	100%	-%	-%	-%
Netherlands	412	100	-	-	-
France	1,742	100	-	-	-
United Kingdom	2,100	100	-	-	-
Other	45	95	5	-	-
Total sovereign debt	$7,126	100%	-%	-%	-%
Grantor Trust:					
Alt-A RMBS:					
2007	$ 767	-%	-%	-%	100%
2006	677	-	-	-	100
2005	844	2	-	7	91
2004 and earlier	248	22	45	20	13
Total Grantor Trust-Alt-A RMBS	$2,536	3%	4%	4%	89%
Prime RMBS:					
2007	$ 726	-%	-%	-%	100%
2006	462	-	-	3	97
2005	734	1	5	7	87
2004 and earlier	47	51	46	-	3
Total Grantor Trust-Prime RMBS	$1,969	2%	3%	3%	92%
Subprime RMBS:					
2007	$ 12	-%	-%	-%	100%
2006	83	-	9	-	91
2005	12	-	-	-	100
2004 and earlier	41	49	-	-	51
Total Grantor Trust-Subprime RMBS	$ 148	13%	5%	-%	82%

(a) All assets are considered Level 2 assets in the valuation hierarchy at June 30, 2010.

Assets and liabilities measured at fair value on a recurring basis at Dec. 31, 2009 *(dollar amounts in millions)*	Level 1	Level 2	Level 3	Netting *(a)*	Total carrying value
Available-for-sale securities:					
U.S. Treasury	$ 6,378	$ -	$ -	$ -	$ 6,378
U.S. government agencies	-	1,260	-	-	1,260
State and political subdivisions	-	520	-	-	520
Agency RMBS	-	18,455	-	-	18,455
Alt-A RMBS	-	537	-	-	537
Prime RMBS	-	1,512	-	-	1,512
Subprime RMBS	-	447	-	-	447
Other RMBS	-	1,770	-	-	1,770
Commercial MBS	-	2,590	-	-	2,590
Asset-backed CLOs	-	383	6	-	389
Other asset-backed securities	-	836	-	-	836
Equity securities *(b)*	461	860	-	-	1,321
Other debt securities *(b)*	76	11,331	50	-	11,457
Grantor Trust Class B certificates	-	4,160	-	-	4,160
Total available-for-sale	6,915	44,661	56	-	51,632
Trading assets:					
Debt and equity instruments *(c)*	524	745	170	-	1,439
Derivative assets	2,779	14,317	146	(12,680)	4,562
Total trading assets	3,303	15,062	316	(12,680)	6,001
Loans	2	12	25	-	39
Other assets *(d)*	14	685	164	-	863
Total assets at fair value	**$10,234**	**$60,420**	**$ 561**	**$(12,680)**	**$58,535**
Percent of assets prior to netting	14.4%	84.8%	0.8%		
Trading liabilities:					
Debt and equity instruments	$ 442	$ 752	$ -	$ -	$ 1,194
Derivative liabilities	2,850	14,671	92	(12,411)	5,202
Total trading liabilities	3,292	15,423	92	(12,411)	6,396
Other liabilities *(e)*	2	605	3	-	610
Total liabilities at fair value	**$3,294**	**$16,028**	**$ 95**	**$(12,411)**	**$ 7,006**
Percent of liabilities prior to netting	17.0%	82.5%	0.5%		

(a) *ASC 815 permits the netting of derivative receivables and derivative payables under legally enforceable master netting agreements and permits the netting of cash collateral.*
(b) *Includes seed capital and certain interests in securitizations.*
(c) *Includes loans classified as trading assets and certain interests in securitizations.*
(d) *Includes private equity investments, seed capital and derivatives in designated hedging relationships.*
(e) *Includes the fair value adjustment for certain unfunded lending-related commitments and derivatives in designated hedging relationships and support agreements.*

Changes in Level 3 fair value measurements

The tables below include a roll forward of the balance sheet amounts for the three and six month periods ended June 30, 2010 and 2009 (including the change in fair value), for financial instruments classified in Level 3 of the valuation hierarchy.

Our classification of a financial instrument in Level 3 of the valuation hierarchy is based on the significance of the unobservable factors to the overall fair value measurement. However, these instruments generally include other observable components that are actively quoted or validated to third party sources; accordingly, the gains and losses in the table below include changes in fair value due to observable parameters as well as the unobservable parameters in our valuation methodologies. We also frequently manage the risks of Level 3 financial instruments using securities and derivatives positions that are Level 1 or 2 instruments which are not included in the table; accordingly, the gains or losses below do not reflect the effect of our risk management activities related to the Level 3 instruments.

In accordance with ASC 820, BNY Mellon adjusts the discount rate on securities to reflect what they would sell for in an orderly market (model price) and compares the model prices to prices provided by pricing sources. If the difference between the model price and the prices provided by pricing sources is outside of established thresholds, the securities are included in Level 3.

Fair value measurements using significant unobservable inputs three months ended June 30, 2010 (in millions)	Fair value March 31, 2010	Total realized/unrealized gains/(losses) recorded in Income	Comprehensive income	Purchases, issuances and settlements, net	Transfers in/(out) of Level 3	Fair value June 30, 2010	Change in unrealized gains and (losses) related to instruments held at June 30, 2010
Available-for-sale securities:							
State and political subdivisions	$ 10	$ -	$ -	$ -	$ (1)	$ 9	$ -
Other debt securities	58	-	-	-	(9)	49	-
Total available-for-sale	68	- *(a)*	-	-	(10)	58	-
Trading assets:							
Debt and equity instruments	24	(3) *(b)*	-	(1)	-	20	-
Derivative assets:							
Interest rate	95	(13)	-	-	1	83	(14)
Equity	2	1	-	-	-	3	1
Total derivative assets	97	(12) *(b)*	-	-	1	86	(13)
Total trading assets	121	(15)	-	(1)	1	106	(13)
Loans	12	1 *(c)*	-	(4)	(1)	8	-
Other assets	129	2 *(c)*	-	(12)	(10)	109	-
Total assets	$ 330	$(12)	$ -	$ (17)	$ (20) *(d)*	$ 281	$ (13)
Derivative liabilities:							
Interest rate	$ (59)	$(65)	$ -	$ -	$ -	$(124)	$ (64)
Equity	(50)	-	-	-	-	(50)	-
Total derivative liabilities	(109)	(65) *(b)*	-	-	-	(174)	(64)
Other liabilities	(2)	- *(c)*	-	-	-	(2)	-
Total liabilities	$(111)	$(65)	$ -	$ -	$ -	$(176)	$ (64)

Fair value measurements using significant unobservable inputs three months ended June 30, 2009 (in millions)	Fair Value March 31, 2009	Total realized/unrealized gains/(losses) recorded in Income	Comprehensive income	Purchases, issuances and settlements, net	Transfers in/(out) of Level 3	Fair value June 30, 2009	Change in unrealized gains and (losses) related to instruments held at June 30, 2009
Available-for-sale securities:							
Alt-A RMBS	$ 370	$ (2)	$ (14)	$ (22)	$ (241)	$ 91	$ (1)
Prime RMBS	1,595	(2)	(65)	(113)	(825)	590	(7)
Subprime RMBS	608	-	(41)	(22)	(76)	469	-
Commercial MBS	572	-	(20)	5	(79)	478	-
Asset-backed CDO	10	(45)	41	-	-	6	60
Other asset-backed securities	13	-	5	-	(8)	10	-
Equity securities	14	-	1	1	-	16	-
Other debt securities	258	-	-	(16)	(90)	152	-
Total available-for-sale	3,440	(49) *(a)*	(93)	(167)	(1,319)	1,812	52
Trading assets:							
Debt and equity instruments	60	13 *(b)*	-	-	148	221	-
Derivative assets	104	34 *(b)*	1	6	-	145	-
Other assets	177	(14) *(c)*	-	6	(7)	162	-
Total assets	$ 3,781	$ (16)	$ (92)	$ (155)	$ (1,178)	$ 2,340	$ 52
Trading liabilities:							
Derivative liabilities	$ (122)	$ 31 *(b)*	$ -	$ 1	$ -	$ (90)	-
Other liabilities	(6)	-	-	-	3	(3)	-
Total liabilities	$ (128)	$ 31	$ -	$ 1	$ 3	$ (93)	$ -

(a) *Realized gains (losses) are reported in securities gains (losses). Unrealized gains (losses) are reported in accumulated other comprehensive loss except for other than temporary impairment losses which are recorded in securities gains (losses).*
(b) *Reported in foreign exchange and other trading activities.*
(c) *Reported in foreign exchange and other trading activities, except for derivatives in designated hedging relationships which are recorded in interest revenue and interest expense.*
(d) *Primarily relates to investments consolidated in accordance with SFAS No. 167.*

Fair value measurements using significant unobservable inputs six months ended June 30, 2010 (in millions)	Fair value Dec. 31, 2009	Total realized/unrealized gains/(losses) recorded in Income	Comprehensive income	Purchases, issuances and settlements, net	Transfers in/(out) of Level 3	**Fair value June 30, 2010**	**Change in unrealized gains and (losses) related to instruments held at June 30, 2010**
Available-for-sale securities:							
State and political subdivisions	$ -	$ -	$ -	$ -	$ 9	$ 9	$ -
Asset-backed CLOs	6	-	-	-	(6)	-	-
Other debt securities	50	-	-	8	(9)	49	-
Total available-for-sale	56	- *(a)*	-	8	(6)	**58**	-
Trading assets:							
Debt and equity instruments	170	(1) *(b)*	-	4	(153)	**20**	-
Derivative assets:							
Interest rate	121	(39)	-	-	1	**83**	**(41)**
Equity	25	(22)	-	-	-	**3**	**(23)**
Total derivative assets	146	(61) *(b)*	-	-	1	**86**	**(64)**
Total trading assets	316	(62)	-	4	(152)	**106**	**(64)**
Loans	25	2 *(c)*	-	(18)	(1)	**8**	-
Other assets	164	5 *(c)*	-	(1)	(59)	**109**	-
Total assets	$561	$(55)	$ -	$ (7)	$(218) *(d)*	**$ 281**	**$ (64)**
Derivative liabilities:							
Interest rate	$(54)	$(70)	$ -	$ -	$ -	**$(124)**	**$ (69)**
Equity	(38)	(12)	-	-	-	**(50)**	**(2)**
Total derivative liabilities	(92)	(82) *(b)*	-	-	-	**(174)**	**(71)**
Other liabilities	(3)	1 *(c)*	-	-	-	**(2)**	-
Total liabilities	$(95)	$(81)	$ -	$ -	$ -	**$(176)**	**$(71)**

