

STATE STREET CORP  
 Form 424B3  
 May 23, 2007  
Table of Contents

Filed Pursuant to Rule 424(b)(3)  
 Registration No. 333-141015

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Stockholder:

On February 4, 2007, Investors Financial Services Corp. entered into an agreement and plan of merger with State Street Corporation pursuant to which Investors Financial will merge with and into State Street, with State Street as the surviving corporation in the merger. You are invited to attend a special meeting of the stockholders of Investors Financial on June 20, 2007 at 10:00 a.m., local time, at 200 Clarendon Street, Boston, Massachusetts 02116, which will be held for the purposes of voting on the adoption of the merger agreement, as amended, which is referred to in this document as the merger agreement. The Investors Financial board of directors unanimously recommends that Investors Financial stockholders vote FOR adoption of the merger agreement.

If the merger is completed, Investors Financial stockholders will receive State Street common stock in exchange for their Investors Financial common stock. Each share of Investors Financial common stock will be converted into the right to receive 0.906 of a share of State Street common stock. An aggregate of up to approximately 65.6 million shares of State Street common stock may be issued in the merger. The value of the merger consideration will fluctuate with the market price of State Street common stock. The following table shows the closing sale prices of State Street common stock as reported on the New York Stock Exchange and of Investors Financial common stock as reported on the NASDAQ on February 2, 2007, the last trading day before we announced the merger, and on May 18, 2007, the last practicable trading day for which such information was available before the distribution of this document. This table also shows the implied value of the merger consideration proposed for each share of Investors Financial common stock, which we calculated by multiplying the closing price of State Street common stock on those dates by 0.906, the exchange ratio.

	State Street Common Stock	Investors Financial Common Stock	Implied Value per Share of Investors Financial Common Stock
At February 2, 2007	\$71.75	\$46.95	\$65.01
At May 18, 2007	\$68.38	\$61.32	\$61.95

The market prices of both State Street common stock and Investors Financial common stock will fluctuate before the merger. You should obtain current stock price quotations for State Street common stock and Investors Financial common stock. State Street common stock is listed on the NYSE under the symbol STT. Investors Financial common stock is quoted on the NASDAQ under the symbol IFIN.

We expect that the merger will, for U.S. income tax purposes, generally be tax-free to you as to shares of State Street common stock you receive in the merger.

**Your vote is important.** We cannot complete the merger unless Investors Financial's common stockholders adopt the merger agreement. In order for the merger agreement to be adopted, the holders of a majority of Investors Financial's outstanding shares must vote in favor of the merger. Regardless of whether you plan to attend the special stockholders' meeting, the details of which are described on the following pages, please take the time to submit your proxy in accordance with the instructions contained in this document. Failing to vote will have the same effect as voting against the merger.

**This document describes the special meeting, the merger, the documents related to the merger and other related matters. Please carefully read this entire document, including Risk Factors beginning on page 12, for a discussion of the risks relating to the proposed merger. You also can obtain information about State Street and Investors Financial from documents that each of us has filed with the Securities and Exchange Commission.**

Kevin J. Sheehan  
Chairman and Chief Executive Officer  
Investors Financial Service Corp.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the State Street common stock to be issued under this document or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense.**

The date of this document is May 21, 2007, and it is first being mailed or otherwise delivered to Investors Financial stockholders on or about May 22, 2007.

Table of Contents

**INVESTORS FINANCIAL SERVICES CORP.**

**200 Clarendon Street**

**Boston, Massachusetts 02116**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

Investors Financial Services Corp. will hold a special meeting of stockholders at 200 Clarendon Street, Boston, Massachusetts 02116, at 10:00 a.m., local time, on June 20, 2007 to consider and vote upon the following proposals:

to adopt the merger agreement, as amended (referred to herein as the merger agreement), which provides for the merger of Investors Financial Services Corp. with and into State Street Corporation, on the terms set forth in the Agreement and Plan of Merger, dated as of February 4, 2007, by and between State Street Corporation and Investors Financial Services Corp., as it may be amended from time to time; and

to approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.