Fair value measurements using significant unobservable inputs six months ended June 30, 2009 (in millions)	Fair Value Dec. 31, 2008	Total realized/unrealized gains/(losses) recorded in Income	Comprehensive income	Purchases, issuances and settlements, net	Transfers in/(out) of Level 3	Fair value June 30, 2009	Change in unrealized gains and (losses) related to instruments held at June 30, 2009
Available-for-sale securities:							
Alt-A RMBS	$ -	$ (1)	$ (15)	$ (22)	$ 129	$ 91	$ 12
Prime RMBS	-	(2)	(65)	(113)	770	590	48
Subprime RMBS	-	-	(41)	(22)	532	469	30
Commercial MBS	-	-	(19)	4	493	478	35
Asset-backed CDO	22	(76)	60	-	-	6	60
Other asset-backed securities	17	-	1	-	(8)	10	(1)
Equity securities	13	-	2	1	-	16	1
Other debt securities	357	(99)	(7)	(18)	(81)	152	-
Total available-for-sale	409	(178) *(a)*	(84)	(170)	1,835	1,812	185
Trading assets:							
Debt and equity instruments	20	13 *(b)*	(1)	-	189	221	(2)
Derivative assets	83	35 *(b)*	7	3	17	145	(1)
Other assets	200	(43) *(c)*	-	7	(2)	162	-
Total assets	$ 712	$ (173)	$ (78)	$ (160)	$ 2,039	$ 2,340	$ 182
Trading liabilities:							
Derivative liabilities	$ (149)	$ 53 *(b)*	$ 2	$ -	$ 4	$ (90)	$ -
Other liabilities	-	(8) *(c)*	-	-	5	(3)	-
Total liabilities	$ (149)	$ 45	$ 2	$ -	$ 9	$ (93)	$ -

(a) Realized gains (losses) are reported in securities gains (losses). Unrealized gains (losses) are reported in accumulated other comprehensive loss except for other than temporary impairment losses which are recorded in securities gains (losses).
(b) Reported in foreign exchange and other trading activities.
(c) Reported in foreign exchange and other trading activities, except for derivatives in designated hedging relationships which are recorded in interest revenue and interest expense.
(d) Primarily relates to investments consolidated in accordance with SFAS No. 167.

Assets and liabilities measured at fair value on a nonrecurring basis

Under certain circumstances we make adjustments to fair value for our assets, liabilities and unfunded lending-related commitments although they are not measured at fair value on an ongoing basis. An example would be the recording of an impairment of an asset. The following table presents the financial instruments carried on the consolidated balance sheet by caption and by level in the fair value hierarchy at June 30, 2010 and Dec. 31, 2009, for which a nonrecurring change in fair value has been recorded during the quarters ended June 30, 2010 and Dec. 31, 2009.

Assets measured at fair value on a nonrecurring basis at June 30, 2010 *(in millions)*	Level 1	Level 2	Level 3	Total carrying value
Loans *(a)*	$ -	$ 115	$ 66	$ 181
Other assets *(b)*	-	6	-	6
Total assets at fair value on a nonrecurring basis	**$ -**	**$ 121**	**$ 66**	**$ 187**

Assets measured at fair value on a nonrecurring basis at Dec. 31, 2009 *(in millions)*	Level 1	Level 2	Level 3	Total carrying value
Loans *(a)*	$ -	$ 298	$ 91	$ 389
Other assets *(b)*	-	4	-	4
Total assets at fair value on a nonrecurring basis	**$ -**	**$ 302**	**$ 91**	**$ 393**

(a) During the quarters ended June 30, 2010 and December 31, 2009, the fair value of these loans was reduced $10 million and $18 million, based on the fair value of the underlying collateral as allowed by ASC 310, Accounting by Creditors for Impairment of a Loan, with an offset to the allowance for credit losses.

(b) The fair value of Other assets received in satisfaction of debt was increased by $2 million in the second quarter of 2010 and was reduced by less than $1 million in the fourth quarter of 2009, based on the fair value of the underlying collateral with an offset in other revenue.

Note 16 – Fair value option

ASC 825 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value.

On Jan. 1, 2010, we adopted SFAS No. 167, "Amendments to FASB interpretation No. 46(R)" (Topic 810) issued by the Financial Accounting Standards Board ("FASB"). In accordance with the guidance included in ASC 810, we consolidated assets of consolidated asset management funds. The following table presents the assets and liabilities, by type, of consolidated asset management funds. We elected the fair value option to value these assets and liabilities.

Assets and liabilities of consolidated asset management funds, at fair value *(in millions)*	**June 30, 2010**	Dec. 31, 2009
Trading assets	**$ 543**	$ -
Loans	**12,070**	-
Other assets	**647**	-
Total assets of consolidated asset management funds	**$13,260**	$ -
Liabilities and obligations of consolidated asset management funds	**$12,272**	$ -
Noncontrolling interests of consolidated asset management funds	**$ 666**	$ -

BNY Mellon values assets in consolidated CLOs using observable market prices observed from the secondary loan market. The returns to the note holders are solely dependent on the assets and accordingly equal the value of those assets. Based on the structure of the CLOs, the valuation of the assets is attributable to the senior note holders. Accordingly, the fair value option best reflects the limited interest BNY Mellon has in the economic performance of the consolidated CLOs. Changes in the values of assets and liabilities are reflected in the income statement as investment income of consolidated asset management funds.

We have elected the fair value option on $240 million of long-term debt in connection with ASC 810. At June 30, 2010, the fair value of this long-term debt was $276 million. We have also elected the fair value option on approximately $120 million of unfunded lending related commitments. The following table presents the changes in fair value of these unfunded lending related commitments and long-term debt included in foreign exchange and other trading activities in the consolidated income statement for the three and six months ended June 30, 2010 and 2009.

Foreign exchange and other trading activities

	Quarter ended		Six months ended	
(in millions)	**June 30, 2010**	June 30, 2009	**June 30, 2010**	June 30, 2009
Loans	$ -	$ 1	$ -	$ 2
Long-term debt *(a)*	(29)	-	(36)	-
Other liabilities	(1)	1	(1)	(1)

(a) *The change in fair value of the long-term debt is approximately offset by an economic hedge included in trading.*

The long-term debt is valued using observable market inputs and is included in Level 2 of the ASC 820 hierarchy. Unfunded loan commitments are valued using quotes from dealers in the loan markets, and are included in Level 3 of the ASC 820 hierarchy. The fair market value of unfunded lending-related commitments for which the fair value option was elected was a liability of $1 million at June 30, 2010 and less than $1 million at Dec. 31, 2009 and is included in other liabilities.

Note 17 – Derivative instruments

We use derivatives to manage exposure to market risk, interest rate risk, credit risk, foreign currency risk, to generate profits from proprietary trading and to assist customers with their risk management objectives.

The notional amounts for derivative financial instruments express the dollar volume of the transactions; however, credit risk is much smaller. We perform credit reviews and enter into netting agreements to minimize the credit risk of foreign currency and interest rate risk management products. We enter into offsetting positions to reduce exposure to foreign exchange and interest rate risk.

Use of derivative financial instruments involves reliance on counterparties. Failure of a counterparty to honor its obligation under a derivative contract is a risk we assume whenever we engage in a derivative contract. Counterparty default losses were $4 million in the second quarter of 2010. There were no counterparty default losses in the second quarter of 2009.

Hedging derivatives

We utilize interest rate swap agreements to manage our exposure to interest rate fluctuations. For hedges of fixed-rate loans, investment securities held for sale, deposits and long-term debt, the hedge documentation specifies the terms of the hedged items and the interest rate swaps and indicates that the derivative is hedging a fixed-rate item and is a fair value hedge, that the hedge exposure is to the changes in the fair value of the hedged item due to changes in benchmark interest rates, and that the strategy is to eliminate fair value variability by converting fixed-rate interest payments to LIBOR.

The fixed rate loans hedged generally have an original maturity of 11 years and are not callable. These loans are hedged with "pay fixed rate, receive variable rate" swaps with similar notional amounts, maturities, and fixed rate coupons. The swaps are not callable. At June 30, 2010, $1 million of loans were hedged with interest rate swaps, which had notional values of $1 million.

The securities hedged consist of asset-backed securities and U.S. Treasury bonds that generally have a weighted average life of 10 years or less. The asset-backed securities are callable six months prior to maturity. The swaps on the asset-backed securities are callable six months prior to maturity. The swaps on the U.S. Treasury bonds are not callable. All of these securities are hedged with "pay fixed rate, receive variable rate" swaps of the same maturity, repricing and fixed rate coupon. At June 30, 2010, $499 million of securities were hedged with interest rate swaps that had notional values of $508 million.

The fixed rate deposits hedged generally have original maturities of 5 to 11 years and are not callable. These deposits are hedged with receive fixed rate, pay variable rate swaps of similar maturity, repricing and fixed rate coupon. The swaps are not callable. At June 30, 2010, $25 million of deposits were hedged with interest rate swaps that had notional values of $25 million.

The fixed rate long-term debt hedged generally has an original maturity of 5 to 30 years. We issue both callable and non-callable debt. The non-callable debt is hedged with simple interest rate swaps similar to those described for deposits. Callable debt is hedged with callable swaps where the call dates of the swaps exactly match the call dates of the debt. At June 30, 2010, $12.6 billion of debt was hedged with interest rate swaps that had notional values of $12.2 billion.

In addition, we enter into foreign exchange hedges. We use forward foreign exchange contracts with maturities of 12 months or less to hedge our Sterling, Euro and Indian Rupee foreign exchange exposure with respect to forecasted revenue and expense transactions in non-U.S. entities that have the U.S. dollar as their functional currency. As of June 30, 2010, the hedged forecasted foreign currency transactions and linked FX forward hedges were $123 million (notional), with $11 million of pre-tax gains recorded in other comprehensive income. These gains will be reclassified to income over the next nine months.

We also use forward foreign exchange contracts with original maturities of 12 months or less to hedge our Euro, Japanese Yen and Indian Rupee foreign exchange exposure with respect to forecasted foreign currency net revenue where we cannot elect hedge accounting. At June 30, 2010, these economic hedges had a U.S. dollar equivalent notional value of $125 million, with $2 million of pre-tax losses from those FX forward hedges recorded in foreign exchange and other trading activities.

Forward foreign exchange contracts are also used to hedge the value of our net investments in foreign subsidiaries. These forward contracts usually have maturities of less than two years. The derivatives employed are designated as net investments hedges of changes in value of our foreign investments due to exchange rates, such that changes in value of the forward exchange contracts offset the changes in value of the foreign investments due to changes in foreign exchange rates. The change in fair market value of these contracts is deferred and reported within accumulated translation adjustments in shareholders' equity, net of tax effects. At June 30, 2010, foreign exchange contracts, with notional amounts totaling $4.1 billion, were designated as hedges.

In addition to forward foreign exchange contracts, we also designate non-derivative financial instruments as hedges of our net investments in foreign subsidiaries. Those non-derivative financial instruments designated as hedges of our net investments in foreign subsidiaries were all long-term liabilities of BNY Mellon in various currencies, and, at June 30, 2010, had a combined U.S. dollar equivalent value of $809 million.

Ineffectiveness related to derivatives and hedging relationships was recorded in income as follows:

Ineffectiveness	Six months ended	
(in millions)	**June 30, 2010**	June 30, 2009
Fair value hedge of loans	**$ (0.1)**	$(0.1)
Fair value hedge of securities	**(0.1)**	(0.1)
Fair value hedge of deposits and long-term debt	**11.6**	2.0
Cash flow hedges	**-**	(0.1)
Other *(a)*	**-**	0.2
Total	**$11.4**	$1.9

(a) Includes ineffectiveness recorded on foreign exchange hedges.

The following table summarizes the notional amount and credit exposure of our total derivative portfolio at June 30, 2010 and Dec. 31, 2009.

Impact of derivative instruments on the balance sheet	Notional Value		Asset Derivatives Fair Value *(a)*		Liability Derivatives Fair Value *(a)*	
(in millions)	**June 30, 2010**	Dec. 30, 2009	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009
Derivatives designated as hedging instruments *(b)*:						
Interest rate contracts	$ 12,717	$ 11,836	$ 765	$ 408	$ 33	$ 106
Foreign exchange contracts	4,180	3,645	111	-	3	97
Total derivatives designated as hedging instruments			$ 876	$ 408	$ 36	$ 203
Derivatives not designated as hedging instruments *(c)*:						
Interest rate contracts	$1,120,752	$1,030,847	$ 16,924	$ 13,620	$ 17,750	$ 14,084
Equity contracts	7,789	7,710	708	483	329	570
Credit contracts	776	806	3	3	1	6
Foreign exchange contracts	338,356	259,402	4,329	3,136	4,352	2,953
Total derivatives not designated as hedging instruments			$ 21,964	$ 17,242	$ 22,432	$ 17,613
Total derivatives fair value *(d)*			$ 22,840	$ 17,650	$ 22,468	$ 17,816
Effect of master netting agreements			(17,263)	(12,680)	(16,420)	(12,411)
Fair value after effect of master netting agreements			$ 5,577	$ 4,970	$ 6,048	$ 5,405

(a) Derivative financial instruments are reported net of cash collateral received and paid of $1,005 million and $162 million, respectively at June 30, 2010 and $429 million and $160 million, respectively at Dec. 31, 2009.

(b) The fair value of asset derivatives and liability derivatives designated as hedging instruments is recorded as other assets and other liabilities, respectively, on the balance sheet.

(c) The fair value of asset derivatives and liability derivatives not designated as hedging instruments is recorded as trading assets and trading liabilities, respectively, on the balance sheet.

(d) Fair values are on a gross basis, before consideration of master netting agreements, as required by ASC 815.

At June 30, 2010, approximately $498 billion (notional) of interest rate contracts will mature within one year, $407 billion between one and five years, and $228 billion after five years. At June 30, 2010, approximately $330 billion (notional) of foreign exchange contracts will mature within one year, $7 billion between one and five years, and $6 billion after five years.

Impact of derivative instruments on the income statement
(in millions)

Derivatives in fair value hedging relationships	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives Quarter ended June 30, 2010	June 30, 2009	Location of gain or (loss) recognized in income on hedged item	Amount of gain or (loss) recognized in hedged item Quarter ended June 30, 2010	June 30, 2009
Interest rate contracts	Net interest revenue	**$242.9**	$ (358.2)	Net interest revenue	**$(238.8)**	$358.6

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in OCI on derivative (effective portion) Quarter ended June 30, 2010	June 30, 2009	Location of gain or (loss) reclassified from accumulated OCI into income (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion) Quarter ended June 30, 2010	June 30, 2009	Location of gain or (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivative (ineffectiveness portion and amount excluded from effectiveness testing) Quarter ended June 30, 2010	June 30, 2009
Interest rate contracts	**$ -**	$ -	Net interest revenue	**$ -**	$24.9	Net interest revenue	**$ -**	$ -
FX contracts	**8.2**	(3.9)	Other revenue	**1.9**	3.8	Other revenue	**-**	-
Total	**$8.2**	$ (3.9)		**$1.9**	$28.7		**$ -**	$ -

Derivatives in net investment hedging relationships	Amount of gain or (loss) recognized in OCI on derivative (effective portion) Quarter ended June 30, 2010	June 30, 2009	Location of gain or (loss) reclassified from accumulated OCI into income (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion) Quarter ended June 30, 2010	June 30, 2009	Location of gain or (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivative (ineffectiveness portion and amount excluded from effectiveness testing) Quarter ended June 30, 2010	June 30, 2009
FX contracts	**$67.7**	$(250.7)	Net interest revenue	**$ -**	$ -	Other revenue	**$ -**	$ (0.1)

Impact of derivative instruments on the income statement
(in millions)

Derivatives in fair value hedging relationships	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives Six months ended June 30, 2010	June 30, 2009	Location of gain or (loss) recognized in income on hedged item	Amount of gain or (loss) recognized in hedged item Six months ended June 30, 2010	June 30, 2009
Interest rate contracts	Net interest revenue	**$409.6**	$ (356.9)	Net interest revenue	**$(398.2)**	$358.8

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in OCI on derivative (effective portion) Six months ended June 30, 2010	June 30, 2009	Location of gain or (loss) reclassified from accumulated OCI into income (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion) Six months ended June 30, 2010	June 30, 2009	Location of gain or (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivative (ineffectiveness portion and amount excluded from effectiveness testing) Six months ended June 30, 2010	June 30, 2009
Interest rate contracts	**$ -**	$ -	Net interest revenue	**$ -**	$25.9	Net interest revenue	**$ -**	$ (0.1)
FX contracts	**12.7**	0.1	Other revenue	**2.0**	8.9	Other revenue	**-**	-
Total	**$12.7**	$ 0.1		**$2.0**	$34.8		**$ -**	$ (0.1)

Derivatives in net investment hedging relationships	Amount of gain or (loss) recognized in OCI on derivative (effective portion) Six months ended June 30, 2010	June 30, 2009	Location of gain or (loss) reclassified from accumulated OCI into income (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion) Six months ended June 30, 2010	June 30, 2009	Location of gain or (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivative (ineffectiveness portion and amount excluded from effectiveness testing) Six months ended June 30, 2010	June 30, 2009
FX contracts	**$137.2**	$ (205.7)	Net interest revenue	**$ -**	$ -	Other revenue	**$ -**	$ 0.1

Trading activities (including trading derivatives)

Our trading activities are focused on acting as a market maker for our customers. The risk from these market-making activities and from our own positions is managed by our traders and limited in total exposure as described below.

We manage trading risk through a system of position limits, a VAR methodology based on Monte Carlo simulations, stop loss advisory triggers, and other market sensitivity measures. Risk is monitored and reported to senior management by a separate unit on a daily basis. Based on certain assumptions, the VAR methodology is designed to capture the potential overnight pre-tax dollar loss from adverse changes in fair values of all trading positions. The calculation assumes a one-day holding period for most instruments, utilizes a 99% confidence level, and incorporates the non-linear characteristics of options. The VAR model is one of several statistical models used to develop economic capital results, which is allocated to lines of business for computing risk-adjusted performance.

As the VAR methodology does not evaluate risk attributable to extraordinary financial, economic or other occurrences, the risk assessment process includes a number of stress scenarios based upon the risk factors in the portfolio and management's assessment of market conditions. Additional stress scenarios based upon historic market events are also performed. Stress tests, by their design, incorporate the impact of reduced liquidity and the breakdown of observed correlations. The results of these stress tests are reviewed weekly with senior management.

Revenue from foreign exchange and other trading activities included the following:

Foreign exchange and other trading activities *(in millions)*	**2Q10**	1Q10	2Q09	**Year-to-date 2010**	Year-to-date 2009
Foreign exchange	**$244**	$175	$240	**$419**	$459
Fixed income	**(32)**	80	37	**48**	112
Credit derivatives *(a)*	**4**	(2)	(45)	**2**	(46)
Other	**4**	9	5	**13**	19
Total	**$220**	$262	$237	**$482**	$544

(a) Used as economic hedges of loans.