The Investors Financial board of directors has fixed the close of business on May 15, 2007 as the record date for the special meeting. Only Investors Financial stockholders of record at that time are entitled to notice of, and to vote at, the special meeting, or any adjournment or postponement of the special meeting.

In order for the merger agreement to be adopted, the holders of a majority of the Investors Financial shares outstanding and entitled to vote thereon must vote in favor of the adoption of the merger agreement.

Regardless of whether you plan to attend the special meeting, please submit your proxy with voting instructions. Please submit your proxy as soon as possible. If you hold stock in your name as a stockholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed self-addressed, stamped envelope. You may also submit your proxy by either visiting the website or calling the toll-free number shown on your proxy card. If you hold your stock in street name through a bank or broker, please direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. Submitting your proxy will not prevent you from attending the special meeting and voting in person, but it will help to secure a quorum and avoid added solicitation costs. If you attend the special meeting you may withdraw your proxy and vote in person, thereby canceling any previous proxy. In any event, any proxy may be revoked in writing at any time before its exercise at the special meeting in the manner described in the accompanying document.

**The Investors Financial board of directors has approved and adopted the merger agreement and unanimously recommends that Investors Financial stockholders vote FOR adoption of the merger agreement.**

BY ORDER OF THE BOARD OF DIRECTORS,

John E. Henry  
Secretary

May 21, 2007

**YOUR VOTE IS IMPORTANT. PLEASE SUBMIT YOUR PROXY PROMPTLY, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE SPECIAL MEETING. YOU CAN FIND INSTRUCTIONS FOR SUBMITTING YOUR PROXY ON THE ENCLOSED PROXY CARD.**

**Table of Contents**

**REFERENCES TO ADDITIONAL INFORMATION**

This document incorporates important business and financial information about State Street and Investors Financial from documents that are not included in or delivered with this document. You can obtain documents incorporated by reference in this document, other than certain exhibits to those documents, by requesting them in writing or by telephone from the appropriate company at the following addresses:

<b>State Street Corporation</b>	<b>Investors Financial Services Corp.</b>
<b>One Lincoln Street</b>	<b>200 Clarendon Street</b>
<b>Boston, Massachusetts 02111</b>	<b>Boston, Massachusetts 02116</b>
<b>Attention: Investor Relations</b>	<b>Attention: Investor Relations</b>
<b>(617) 786-3477</b>	<b>(617) 937-6700</b>

*You will not be charged for any of these documents that you request. Investors Financial stockholders requesting documents should do so by June 12, 2007 in order to receive them before the special meeting.*

See Where You Can Find More Information on page 63.

**SUBMITTING PROXIES BY MAIL, TELEPHONE OR INTERNET**

If you are an Investors Financial stockholder of record you may submit your proxy:

by mail, by signing and dating the proxy card you receive, indicating your voting preference on the proposal and returning the proxy card in the prepaid envelope which accompanied that proxy card;

by telephone, by calling the toll-free number (800) 690-6903 in the United States, Canada or Puerto Rico on a touch-tone phone and following the recorded instructions; or

by visiting the Internet website [www.proxyvote.com](http://www.proxyvote.com) entering the information requested on your computer screen and following the simple instructions.