Foreign exchange includes income from purchasing and selling foreign currencies and currency forwards, futures, and options. Fixed income reflects results from futures and forward contracts, interest rate swaps, foreign currency swaps, options, and fixed income securities. Credit derivatives include revenue from credit default swaps. Other primarily includes income from equity securities and equity derivatives.

Counterparty credit risk and collateral

We assess credit risk of our counterparties through regular periodic examination of their financial statements, confidential communication with the management of those counterparties and regular monitoring of publicly available credit rating information. This and other information is used to develop proprietary credit rating metrics used to assess credit quality.

Collateral requirements are determined after a comprehensive review of the credit quality of each counterparty. Collateral is generally held in the form of cash or highly liquid government securities. Collateral requirements are monitored and adjusted daily.

Additional disclosures concerning derivative financial instruments are provided in Note 15 of the Notes to Consolidated Financial Statements.

Disclosure of Contingent Features in Over-the-Counter ("OTC") Derivative Instruments

Certain of BNY Mellon's OTC derivative contracts and/or collateral agreements contain provisions that would require us to take certain actions if our public debt rating fell to a certain level. Early termination provisions, or "close-out" agreements, in those contracts could trigger immediate payment of outstanding contracts that are in net liability positions. Certain collateral agreements would require us to immediately post additional collateral to cover some or all of BNY Mellon's liabilities to a counterparty.

The following table shows the fair value of contracts falling under early termination provisions that were in net liability positions as of June 30, 2010 for three key ratings triggers.

If the BNY Mellon's rating was changed to:	Potential close-out exposures (fair value)
A3/A-	$ 597 million
Baa2/BBB	$ 864 million
Bal/BB+	$1,773 million

Additionally, if BNY Mellon's debt rating had fallen below investment grade on June 30, 2010, existing collateral arrangements would have required us to post an additional $760 million of collateral.

Note 18 – Commitments and contingent liabilities

In the normal course of business, various commitments and contingent liabilities are outstanding which are not reflected in the accompanying consolidated balance sheets.

Our significant trading and off-balance sheet risks are securities, foreign currency and interest rate risk management products, commercial lending commitments, letters of credit, securities lending indemnifications and support agreements. We assume these risks to reduce interest rate and foreign currency risks, to provide customers with the ability to meet credit and liquidity needs, to hedge foreign currency and interest rate risks, and to trade for our own account. These items involve, to varying degrees, credit, foreign exchange, and interest rate risk not recognized in the balance sheet. Our off-balance sheet risks are managed and monitored in manners similar to those used for on-balance sheet risks. Significant industry concentrations related to credit exposure at June 30, 2010 are disclosed in the Financial institutions portfolio exposure table and the Commercial portfolio exposure table below.

Financial institutions portfolio exposure (in billions)	June 30, 2010 Loans	Unfunded commitments	Total exposure
Banks	$4.1	$ 2.5	$ 6.6
Securities industry	3.7	2.5	6.2
Insurance	0.2	5.0	5.2
Asset managers	0.9	2.7	3.6
Government	0.1	2.2	2.3
Other	0.2	2.0	2.2
Total	$9.2	$16.9	$26.1

Commercial portfolio exposure (in billions)	June 30, 2010 Loans	Unfunded commitments	Total exposure
Services and other	$0.8	$ 6.8	$ 7.6
Manufacturing	0.7	6.1	6.8
Energy and utilities	0.5	5.9	6.4
Media and telecom	0.4	1.9	2.3
Total	$2.4	$20.7	$23.1

Major concentrations in securities lending are primarily to broker-dealers and are generally collateralized with cash. Securities lending transactions are discussed below.

A summary of our off-balance sheet credit risks, net of participations, at June 30, 2010 and Dec. 31, 2009 follows:

Off-balance sheet credit risks (in millions)	June 30, 2010	Dec 31, 2009
Lending commitments *(a)*	$30,415	$32,454
Standby letters of credit *(b)*	9,912	11,359
Commercial letters of credit	854	789
Securities lending indemnifications	248,336	247,560
Support agreements	116	86

(a) Net of participations totaling $358 million at June 30, 2010 and $541 million at Dec. 31, 2009.
(b) Net of participations totaling $2.1 billion at June 30, 2010 and $2.2 billion at Dec. 31, 2009.

Included in lending commitments are facilities which provide liquidity, primarily for variable rate tax exempt securities wrapped by monoline insurers. The credit approval for these facilities is based on an assessment of the underlying tax-exempt issuer and considers factors other than the financial strength of the monoline insurer.

The total potential loss on undrawn lending commitments, standby and commercial letters of credit, and securities lending indemnifications is equal to the total notional amount if drawn upon, which does not consider the value of any collateral.

Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements. A summary of lending commitment maturities is as follows: $11.9 billion less than one year; $18.2 billion in one to five years, and $0.3 billion over five years.

Standby letters of credit ("SBLC") principally support corporate obligations. As shown in the off-balance sheet credit risks table, the maximum potential exposure of SBLCs was $9.9 billion at June 30, 2010 and $11.4 billion at Dec. 31, 2009 and includes $980 million and $1.0 billion that were collateralized with cash and securities at June 30, 2010 and Dec. 31, 2009, respectively. At June 30, 2010, approximately $7.2 billion of the SBLCs will expire within one year and the remaining $2.7 billion will expire within one to five years.

The estimated liability for losses related to these commitments and SBLCs, if any, is included in the allowance for unfunded commitments. The allowance for lending related commitments was $103 million at June 30, 2010 and $125 million at Dec. 31, 2009.

Payment/performance risk of SBLCs is monitored using both historical performance and internal ratings criteria. BNY Mellon's historical experience is that SBLCs typically expire without being funded. SBLCs below investment grade are monitored closely for payment/performance risk. The table below shows SBLCs by investment grade:

Standby letters of credit	**June 30, 2010**	Dec 31, 2009
Investment grade	**87%**	83%
Noninvestment grade	**13%**	17%

A securities lending transaction is a fully collateralized transaction in which the owner of a security agrees to lend the security (typically through an agent, in our case, The Bank of New York Mellon), to a borrower, usually a broker-dealer or bank, on an open, overnight or term basis, under the terms of a prearranged contract, which generally matures in less than 90 days. We generally lend securities with indemnification against broker default.

We generally require the borrower to provide 102% cash collateral which is monitored on a daily basis, thus reducing credit risk. Security lending transactions are generally entered into only with highly-rated counterparties. Securities lending indemnifications were secured by collateral of $255 billion at June 30, 2010 and $254 billion at Dec. 31, 2009.

Our potential exposure to support agreements was approximately $116 million at June 30, 2010 compared with $86 million at Dec. 31, 2009. Potential support agreement exposure is determined based on the securities subject to these agreements being valued at zero and the NAV of the related funds declining below established thresholds. This exposure includes agreements covering Lehman securities, as well as other client support agreements.

Other

We have provided standard representations for underwriting agreements, acquisition and divestiture agreements, sales of loans and commitments, and other similar types of arrangements and customary indemnification for claims and legal proceedings related to providing financial services. Insurance has been purchased to mitigate certain of these risks. We are a minority equity investor in, and member of, several industry clearing or settlement exchanges through which foreign exchange, securities, or other transactions settle. Certain of these industry clearing or settlement exchanges require their members to guarantee their obligations and liabilities or to provide financial support in the event other partners do not honor their obligations. It is not possible to estimate a maximum potential amount of payments that could be required with such agreements.

Legal proceedings

In the ordinary course of business, BNY Mellon and its subsidiaries are routinely defendants in or parties to a number of pending and potential legal actions, including actions brought on behalf of various classes of claimants, and regulatory matters. Claims for significant monetary damages are asserted in certain of these actions and proceedings. In regulatory enforcement matters, claims for disgorgement and the imposition of penalties and/or other remedial sanctions are possible. Due to the inherent difficulty of predicting the outcome of such matters, BNY Mellon cannot ascertain what the eventual outcome of these matters will be; however, on the basis of current knowledge and after consultation with legal counsel, we do not believe that judgments or settlements, if any, arising from pending or potential legal actions or regulatory matters, either individually or in the aggregate, after giving effect to applicable reserves and insurance coverage, will have a material adverse effect on the consolidated financial position or liquidity of BNY Mellon, although they could have a material effect on net income in a given period. BNY Mellon intends to defend itself vigorously against all of the claims asserted in these legal actions.

In view of the inherent unpredictability of litigation and regulatory matters, particularly where the damages sought are substantial or indeterminate, the investigations or proceedings are in the early stages, or the matters involve novel legal theories or a large number of parties, there is considerable uncertainty surrounding the timing or ultimate resolution of litigations and regulatory matters or the eventual loss, fines, penalties or business impact, if any, associated with each pending matter. In accordance with ASC 450 (formerly SFAS 5), BNY Mellon establishes reserves for litigation and regulatory matters when those matters present loss contingencies that both are probable and can be reasonably estimated as is the case in certain of the legal matters described. For these matters and others which are disclosed because an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses which either cannot be estimated or, to the extent a range could possibly be determined, the range would be so imprecise, uncertain or wide as to not be meaningful. BNY Mellon believes that its accruals for legal proceedings are appropriate and in the aggregate are not material to the consolidated financial position of BNY Mellon, although future accruals could have a material effect on net income in a given period.

As previously disclosed, The Bank of New York Mellon filed a proof of claim on Jan. 18, 2008, in the Chapter 11 bankruptcy of Sentinel Management Group, Inc. ("Sentinel"), seeking to recover approximately $312 million loaned to Sentinel and secured by securities and cash in an account maintained by Sentinel at The Bank of New York Mellon. Pursuant to a Plan of Reorganization confirmed by the Bankruptcy Court on Dec. 8, 2008, $370 million of cash has been set aside as a reserve in the bankruptcy, to be used by The Bank of New York Mellon if its proof of claim is allowed in the bankruptcy.

On March 3, 2008, the bankruptcy trustee filed an adversary complaint against The Bank of New York Mellon seeking to disallow The Bank of New York Mellon's claim and seeking damages against The Bank of New York Mellon for allegedly aiding and abetting Sentinel insiders in misappropriating customer assets and improperly using them as collateral for the loan. A bench trial of the bankruptcy trustee's claims concluded on May 26, 2010.

As previously disclosed, the Commodities Futures Trading Commission ("CFTC") has been investigating The Bank of New York Mellon in connection with its relationship to Sentinel and the Division of Enforcement (the "Division") of the CFTC has indicated that the Division is considering a recommendation to the Commission that it file a civil enforcement action against The Bank of New York Mellon for possible violations of the Commodity Exchange Act and CFTC regulations. The Bank of New York Mellon responded to the CFTC on Jan. 29, 2010 explaining why it believes an enforcement action is unwarranted.

As previously disclosed, BNY Mellon is required to file information and withholding tax returns with the IRS for its various business lines. In 2007, we discovered certain inconsistencies in supporting documentation and records for BNY Mellon's corporate trust business and other business lines, and initiated an extensive company-wide review. We disclosed this matter to the IRS on a voluntary basis and we continue to cooperate with the IRS in its review of this matter.

As previously disclosed, in 2001 we entered into a transaction that involved the payment of U.K. corporate income taxes that were credited against our U.S. corporate income tax liability. On Aug. 17, 2009, we received a Statutory Notice of Deficiency disallowing tax benefits for the 2001 and 2002 tax years related to this transaction. The total exposure on this transaction for all years (2001-2006) is approximately $900 million, including interest. On Nov. 10, 2009, BNY Mellon filed a petition with the U.S. Tax Court contesting the disallowance of the benefits. A final decision is not expected before 2011.

BNY Mellon believes the tax benefits associated with the transaction were consistent with statutory and judicial authority existing at the time the transaction was entered into. In the event BNY Mellon is unsuccessful in defending its position, the

IRS has agreed not to assess underpayment penalties.

As previously disclosed, BNY Mellon self-disclosed to the SEC, in April 2008, that Mellon Financial Markets LLC ("MFM") placed orders on behalf of issuers to purchase their own Auction Rate Securities ("ARS"). The SEC and certain state authorities, including the Texas State Securities Board, Florida Office of Financial Regulation, and the New York State Attorney General are investigating these transactions. MFM is cooperating fully with the investigations.

As previously disclosed, BNY Mellon Capital Markets LLC entered into a letter of Acceptance, Waiver and Consent with the Financial Industry Regulatory Authority, Inc. ("FINRA") relating to the sale of ARS in April 2009. Two institutional customers not included in the FINRA settlement filed lawsuits in February and April 2009 and one such customer filed an arbitration proceeding against BNY Mellon Capital Markets LLC in December 2008, alleging misrepresentations and omissions in the sale of ARS to them.

As previously disclosed, BNY Mellon became aware of circumstances suggesting that employees of Mellon Securities LLC ("Mellon Securities"), which executed orders to purchase and sell securities on behalf of Mellon Investor Services LLC, failed to comply with certain best execution and regulatory requirements in connection with agency cross trades. BNY Mellon self-disclosed this matter to FINRA and the SEC on a voluntary basis. In June 2009, the SEC obtained a formal order of investigation. Mellon Securities is cooperating fully with the investigation. We are currently in discussions with the SEC staff concerning a resolution to this matter. There can be no assurance we will be able to reach an agreement.

As previously disclosed, a number of participants in the securities lending program, which is associated with BNY Mellon's asset servicing business, have filed or threatened lawsuits against BNY Mellon or its affiliates. The lawsuits were filed on various dates from 2008 to 2010. The participants allege that they have incurred losses, including losses related to investments in Sigma Finance Inc. and Lehman Brothers Holdings, Inc., and seek damages as to those losses. One such pending case seeks to proceed as a class action. The participants assert contractual, statutory, and common law claims, including claims for negligence and breach of fiduciary duty.

As previously disclosed, Bernard L. Madoff has pleaded guilty to engaging in a massive investment fraud through his company, Bernard L. Madoff Investment Securities LLC ("Madoff"). Ivy Asset Management LLC ("Ivy"), a subsidiary of BNY Mellon that primarily manages funds-of-hedge-funds and is in the process of winding down, has not had any funds-of-funds investments with Madoff since 2000. Several investment managers contracted with Ivy as a sub-advisor and one pension fund contracted with Ivy as investment manager; a portion of these funds were invested with Madoff and likely suffered losses as a result of the Madoff fraud.

The New York State Attorney General investigated these relationships and commenced a civil lawsuit against Ivy on May 11, 2010. The lawsuit alleges that Ivy and its two principals purportedly did not disclose certain material facts about Madoff.

Ivy or its affiliates have been named in a number of civil lawsuits filed from 2008 to 2010 relating to certain investment funds that invested with Madoff. Ivy acted as a sub-advisor to the managers of some of those funds. Plaintiffs allege that the funds suffered losses in connection with the Madoff investments. Plaintiffs assert various causes of action including securities and common-law fraud. Certain of the cases seek to proceed as class actions and/or to assert derivative claims on behalf of the funds.

As previously disclosed, The Bank of New York Mellon has been named as a defendant in a number of putative class actions and non-class actions brought by numerous plaintiffs, in connection with its role as indenture trustee for debt issued by affiliates of Medical Capital Corporation ("Medical Capital"). The actions, filed in late 2009, allege that The Bank of New York Mellon breached its fiduciary and contractual obligations to the holders of the underlying securities, and seek unspecified damages. In a separate action, the SEC has alleged that Medical Capital, along with certain of its affiliates and principals, engaged in securities fraud. The court ordered the appointment of a permanent receiver over Medical Capital. The Bank of New York Mellon is not a party to the SEC action.

As previously disclosed, beginning in December 2009, certain governmental authorities requested information or served subpoenas on BNY Mellon, seeking information relating to foreign exchange trades executed in connection with custody services BNY Mellon provides to certain governmental entities and public pension plans. BNY Mellon is cooperating with these inquiries.

As previously disclosed, BNY Mellon subsidiary Pershing LLC ("Pershing") has been named as a defendant in more than 80 lawsuits filed in Germany. The plaintiffs are investors who maintained accounts at German broker-dealers. The plaintiffs allege that Pershing, which had a contractual relationship with the broker-dealers through which the broker-dealers executed options transactions on behalf of the broker-dealers' clients, should be held liable for the tortious acts of the broker-dealers. On March 9, 2010, the German Federal Supreme Court ruled in the plaintiff's favor in one of these cases, and held Pershing liable for a German broker-dealer's tortious acts. Pershing has appealed to the German Constitutional Court.

Note 19 – Business segments

Our segment data has been determined on an internal management basis of accounting, rather than the generally accepted accounting principles used for consolidated financial reporting. These measurement principles are designed so that reported results of the segments will track their economic performance.

Segment results are subject to reclassification whenever improvements are made in the measurement principles or when organizational changes are made.

The accounting policies of the business segments are the same as those described in Note 1 to the Consolidated Financial Statements in BNY Mellon's 2009 Annual Report on Form 10-K. In addition, client deposits serve as the primary funding source for our investment securities portfolio and we typically allocate all interest revenue to the businesses generating the deposits. Accordingly, the higher yield related to the restructured investment securities portfolio has been included in the segment results.

For additional information on our business segments, see Note 28 to the Consolidated Financial Statements in BNY Mellon's 2009 Annual Report on Form 10-K.

The following consolidating schedules show the contribution of our segments to our overall profitability. Business segments are reported on a continuing operations basis for all periods presented.

For the quarter ended June 30, 2010 *(dollar amounts in millions)*	Asset Management	Wealth Management	Total Asset and Wealth Management Sector	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Total Institutional Services Sector	Other Segment	Total continuing operations
Fee and other revenue	$ 637 *(a)*	$ 147	$ 784	$906	$ 380	$ 276	$ 196	$ 1,758	$ 61	$ 2,603 *(a)*
Net interest revenue	1	56	57	216	216	93	161	686	(21)	722
Total revenue	638	203	841	1,122	596	369	357	2,444	40	3,325
Provision for credit losses	-	-	-	-	-	-	-	-	20	20
Noninterest expense	517	154	671	786	339	277	193	1,595	66	2,332
Income before taxes	$ 121 *(a)*	$ 49	$ 170	$ 336	$ 257	$ 92	$ 164	$ 849	$ (46)	$ 973 *(a)*
Pre-tax operating margin *(b)*	19%	24%	20%	30%	43%	25%	46%	35%	N/M	29%
Average assets	$24,895	$10,399	$35,294	$62,940	$48,938	$21,550	$26,485	$159,913	$33,374	$ 228,581 *(c)*

(a) Total fee and other revenue and income before taxes for the second quarter of 2010 includes income from consolidated asset management funds of $65 million and net of income attributable to noncontrolling interests of $33 million. The net of these income statement line items of $32 million is included above in fee and other revenue.

(b) Income before taxes divided by total revenue.

(c) Including average assets of discontinued operations of $260 million for the second quarter of 2010, consolidated average assets were $228,841 million.

N/M - Not meaningful.

For the quarter ended March 31, 2010 *(dollar amounts in millions)*	Asset Management	Wealth Management	Total Asset and Wealth Management Sector	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Total Institutional Services Sector	Other Segment	Total continuing operations
Fee and other revenue	$ 649 *(a)*	$ 146	$ 795	$ 798	$ 358	$ 271	$ 225	$ 1,652	$ 143	$ 2,590 *(a)*
Net interest revenue	-	55	55	210	252	95	176	733	(23)	765
Total revenue	649	201	850	1,008	610	366	401	2,385	120	3,355
Provision for credit losses	-	-	-	-	-	-	-	-	35	35
Noninterest expense	503	145	648	723	324	261	188	1,496	316	2,460
Income before taxes	$ 146 *(a)*	$ 56	$ 202	$ 285	$ 286	$ 105	$ 213	$ 889	$ (231)	$ 860 *(a)*
Pre-tax operating margin *(b)*	23%	28%	24%	28%	47%	29%	53%	37%	N/M	26%
Average assets	$25,187	$9,722	$34,909	$59,704	$52,838	$20,338	$26,716	$159,596	$30,012	$224,517 *(c)*

(a) Total fee and other revenue and income before taxes for the first quarter of 2010 includes income from consolidated asset management funds of $65 million net of income attributable to noncontrolling interests of $24 million. The net of these income statement line items of $41 million is included above in fee and other revenue.
(b) Income before taxes divided by total revenue.
(c) Including average assets of discontinued operations of $898 million for the first quarter of 2010, consolidated average assets were $225,415 million.
N/M - Not meaningful.