If you are a beneficial owner (but not the holder of record) of shares of Investors Financial, please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING</u>	1
<u>SUMMARY</u>	3
<u>SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF STATE STREET</u>	9
<u>SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF INVESTORS FINANCIAL</u>	10
<u>COMPARATIVE PER SHARE DATA</u>	11
<u>RISK FACTORS</u>	12
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	14
<u>THE INVESTORS FINANCIAL SPECIAL MEETING</u>	15
<u>Matters To Be Considered</u>	15
<u>Proxies</u>	15
<u>Solicitation of Proxies</u>	16
<u>Record Date</u>	16
<u>Voting Rights and Vote Required</u>	16
<u>Recommendation of the Investors Financial Board of Directors</u>	17
<u>Attending the Meeting</u>	17
<u>THE MERGER</u>	18
<u>Background of the Merger</u>	18
<u>Investors Financial's Reasons for the Merger; Recommendation of the Investors Financial Board of Directors</u>	19
<u>Opinion of Investors Financial's Financial Advisor</u>	21
<u>Financial Forecasts</u>	29
<u>Public Trading Markets</u>	29
<u>Investors Financial Stockholders Do Not Have Dissenters' Appraisal Rights in the Merger</u>	29
<u>Regulatory Approvals Required for the Merger</u>	30
<u>Some of Investors Financial's Directors and its Executive Officers Have Financial Interests in the Merger</u>	31
<u>THE MERGER AGREEMENT</u>	36
<u>Terms of the Merger</u>	36
<u>Treatment of Investors Financial Stock Options, Restricted Shares and Employee Stock Purchase Plan</u>	36
<u>Closing and Effective Time of the Merger</u>	37
<u>Conversion of Shares; Exchange of Certificates</u>	37
<u>Representations and Warranties</u>	39
<u>Covenants and Agreements</u>	40
<u>Reasonable Best Efforts of Investors Financial to Obtain the Required Stockholder Vote</u>	42
<u>Agreement Not to Solicit Other Offers</u>	43
<u>Fees and Expenses</u>	44
<u>Employee Matters</u>	44
<u>Indemnification and Insurance</u>	45
<u>Conditions to Complete the Merger</u>	45
<u>Termination of the Merger Agreement</u>	46
<u>Termination Fee</u>	46
<u>Amendment, Waiver and Extension of the Merger Agreement</u>	47
<u>Resales of State Street Stock by Affiliates</u>	47
<u>Amendment to the Merger Agreement</u>	48
<u>ACCOUNTING TREATMENT</u>	48
<u>MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER</u>	48
<u>Tax Consequences of the Merger Generally</u>	49
<u>Tax Basis and Holding Period</u>	50
<u>Cash Instead of a Fractional Share</u>	50
<u>Information Reporting and Backup Withholding</u>	50
<u>Reporting Requirements</u>	50

**Table of Contents**

	<b>Page</b>
<u>INFORMATION ABOUT THE COMPANIES</u>	50
<u>State Street Corporation</u>	50
<u>Investors Financial Corp.</u>	51
<u>COMPARISON OF STOCKHOLDERS' RIGHTS</u>	52
<u>COMPARATIVE MARKET PRICES AND DIVIDENDS</u>	60
<u>LEGAL MATTERS</u>	61
<u>EXPERTS</u>	61
<u>OTHER MATTERS</u>	62
<u>Investors Financial 2007 Annual Meeting Stockholder Proposals</u>	62
<u>COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES</u>	62
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	63
<u>AGREEMENT AND PLAN OF MERGER, DATED AS OF FEBRUARY 4, 2007, BY AND BETWEEN STATE STREET CORPORATION AND INVESTORS FINANCIAL SERVICES CORP. AND AMENDMENT NO. 1 TO THE AGREEMENT AND PLAN OF MERGER</u>	ANNEX A
<u>OPINION OF GOLDMAN, SACHS &amp; CO., DATED FEBRUARY 4, 2007</u>	ANNEX B

**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING**

The questions and answers below highlight only selected procedural information from this document. They do not contain all of the information that may be important to you. You should read carefully the entire document and the additional documents incorporated by reference into this document because they contain important information.

**Q: Why am I receiving this document?**

A: This document is being delivered to you because you are an Investors Financial stockholder. This document is serving as both a proxy statement of Investors Financial and a prospectus of State Street. It is a proxy statement because it is being used by the board of directors of Investors Financial to solicit proxies from Investors Financial's stockholders. It is a prospectus because State Street is offering shares of its common stock in exchange for shares of Investors Financial common stock in connection with the proposed merger of the two companies.

**Q: What is the proposed transaction for which I am being asked to vote?**

A: You are being asked to adopt the merger agreement, which provides for the merger of Investors Financial with and into State Street, on the terms set forth in the Agreement and Plan of Merger, dated as of February 4, 2007, as amended, by and between State Street Corporation and Investors Financial Services Corp. All references in this document to the merger agreement shall be deemed to be to the merger agreement, as amended.

**Q: What will I receive in the merger?**

A: If the merger is completed, each share of Investors Financial common stock that you own will be converted into the right to receive 0.906 of a share of State Street common stock.

**Q: What do I need to do now?**

A: After you carefully read this document and have decided how you wish to vote your shares, please submit your proxy promptly. If you hold stock in your name as a stockholder of record, you should complete, sign, date and mail your proxy card in the enclosed postage paid return envelope as soon as possible. You may also submit your proxy by telephone or through the Internet as instructed on the proxy card. If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. Submitting your proxy card, authorizing a proxy by telephone or through the Internet, or directing your bank or broker to vote your shares will ensure that your shares are represented and voted at the special meeting.

**Q: Why is my vote important?**

A: Your failure to return your proxy card or otherwise submit your proxy, or vote in person at the special meeting, will have the same effect as a vote against the merger. The merger agreement must be adopted by the holders of a majority of the outstanding shares of Investors Financial common stock entitled to vote at the special meeting. **The Investors Financial board of directors recommends that you vote FOR adoption of the merger agreement.**

Edgar Filing: STATE STREET CORP - Form 424B3

**Q: If my shares of common stock are held in street name by my broker, will my broker automatically vote my shares for me?**

A: No. Your broker cannot vote your shares without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker.

**Q: What if I fail to instruct my broker?**

A: If you do not provide your broker with instructions, your broker generally will not be permitted to vote your shares on the merger proposal being presented at the special meeting. Because the adoption of the merger



**Table of Contents**

agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Investors Financial common stock, a failure to provide your broker with instructions will have the same effect as a vote against the merger.

**Q: Can I attend the special meeting and vote my shares in person?**

A: Yes. All stockholders, including stockholders of record and stockholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. If you are not a stockholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must bring a form of personal photo identification with you in order to be admitted. We reserve the right to refuse admittance to anyone without proper proof of share ownership (such as a copy of a bank or brokerage statement) and without proper photo identification.

**Q: Can I change my vote?**

A: Yes. You may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, or by submitting another proxy via the Internet or by telephone, (2) delivering a written revocation letter to the Secretary of Investors Financial, or (3) attending the special meeting in person, notifying the Secretary and voting by ballot at the special meeting. The Investors Financial Secretary's mailing address is 200 Clarendon Street, Boston, Massachusetts 02116.

Any stockholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously submitted, and such vote will revoke any previous proxy, but the mere presence (without notifying the Secretary of Investors Financial) of a stockholder at the special meeting will not constitute revocation of a previously given proxy.

**Q: If I am an Investors Financial stockholder, should I send in my Investors Financial stock certificates now?**

A: No. You should not send in your Investors Financial stock certificates at this time. After the merger, you will be sent instructions for exchanging Investors Financial stock certificates for the merger consideration. Unless Investors Financial stockholders specifically request to receive State Street stock certificates, the shares of State Street stock they receive in the merger will be issued in book-entry form.

**Q: Are there risks associated with the proposed transaction that I, as an Investors Financial stockholder, should consider in deciding how to vote?**

A: Yes. In evaluating the merger, you should carefully read this document, including the factors discussed in the section entitled Risk Factors beginning on page 12.

**Q: When do you expect to complete the merger?**

A: We hope to complete the merger as soon as reasonably practicable. We are working to complete the merger in the middle of 2007. However, we cannot assure you when or if the merger will occur. Among other things, we must first obtain the adoption of the merger agreement by Investors Financial stockholders at the special meeting and the necessary regulatory approvals. See The Merger Agreement Closing and Effective Time of the Merger beginning on page 37.

**Q: Whom should I call with questions?**

A: Investors Financial stockholders should call Innisfree M&A Incorporated, Investors Financial's proxy solicitor, at (212) 750-5833, with any questions about the merger and related transactions.

**Table of Contents**

**SUMMARY**

**This summary highlights the material information from this document and may not contain all the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, we urge you to carefully read this entire document and the other documents to which we refer you. See also **Where You Can Find More Information** on page 63. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.**

**General**

**The Merger and the Merger Consideration (page 36)**

We are proposing the merger of Investors Financial with and into State Street. State Street will survive the merger. If the merger is completed, you will have the right to receive 0.906 of a share of State Street common stock for each share of Investors Financial common stock you hold immediately prior to the merger. State Street will not issue any fractional shares of State Street common stock in the merger. Investors Financial stockholders who would otherwise be entitled to a fractional share of State Street common stock will instead receive an additional amount in cash based on the average closing sale prices of State Street common stock for the five trading days immediately prior to the date on which the merger is completed.