For the quarter ended June 30, 2009 *(dollar amounts in millions)*	Asset Management	Wealth Management	Total Asset and Wealth Management Sector	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Total Institutional Services Sector	Other Segment	Total continuing operations
Fee and other revenue	$ 529	$ 140	$ 669	$ 904	$ 413	$ 314	$ 180	$1,811	$(223)	$2,257
Net interest revenue	7	49	56	211	185	87	157	640	4	700
Total revenue	536	189	725	1,115	598	401	337	2,451	(219)	2,957
Provision for credit losses	-	-	-	-	-	-	-	-	61	61
Noninterest expense	474	147	621	715	325	263	198	1,501	261	2,383
Income before taxes	$ 62	$ 42	$ 104	$ 400	$ 273	$ 138	$ 139	$ 950	$(541)	$ 513
Pre-tax operating margin *(a)*	12%	22%	14%	36%	46%	34%	41%	39%	N/M	17%
Average assets	$12,404	$ 9,131	$21,535	$58,339	$52,161	$17,014	$24,764	$152,278	$32,413	$206,226 *(b)*

(a) Income before taxes divided by total revenue.
(b) Including average assets of discontinued operations of $2,307 million for the second quarter of 2009, consolidated average assets were $208,533 million.
N/M - Not meaningful.

For the six months ended June 30, 2010 *(dollar amounts in millions)*	**Asset Management**	**Wealth Management**	**Total Asset and Wealth Management Sector**	**Asset Servicing**	**Issuer Services**	**Clearing Services**	**Treasury Services**	**Total Institutional Services Sector**	**Other Segment**	**Total continuing operations**
Fee and other revenue	**$ 1,286** *(a)*	**$ 293**	**$ 1,579**	**$1,704**	**$ 738**	**$ 547**	**$ 421**	**$ 3,410**	**$ 204**	**$ 5,193** *(a)*
Net interest revenue	**1**	**111**	**112**	**426**	**468**	**188**	**337**	**1,419**	**(44)**	**1,487**
Total revenue	**1,287**	**404**	**1,691**	**2,130**	**1,206**	**735**	**758**	**4,829**	**160**	**6,680**
Provision for credit losses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**55**	**55**
Noninterest expense	**1,020**	**299**	**1,319**	**1,509**	**663**	**538**	**381**	**3,091**	**382**	**4,792**
Income before taxes	**$ 267** *(a)*	**$ 105**	**$ 372**	**$ 621**	**$ 543**	**$ 197**	**$ 377**	**$ 1,738**	**$ (277)**	**$ 1,833** *(a)*
Pre-tax operating margin *(b)*	**21%**	**26%**	**22%**	**29%**	**45%**	**27%**	**50%**	**36%**	**N/M**	**27%**
Average assets	**$25,040**	**$10,063**	**$35,103**	**$61,331**	**$50,877**	**$20,947**	**$26,600**	**$159,755**	**$31,703**	**$226,561** *(c)*

(a) Total fee and other revenue and income before taxes for the first six months of 2010 includes income from consolidated asset management funds of $130 million and net of income attributable to noncontrolling interests of $57 million. The net of these income statement line items of $73 million is included above in asset management fees and other revenue.
(b) Income before taxes divided by total revenue.
(c) Including average assets of discontinued operations of $577 million for the six months ended June 30, 2010, consolidated average assets were $227,138 million.
N/M - Not meaningful.

For the six months ended June 30, 2009 (dollar amounts in millions)	Asset Management	Wealth Management	Total Asset and Wealth Management Sector	Asset Servicing	Issuer Services	Clearing Services	Treasury Services	Total Institutional Services Sector	Other Segment	Total continuing operations
Fee and other revenue	$ 1,008	$ 281	$ 1,289	$ 1,745	$ 818	$ 635	$ 407	$3,605	$ (501)	$ 4,393
Net interest revenue	22	99	121	460	385	169	316	1,330	24	1,475
Total revenue	1,030	380	1,410	2,205	1,203	804	723	4,935	(477)	5,868
Provision for credit losses	-	-	-	-	-	-	-	-	120	120
Noninterest expense	927	287	1,214	1,432	643	522	393	2,990	459	4,663
Income before taxes	$ 103	$ 93	$ 196	$ 773	$ 560	$ 282	$ 330	$1,945	$(1,056)	$1,085
Pre-tax operating margin *(a)*	10%	24%	14%	35%	47%	35%	46%	39%	N/M	18%
Average assets	$12,533	$9,370	$21,903	$61,752	$51,516	$17,803	$26,704	$157,775	$32,280	$211,958 *(b)*

(a) Income before taxes divided by total revenue.

(b) Including average assets of discontinued operations of $2,336 million for the six months ended June 30, 2009, consolidated average assets were $214,294 million.

N/M - Not meaningful.

Item 4. Controls and Procedures

Disclosure controls and procedures

Our management, including the Chief Executive Officer and Chief Financial Officer, with participation by the members of the Disclosure Committee, has responsibility for ensuring that there is an adequate and effective process for establishing, maintaining, and evaluating disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in our SEC reports is timely recorded, processed, summarized and reported and that information required to be disclosed by BNY Mellon is accumulated and communicated to BNY Mellon's management to allow timely decisions regarding the required disclosure. In addition, our ethics hotline can also be used by employees and others for the anonymous communication of concerns about financial controls or reporting matters. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e) and 15d-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in internal control over financial reporting

In the ordinary course of business, we may routinely modify, upgrade or enhance our internal controls and procedures for financial reporting. There have not been any changes in our internal controls over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act during the second quarter of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Forward-looking Statements

Some statements in this document are forward-looking. These include all statements about the future results of BNY Mellon; areas of our business expected to be impacted by the current market environment; the impact of changes in the value of market indices; factors affecting the performance of our segments; management's judgment in determining the size of unallocated allowances and the effect of credit ratings on allowances, estimates and cash flow models. In addition, these forward-looking statements relate to: the timing of the settlement of our forward contract and the use of proceeds from such settlement; expectations with respect to our acquisitions, including the timing, the impact on earnings, anticipated segment reporting, amount of acquired deposits and associated payments, business focuses, and statements with respect to future plans for BNY Mellon Clearing; expectations with respect to the implementation of the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of Thrift Supervision's final rule on capital requirements for assets consolidated under ASC 860 and ASC 810 and the impact on our Tier 1 capital ratio; expectations with respect to our anticipated third quarter of 2010 tax rate; our goal of increasing the percentage of revenue and income from outside the U.S.; targeted capital ratios; expectations with respect to BNY Mellon's investment securities portfolio, including the credit rating of securities in the Grantor Trust; assumptions with respect to residential mortgage-backed securities; statements on our institutional credit strategies; goals with respect to our commercial portfolio; descriptions of our allowance for credit losses and loan losses; assumptions in amounts of interest income for loans on nonaccrual status; descriptions of our exposure to support agreements; statements with respect to our liquidity targets, including the effect of reductions in securities servicing; access to capital markets and our shelf registration statements; implications of credit rating downgrades on The Bank of New York Mellon, BNY Mellon, N.A. and the Parent Company; expectations with respect to capital, including anticipated repayment and call of outstanding debt and issuance of replacement securities; our target double leverage ratio; assumptions with respect to the effects of changes in risk-weighted assets on capital ratios; estimations in net interest rate sensitivities; timing and impact of adoption of recent accounting guidance; the timing and effects of pending and proposed legislation and regulation, including the Dodd-Frank Act, proposed FDIC assessments, the proposed Financial Crisis Responsibility Fee, the Restoring American Financial Stability Act of 2009 proposed bill and the implementation of IFRS; the materiality of acquisitions; amount of dividends bank subsidiaries can pay without regulatory waiver; BNY Mellon's anticipated actions with respect to legal or regulatory proceedings; future litigation costs, the expected outcome and impact of judgments and settlements, if any, arising from pending or potential legal or regulatory proceedings and BNY Mellon's expectations with respect to litigation accruals.

In this report, any other report, any press release or any written or oral statement that BNY Mellon or its executives may make, words, such as "estimate," "forecast," "project," "anticipate," "confident" "target," "expect," "intend," "seek," "believe," "plan," "goal," "could," "should," "may," "will," "strategy," "opportunities," "trends" and words of similar meaning, signify forward-looking statements.

Factors that could cause BNY Mellon's results to differ materially from those described in the forward-looking statements, as well as other uncertainties affecting future results and the value of BNY Mellon's stock and factors which represents risk associated with the business and operations of BNY Mellon, can be found in Risk Factors in the Form 10-K for the year ended Dec. 31, 2009 and this Form 10-Q, and any subsequent reports filed with the Securities and Exchange Commission (the "Commission") by BNY Mellon pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Forward-looking statements, including discussions and projections of future results of operations and discussions of future plans contained in the MD&A, are based on management's current expectations and assumptions that involve risk and uncertainties and that are subject to change based on various important factors (some of which are beyond BNY Mellon's control), including adverse changes in market conditions, and the timing of such changes, and the actions that management could take in response to these changes. Actual results may differ materially from those expressed or implied as a result of these risks and uncertainties and the risks and uncertainties described in the documents referred to in the preceding paragraph. The Risk Factors discussed in the Form 10-K for the year ended Dec. 31, 2009 and in this Form 10-Q could cause or contribute to such differences. Investors should consider all risks mentioned elsewhere in this document and in subsequent reports filed by BNY Mellon with the Commission pursuant to the Exchange Act, as well as other uncertainties affecting future results and the value of BNY Mellon's stock.