*Example: If you currently own 100 shares of Investors Financial common stock, upon completion of the merger you would be entitled to receive 90 shares of State Street common stock and a cash payment for the market value of 0.60 shares, calculated based on the average of the closing sale prices of State Street common stock for the five trading days immediately preceding the date of completion of the merger.*

The merger agreement is attached as [Annex A](#) to this document. We encourage you to read the merger agreement carefully and fully, as it is the legal document that governs the merger.

**What Holders of Investors Financial Stock Options and Restricted Shares Will Receive; Treatment of Investors Financial Employee Stock Purchase Plan (page 36)**

Upon completion of the merger, each option to purchase shares of Investors Financial common stock outstanding under any of Investors Financial's stock compensation plans, whether or not vested, will be canceled in exchange for the right to receive a lump sum cash payment equal to the product of (i) the number of shares of Investors Financial common stock subject to the outstanding portion of the option and (ii) the excess of the cash equivalent value of the merger consideration over the exercise price per share of the option. The cash equivalent value of the merger consideration will equal the product of 0.906 multiplied by the average of the closing sale prices of State Street common stock for the five trading days immediately preceding the date of completion of the merger.

Upon completion of the merger, each restricted share of Investors Financial common stock outstanding under any of Investors Financial's stock compensation plans will be converted into the right to receive 0.906 restricted shares of State Street common stock. The restricted shares of State Street common stock will vest on the same schedule as the corresponding Investors Financial restricted shares would have vested or in equal amounts on each of the first three anniversaries of the applicable date of grant, if such vesting schedule would result in earlier vesting of the restricted shares. If a restricted stockholder's employment is terminated by State Street without cause or as a result of the stockholder's resignation for good reason (as such terms are defined in the merger agreement), the stockholder's restricted stock will vest in full upon the termination.

If the merger is completed prior to June 30, 2007, then each participant's outstanding option under Investors Financial's employee stock purchase plan will, at the time of the merger, be canceled in exchange for a cash payment equal to the product of (1) the excess of the cash equivalent value of the



---

**Table of Contents**

merger consideration over the per share option price and (2) the number of shares of Investors Financial common stock that may be purchased at the per share option price with such participant's accumulated payroll deductions. In the alternative, at State Street's discretion, each participant's outstanding option under the employee stock purchase plan will be exercised, and the shares acquired pursuant to such exercise will be converted into the right to receive the merger consideration. If the effective time of the merger has not occurred by June 30, 2007, each participant's outstanding options under the employee stock purchase plan will be used to purchase shares of Investors Financial's common stock on such date and, at the effective time of the merger, such shares will be converted into the right to receive the merger consideration. However, State Street may direct Investors Financial to instead pay each participant a cash payment equal to the product of (i) the excess of the fair market value per share of Investors Financial common stock on such date over the per share option price and (ii) the number of shares of Investors Financial common stock that may be purchased at the per share option price with such participant's accumulated payroll deductions. Investors Financial's employee stock purchase plan will terminate immediately following the earlier of June 30, 2007 and the effective time of the merger.

**Material United States Federal Income Tax Consequences of the Merger (page 48)**

State Street and Investors Financial intend for the merger to qualify as a reorganization for United States federal income tax purposes, and it is a condition to their obligations to complete the merger that each of State Street and Investors Financial receive a legal opinion to that effect. Assuming the merger will so qualify, the merger will generally be tax-free to U.S. holders, except for any gain or loss that may result from the receipt by U.S. holders of cash instead of a fractional share of State Street common stock.

*The United States federal income tax consequences described above may not apply to all holders of Investors Financial common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.*

**Opinion of Investors Financial's Financial Advisor (page 21)**

Goldman, Sachs & Co. delivered its opinion to Investors Financial's board of directors that, as of February 4, 2007 and based upon and subject to the factors and assumptions set forth in its opinion, the exchange ratio of 0.906 shares of State Street common stock to be received for each share of Investors Financial common stock pursuant to the merger agreement was fair from a financial point of view to the holders of Investors Financial common stock.

The full text of the written opinion of Goldman Sachs, dated February 4, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this document. Investors Financial's shareholders should read the opinion in its entirety. Goldman Sachs provided its opinion for the information and assistance of Investors Financial's board of directors in connection with its consideration of the transaction. The Goldman Sachs opinion is not a recommendation as to how any holder of Investors Financial's common stock should vote with respect to the transaction. Pursuant to an engagement letter between Investors Financial and Goldman Sachs, Investors Financial has agreed to pay Goldman Sachs a transaction fee of 0.70% of the aggregate consideration paid in the merger, all of which is payable upon the consummation of the transaction.

**Recommendation to Stockholders of Investors Financial (page 17)**

The Investors Financial board of directors believes that the merger, the merger agreement and the transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Investors Financial and its stockholders and has directed that the merger be submitted to Investors Financial's stockholders for consideration and adoption. The Investors Financial board of directors unanimously recommends that Investors Financial stockholders vote FOR adoption of the merger agreement.

---

**Table of Contents**

**Financial Interests of Some of Investors Financial s Directors and its Executive Officers in the Merger (page 31)**

In considering the information contained in this document, you should be aware that some of Investors Financial s directors and its executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Investors Financial stockholders. These additional interests of some of Investors Financial s directors and its executive officers may create potential conflicts of interest and cause some of these persons to view the proposed transaction differently than you may view it as a stockholder. These interests exist because of rights the directors and executive officers have in respect of their stock options to acquire Investors Financial common stock, which will be canceled for a cash payment upon completion of the merger, rights the executive officers have to payments under change of control employment agreements previously entered into with Investors Financial and benefits under a supplemental executive retirement plan. In addition, in connection with the merger, Kevin J. Sheehan and State Street agreed to a term sheet that provides Mr. Sheehan with consulting fees following the merger. In addition, certain other executive officers have entered into term sheets relating to employment arrangements to facilitate the transition. State Street will also indemnify the executive officers and directors of Investors Financial for certain events occurring before the merger.

Based on an assumed cash-out price of \$63.12 (0.906 times the average of the closing sale prices of State Street common stock on the New York Stock Exchange for the five trading days prior to May 9, 2007) and assuming the effective time occurs on July 2, 2007, the aggregate cash payment to the six executive officers in respect of their unvested stock options is estimated to be approximately \$10.91 million and in respect of their vested stock options is estimated to be approximately \$111.08 million, and the aggregate cash payment to the six non-employee directors as a group in respect of their unvested stock options is estimated to be approximately \$0.35 million and in respect of their vested stock options is estimated to be approximately \$2.71 million. Assuming the effective time occurs on July 2, 2007, the aggregate lump-sum present value of the benefits accrued under the supplemental executive retirement plan through such date that will be payable to the six executive officers as a group is approximately \$22.51 million (approximately \$10.79 million of which is payable to Mr. Sheehan and \$5.56 million of which is payable to Mr. Rogers), and the aggregate cash severance amount payable to the six executive officers as a group under their change of control agreements is approximately \$65.13 million (approximately \$19.98 million of which is payable to Mr. Sheehan and \$17.42 million of which is payable to Mr. Rogers).

Pursuant to Mr. Sheehan s consulting arrangement, he will receive an aggregate of \$2 million as compensation for providing services to State Street for 18 months following the completion of the merger. Mr. Rogers s term sheet provides that his base salary will be \$910,000 per year, and he will be entitled to a \$1,740,000 bonus for the 2007 calendar year, pro-rated for the period between the closing of the merger and December 31, 2007. If Mr. Rogers remains employed by State Street through August 2007, he will become entitled to receive certain equity awards with an initial value of \$2,350,000 that vest subject to performance or time-based conditions. Mr. Maroney s term sheet provides that his base salary will be \$625,000 per year, and he will be entitled to a \$1,200,000 bonus for the 2007 calendar year, pro-rated for the period between the closing of the merger and December 31, 2007. If Mr. Maroney remains employed by State Street through February 2008, he will become entitled to certain equity awards with an initial value of \$800,000 that vest subject to performance or time-based conditions. Mr. Spinney and Mr. Henry also have agreed to employment arrangements with State Street.