All forward-looking statements speak only as of the date on which such statements are made, and BNY Mellon undertakes no obligation to update any statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Item 1. Legal Proceedings

In the ordinary course of business, BNY Mellon and its subsidiaries are routinely defendants in or parties to a number of pending and potential legal actions, including actions brought on behalf of various classes of claimants, and regulatory matters. Claims for significant monetary damages are asserted in certain of these actions and proceedings. In regulatory enforcement matters, claims for disgorgement and the imposition of penalties and/or other remedial sanctions are possible. Due to the inherent difficulty of predicting the outcome of such matters, BNY Mellon cannot ascertain what the eventual outcome of these matters will be; however, on the basis of current knowledge and after consultation with legal counsel, we do not believe that judgments or settlements, if any, arising from pending or potential legal actions or regulatory matters, either individually or in the aggregate, after giving effect to applicable reserves and insurance coverage, will have a material adverse effect on the consolidated financial position or liquidity of BNY Mellon, although they could have a material effect on net income in a given period. BNY Mellon intends to defend itself vigorously against all of the claims asserted in these legal actions.

In view of the inherent unpredictability of litigation and regulatory matters, particularly where the damages sought are substantial or indeterminate, the investigations or proceedings are in the early stages, or the matters involve novel legal theories or a large number of parties, there is considerable uncertainty surrounding the timing or ultimate resolution of litigations and regulatory matters or the eventual loss, fines, penalties or business impact, if any, associated with each pending matter. In accordance with ASC 450 (formerly SFAS 5), BNY Mellon establishes reserves for litigation and regulatory matters when those matters present loss contingencies that both are probable and can be reasonably estimated as is the case in certain of the legal matters described. For these matters and others which are disclosed because an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses which either cannot be estimated or, to the extent a range could possibly be determined, the range would be so imprecise, uncertain or wide as to not be meaningful. BNY Mellon believes that its accruals for legal proceedings are appropriate and in the aggregate are not material to the consolidated financial position of BNY Mellon, although future accruals could have a material effect on net income in a given period.

See the "Legal proceedings" section in Note 18 to the Notes to Consolidated Financial Statements, which portion is incorporated by reference in response to this item.

Item 1A. Risk Factors

Recent legislative actions may have a significant adverse effect on the Company's operations.

In July 2010, President Obama signed into law the regulatory reform legislation known as the Dodd-Frank Wall Street Reform and Consumer Protection Act. This new law broadly affects the financial services industry, particularly those entities considered to be "systemically important", such as bank holding companies with assets of over $50 billion, including BNY Mellon, by establishing a framework for systemic risk oversight, creating a liquidation authority, mandating higher capital and liquidity requirements, requiring banks to pay increased fees to regulatory agencies and numerous other provisions aimed at strengthening the sound operation of the financial services sector.

Among numerous other provisions of the law that could have an effect on BNY Mellon are:

- A change in the assessment base for federal deposit insurance from the amount of insured deposits to consolidated assets less tangible equity. Unless special rules are adopted to mitigate the disproportionate burden on custody banks, this change likely will result in significantly higher deposit insurance assessments for banks with substantial international operations, including The Bank of New York Mellon.
- The exclusion over a three year period, beginning on Jan. 1, 2013, of trust preferred securities from our Tier 1 capital.
- The potential designation of BNY Mellon as a "financial market utility" (defined to include persons that manage or operate a multilateral system for the purpose of transferring, clearing or settling payments, securities or other transactions among financial institutions, including repurchase agreements) may subject us to increased regulation and supervision. The definition of these terms, and the relevant requirements, are subject to future rulemaking.

Although we cannot predict how regulatory implementation of the law will occur, the related findings of various regulatory and commission studies, the interpretations issued as part of the rulemaking process and the final regulations that are issued with respect to various elements of the new law may cause changes that impact the profitability of our business activities and require that we change certain of our business practices, and could expose us to additional costs (including increased compliance costs). These changes may also require us to invest significant management attention and resources to make any necessary changes.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following table discloses repurchases of our common stock made in the second quarter of 2010.

Issuer purchases of equity securities

Share repurchases during second quarter 2010			
(common shares in thousands)	Total shares repurchased	Average price per share	Total shares repurchased as part of a publicly announced plan
April 2010	83	$30.95	-
May 2010	12	$31.35	-
June 2010	40	$26.57	-
Second quarter 2010	**135** *(a)*	**$29.69**	-

(a) These shares were purchased at a purchase price of approximately $24 million from employees, primarily in connection with the employees' payment of taxes upon the vesting of restricted stock.

On Dec. 18, 2007, the Board of Directors of BNY Mellon authorized the repurchase of up to 35 million shares of common stock. There were no shares repurchased under this program in the second quarter of 2010.

At June 30, 2010, 33.8 million shares were available for repurchase under the December 2007 program. There is no expiration date on this repurchase program.

Item 6. Exhibits

Pursuant to the rules and regulations of the Securities and Exchange Commission, BNY Mellon has filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

The list of exhibits required to be filed as exhibits to this report are listed on page 106 hereof, under "Index to Exhibits", which is incorporated herein by reference.

SIGNATURE

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

THE BANK OF NEW YORK MELLON CORPORATION
(Registrant)

Date: August 6, 2010

By: /s/ John A. Park
John A. Park
Corporate Controller
(Duly Authorized Officer and
Principal Accounting Officer of
the Registrant)

Index to Exhibits

Exhibit No.	Description	Method of Filing
1.1	Underwriting Agreement dated June 3, 2010 among The Bank of New York Mellon Corporation, Goldman, Sachs & Co., as forward purchaser, and Goldman, Sachs & Co. and Citigroup Global Markets Inc., as representatives of the underwriters listed therein.	Previously filed as Exhibit 1.1 to the Company's Current Report on Form 8-K (File No. 000-52710) as filed with the Commission on June 7, 2010 and incorporated herein by reference.
2.1	Amended and Restated Agreement and Plan of Merger, dated as of December 3, 2006, as amended and restated as of February 23, 2007, and as further amended and restated as of March 30, 2007, between The Bank of New York Company, Inc., Mellon Financial Corporation and The Bank of New York Mellon Corporation (the "Company").	Previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 000-52710) as filed with the Commission on July 2, 2007, and incorporated herein by reference.
2.2	Stock Purchase Agreement, dated as of February 1, 2010, by and between The PNC Financial Services Group, Inc. and The Bank of New York Mellon Corporation.	Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-52710) as filed with the Commission on February 3, 2010, and incorporated herein by reference.
3.1	Restated Certificate of Incorporation of The Bank of New York Mellon Corporation.	Previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 000-52710) as filed with the Commission on July 2, 2007, and incorporated herein by reference.
3.2	Amended and Restated By-Laws of The Bank of New York Mellon Corporation, as amended February 9, 2010, effective as of July 2, 2010.	Filed herewith.
4.1	None of the instruments defining the rights of holders of long-term debt of the Company, the creation of which was disclosed in this Quarterly Report on Form 10-Q, represented long-term debt in excess of 10% of the total assets of the company as of June 30, 2010. The Company hereby agrees to furnish to the Commission, upon request, a copy of any such instrument.	N/A
10.1	Confirmation of Forward Sale Transaction dated as of June 3, 2010 between The Bank of New York Mellon Corporation and Goldman, Sachs & Co.	Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-52710) as filed with the Commission on June 7, 2010 and incorporated herein by reference.
12.1	Computation of Ratio of Earnings to Fixed Charges.	Filed herewith.

Index to Exhibits (continued)

Exhibit No.	Description	Method of Filing
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101.INS	XBRL Instance Document.	Furnished herewith.
101.SCH	XBRL Taxonomy Extension Schema Document.	Furnished herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Furnished herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Furnished herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Furnished herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Furnished herewith.

Exhibit 12.1

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
The Bank of New York Mellon Corporation

	Quarter ended			Six months ended	
(dollar amounts in millions)	**June 30, 2010**	March 31, 2010	June 30, 2009	**June 30, 2010**	June 30, 2009
Earnings					
Income from continuing operations before income taxes	**$1,006**	$ 884	$ 513	**$1,890**	$1,085
Fixed charges, excluding interest on deposits	**123**	104	133	**227**	290
Income from continuing operations before income taxes and fixed charges, excluding interest on deposits	**1,129**	988	646	**2,117**	1,375
Interest on deposits	**43**	39	40	**82**	116
Income from continuing operations before income taxes and fixed charges including interest on deposits	**$1,172**	$1,027	$ 686	**$2,199**	$1,491
Fixed charges					
Interest expense, excluding interest on deposits	**$ 97**	$ 79	$ 105	**$ 176**	$ 233
One-third net rental expense *(a)*	**26**	25	28	**51**	57
Total fixed charges, excluding interest on deposits	**123**	104	133	**227**	290
Interest on deposits	**43**	39	40	**82**	116
Total fixed charges, including interests on deposits	**$ 166**	$ 143	$ 173	**$ 309**	$ 406
Earnings to fixed charges ratios					
Excluding interest on deposits	**9.17**	9.48	4.85	**9.31**	4.73
Including interest on deposits	**7.06**	7.17	3.96	**7.11**	3.67

(a) The proportion deemed representative of the interest factor.

Exhibit 31.1

CERTIFICATION

I, Robert P. Kelly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Bank of New York Mellon Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2010

/s/ Robert P. Kelly
Name: Robert P. Kelly
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Thomas P. Gibbons, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Bank of New York Mellon Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2010

/s/ Thomas P. Gibbons
Name: Thomas P. Gibbons
Title: Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of The Bank of New York Mellon Corporation ("BNY Mellon"), hereby certifies, to his knowledge, that BNY Mellon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of BNY Mellon.

Dated: August 6, 2010

/s/ Robert P. Kelly
Name: Robert P. Kelly
Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of The Bank of New York Mellon Corporation ("BNY Mellon"), hereby certifies, to his knowledge, that BNY Mellon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of BNY Mellon.

Dated: August 6, 2010

/s/ Thomas P. Gibbons
Name: Thomas P. Gibbons
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

THE BANK OF NEW YORK MELLON

Statement Period 02/01/2008 Through 02/29/2008
Account 123456
CLIENT ACCOUNT NAME

Statement of Assets Held

Shares / Par Value	Asset Description	Market Price / Average Cost	Market Value / Cost	Accrued Income / Est Annual Income	Market Yield
FIXED INCOME					
1,260,000.000	UNITED STATES TREAS NTS	100.45000	1,265,670.00	61,425.00	4.82%
	DTD 00123	100.15025	1,261,893.15	61,000.00	
	CUSIP: 999999ABC				
	M/D: 04/30/2008				
	RATE: 4.875%				
	MOODY'S Aaa				
	S&P AAA				
550,000.000	FEDERAL HOME LN BKS	100.75125	554,131.88	26,812.50	3.56%
	PREASSIGN 00507	98.03500	539,192.50	19,750.00	
	CUSIP: 999999XYZ				
	M/D: 11/30/2008				
	RATE: 3.625%				
	MOODY'S Aaa				
	S&P AAA				
Total FIXED INCOME			**1,819,801.88**	**88,237.50**	**4.44%**
			1,801,085.65	**80,750.00**	
CASH AND SHORT TERM					
890,365.000	MONEY MARKET FD 1	1.00000	890,365.00	0.00	3.48%
	CUSIP: S9999DEFG	1.00000	890,365.00	31,000.00	
1,000,000.000	FEDERAL NATL MTGE ASSN DISCOUNT NT	99.95000	999,500.00	0.00	4.90%
	CUSIP: 9999IJKLM	95.44444	954,444.40	49,000.00	
	M/D: 03/10/2008				
	RATE: 0.00%				
Total CASH AND SHORT TERM			**1,889,865.00**	**0.00**	**4.23%**
			1,844,809.40	**80,000.00**	
ACCOUNT TOTALS			**3,709,666.88**	**88,237.50**	**4.33%**
			3,645,895.05	**160,750.00**	

Total Market Value Plus Total Accrued Income 3,797,904.38

Statement of Transactions

Transaction Date	Transaction Description	Income	Principal	Cost	Realized Gains/Losses
02/01/08	**OPENING BALANCE**	**0.00**	**0.00**	**3,640,995.05**	
02/04/08	Purchase	4,900.00 -	0.00	4,900.00	0.00
	MONEY MARKET FD 1				
	4,900.00 SHARES				
02/04/08	Dividend	5,000.00	0.00	0.00	0.00
	MONEY MARKET FD 1				
	DIVIDEND				
02/04/08	Cash Debit	100.00 -	0.00	0.00	0.00
	TRANSFERRED TO ACCOUNT 999999 FF				
02/04/08	**DAILY ENDING BALANCE**	**0.00**	**0.00**	**3,645,895.05**	**0.00**
02/29/08	**CLOSING BALANCE**	**0.00**	**0.00**	**3,645,895.05**	**0.00**

Cumulative realized capital gain and loss position from 12/31/2007 for securities held in principal of account:

Short Term: 0.00 * Long Term: 0.00 *

*** The above gain and loss position does not include transactions where tax cost information is incomplete or unavailable.**

The Bank of New York may utilize subsidiaries and affiliates to provide services and certain products to the Account. Subsidiaries and affiliates may be compensated for their services and products.

The value of securities set forth on this Account Statement may have been calculated by Global Corporate Trust of The Bank of New York on the basis of market values and information obtained by Global Corporate Trust from unaffiliated third parties (including independent pricing vendors) ("third party pricing services"). Global Corporate Trust has not verified such market values or information and makes no assurances as to the accuracy or correctness of such market values or information or that the market values set forth on this Account Statement reflect the value of the securities that can be realized upon the sale of such securities. In addition, the market values for securities set forth in this Account Statement may differ from the market values for the same securities used by other business units of The Bank of New York or its subsidiaries or affiliates. Global Corporate Trust does not compare its market values with those used by, or reconcile different market values used by, other business units of The Bank of New York or its subsidiaries or its affiliates. The Bank of New York shall not be liable for any loss, damage or expense incurred as a result of or arising from or related to the market values or information provided to Global Corporate Trust by third party pricing services.

THE BANK OF NEW YORK MELLON

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CLIENT ACCOUNT NAME

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	CUSIP: 9999IJKLM	95.44444	954,444.40	49,000.00	
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ACCOUNT TOTALS			**3,709,666.88**	**88,237.50**	**4.33%**
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02/04/08	Purchase	4,900.00 -	0.00	4,900.00	0.00
	MONEY MARKET FD 1				
	4,900.00 SHARES				
02/04/08	Dividend	5,000.00	0.00	0.00	0.00
	MONEY MARKET FD 1				
	DIVIDEND				
02/04/08	Cash Debit	100.00 -	0.00	0.00	0.00
	TRANSFERRED TO ACCOUNT 999999 FF				
02/04/08	**DAILY ENDING BALANCE**	**0.00**	**0.00**	**3,645,895.05**	**0.00**
02/29/08	**CLOSING BALANCE**	**0.00**	**0.00**	**3,645,895.05**	**0.00**

Cumulative realized capital gain and loss position from 12/31/2007 for securities held in principal of account:

Short Term: 0.00 * Long Term: 0.00 *

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Investment Option Analysis

THE BANK OF NEW YORK MELLON

Summary Analysis

An analysis of the Federated Prime Oblig Fund/Instit, Dreyfus Cash Mgmt/Instit and Fidelity Instit Prime MMF I reveals that the simple average of the last 12 months of net simple annualized yields are 0.17, 0.13 and 0.19 respectively.

	Federated Prime Oblig Fund/Instit	Dreyfus Cash Mgmt/Instit	Fidelity Instit Prime MMF I
Moody's Rating	Aaa	Aaa	Aaa
S&P Rating	AAAm	AAAm	AAAm
Cusip	60934N203	26188J206	316175405
Chgd Expense Ratio	0.20	0.21	0.21
Portfolio Assets (mo/$mils)	46,681.8	30,068.8	69,107.5
7-Day Yield (10/05/10)	0.21	0.19	0.22
WAM (10/05/10)	40	39	50
Maturing in 7 Days (10/05/10)	36 %	53 %	19 %

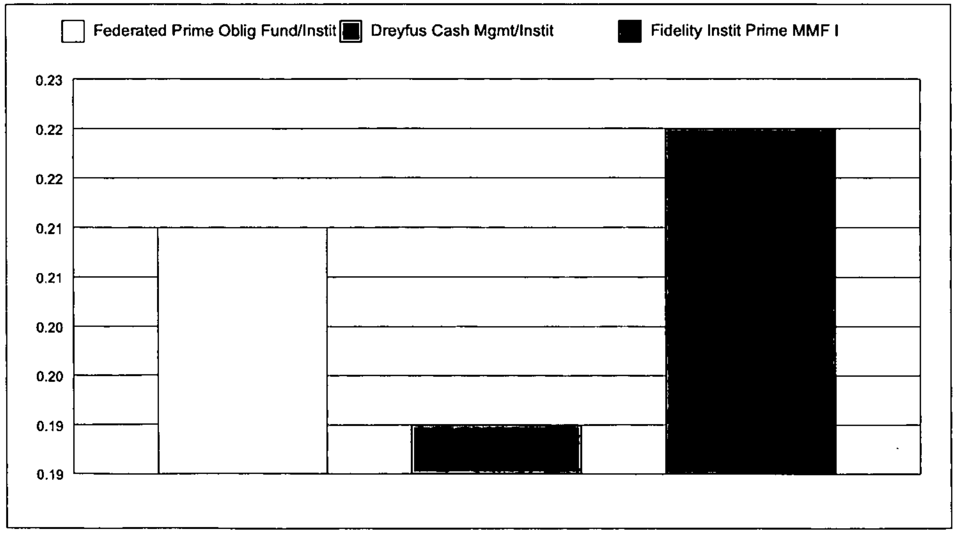
Net Simple Annualized Yield	Federated Prime Oblig Fund/Instit	Dreyfus Cash Mgmt/Instit	Fidelity Instit Prime MMF I
October-2009	0.20	0.16	0.23
November-2009	0.16	0.11	0.20
December-2009	0.14	0.10	0.18
January-2010	0.10	0.09	0.14
February-2010	0.10	0.08	0.14
March-2010	0.10	0.08	0.14
April-2010	0.13	0.08	0.15
May-2010	0.17	0.11	0.17
June-2010	0.21	0.14	0.21
July-2010	0.24	0.21	0.25
August-2010	0.24	0.24	0.25
September-2010	0.21	0.21	0.22
Average:	0.17	0.13	0.19

Money Market Mutual Funds

* All funds are rated Aaa/AAAm (Moody's/S&P)
* Money Fund rates listed are monthly net simple annualized yields and are thus approximations of actual yields.
* Money Fund Rate Source: Money Fund Analyzer 2010 a service of iMoneyNet.

Graphical Comparisons

Current 7-Day Yields (10/05/10)



Portfolio Holdings (10/05/10)

	Federated Prime Oblig Fund/Instit	Dreyfus Cash Mgmt/Instit	Fidelity Instit Prime MMF I
US Treasury (%)	0	0	5
US Other (%)	4	0	1
Repos (%)	7	20	19
Time Deposits (%)	4	9	0
Domestic Bank Obligations (%)	33	4	0
Foreign Bank Obligations (%)	0	40	36
First Tier Commercial Paper (%)	46	11	15
Second Tier Commercial Paper (%)	0	0	0
FRNS (%)	6	16	24
ABCP (%)	11	4	1