Investors Financial s board of directors was aware of these interests, including the general nature of interests arranged subsequently, and took them into account in its decision to adopt the merger agreement. For information concerning these interests, please see the discussion under the caption Some of Investors Financial s Directors and its Executive Officers Have Financial Interests in the Merger.

**Appraisal Rights (page 29)**

Neither the holders of Investors Financial common stock nor the holders of State Street common stock will have any right to an appraisal of value of their shares in connection with the merger.

**Table of Contents**

**The Merger Agreement (page 36)**

**Conditions to Completion of the Merger (page 45)**

Currently, we expect to complete the merger in the middle of 2007. As more fully described in this document and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others, adoption by Investors Financial stockholders of the merger agreement, the receipt of all required regulatory approvals (including approval by the Board of Governors of the Federal Reserve System, the Massachusetts Board of Bank Incorporation and the Massachusetts Commissioner of Banks) and other regulatory approvals which if not obtained, would result in a material adverse effect on State Street (measured relative to Investors Financial and its subsidiaries as a whole), accuracy of each party's representations and warranties, except for, in most cases, inaccuracies that would not be reasonably likely to have a material adverse effect on such party and the receipt of legal opinions from each company regarding the tax treatment of the merger.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

**Termination of the Merger Agreement (page 46)**

We may mutually agree to terminate the merger agreement before completing the merger, even after adoption by Investors Financial stockholders of the merger agreement, as long as the termination is approved by each of our boards of directors. In addition, either of us may decide to terminate the merger agreement, even after the stockholders adopt the merger agreement, if a governmental entity issues a nonappealable final order prohibiting the merger, if a governmental entity which must grant a required regulatory approval denies such required approval and such denial has become final and nonappealable, or if the other party breaches the merger agreement in a way that would result in the failure to satisfy a condition to the merger set forth in the merger agreement, subject to the right of the breaching party to cure the breach within 45 days following written notice (unless it is not possible due to the nature or timing of the breach for the breaching party to cure the breach). Either of us may terminate the merger agreement if the stockholders of Investors Financial fail to adopt the merger agreement or if the merger has not been completed by February 4, 2008, unless the reason the merger has not been completed by that date is a breach of the merger agreement by the company seeking to terminate the merger agreement.

State Street may terminate the merger agreement if the Investors Financial board of directors (1) fails to recommend that Investors Financial stockholders adopt the merger agreement, (2) withdraws, modifies, qualifies or conditions its recommendation (or publicly proposes to do so) in a manner adverse to State Street, (3) approves or recommends an alternative proposal or (4) resolves to do (2) or (3). State Street may also terminate the merger agreement if Investors Financial intentionally breaches its obligation to call and hold a stockholder meeting to consider the merger or its obligation to not solicit alternative proposals.

**Termination Fee (page 46)**

In the event that State Street terminates the merger agreement because:

the Investors Financial board of directors (1) fails to recommend that Investors Financial stockholders adopt the merger agreement, (2) withdraws, modifies, qualifies or conditions its recommendation (or publicly proposes to do so) in a manner adverse to State Street, (3) approves or recommends an alternative proposal, or (4) resolves to do (2) or (3), or

Investors Financial intentionally breaches its obligation to call and hold a stockholder meeting to consider the merger or its obligation to not solicit alternative proposals,

## **Table of Contents**

Investors Financial will pay State Street a \$165 million termination fee.

In addition, we have agreed that if certain events occur relating to an alternative proposal and thereafter the merger agreement is terminated by either Investors Financial or State Street as a result of the merger not being completed by February 4, 2008, or failure of the stockholders to adopt the merger agreement, then if Investors Financial consummates or enters into a definitive agreement with regards to an alternative transaction within 12 months of termination of the merger agreement, Investors Financial will pay State Street a \$165 million termination fee.

### **Regulatory Approvals (page 30)**

Investors Financial and State Street have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. These approvals include approval from the Federal Reserve Board and other U.S. or foreign regulatory authorities, including the Massachusetts Board of Bank Incorporation and the Massachusetts Commissioner of Banks. State Street and Investors Financial have completed, or will complete, the filing of applications and notifications to obtain the required regulatory approvals.

Although we do not know of any reason why we would not obtain these regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

### **The Rights of Investors Financial Stockholders Will Be Governed by Massachusetts Law and the State Street Articles of Organization and By-laws After the Merger (page 52)**

The rights of Investors Financial stockholders will change as a result of the merger due to differences in State Street's and Investors Financial's governing documents and due to the fact that the companies are incorporated in different states (Investors Financial in Delaware and State Street in Massachusetts). Page 52 of this document contains a comparison of stockholder rights under each of the State Street and Investors Financial governing documents and applicable state law, and describes the material differences between them.

### **The Special Meeting (page 15)**

#### **Investors Financial Will Hold its Special Meeting on June 20, 2007 (page 15)**

The special meeting will be held on June 20, 2007, at 10:00 a.m., local time, at 200 Clarendon Street, Boston, Massachusetts 02116. At the special meeting, Investors Financial stockholders will be asked to:

adopt the merger agreement; and

approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

*Record Date.* Only holders of record of Investors Financial common stock at the close of business on May 15, 2007 will be entitled to vote at the special meeting. Each share of Investors Financial common stock is entitled to one vote. As of the record date of May 15, 2007, there were approximately 67,150,609 shares of Investors Financial common stock entitled to vote at the special meeting.

*Required Vote.* To adopt the merger agreement, the holders of a majority of the outstanding shares of Investors Financial common stock entitled to vote must vote in favor of adopting the merger agreement. Because adoption of the merger agreement requires the affirmative vote of a majority of shares outstanding, an Investors Financial stockholder's failure to vote or an abstention will have the same effect as a vote against the merger.

As of the record date, directors and executive officers of Investors Financial and their affiliates had the right to vote approximately 2,301,687 shares of Investors Financial common stock, or 3% of the outstanding Investors Financial common stock entitled to be voted at the special meeting. We currently expect that each of these individuals will vote his or her shares of Investors Financial common stock in favor of the proposals to be presented at the special meeting.





**Table of Contents****The Companies (page 50)*****State Street Corporation***

State Street Corporation is a Massachusetts corporation, and is a bank holding company and a financial holding company under U.S. federal law. With \$12.33 trillion of assets under custody and \$1.85 trillion of assets under management at March 31, 2007, State Street is a leading specialist in meeting the needs of institutional investors worldwide. State Street's customers include mutual funds and other collective investment funds, corporate and public retirement plans, insurance companies, foundations, endowments and other investment pools and investment managers. Including the United States, State Street operates in 26 countries and more than 100 geographic regions. State Street stock (NYSE: STT) is listed on the New York Stock Exchange. At March 31, 2007, State Street had total assets of \$110.00 billion, total deposits of \$66.60 billion, total shareholders' equity of \$7.47 billion and 21,950 employees. The principal executive offices of State Street are located at One Lincoln Street, Boston, Massachusetts 02111, and its telephone number is (617) 786-3000.

***Investors Financial Services Corp.***

Investors Financial Corp. is a Delaware corporation and provides services for a variety of financial asset managers including mutual fund complexes, investment advisors, hedge funds, family offices, banks and insurance companies. Investors Financial's wholly-owned subsidiary, Investors Bank & Trust Company, provides core services including global custody, multicurrency accounting, fund administration and middle office outsourcing, as well as value-added services including foreign exchange, cash management, securities lending, investment advisory, performance measurement, institutional transfer agency, lines of credit and brokerage and transition management services. Investors Financial provides financial asset administration services for assets that totaled approximately \$2.3 trillion at March 31, 2007, including approximately \$0.5 trillion of foreign assets. The principal executive offices of Investors Financial are located at 200 Clarendon Street, Boston, Massachusetts 02116, and its telephone number is (617) 937-6700.

**Comparative Market Prices and Share Information (pages 11 and 60)**

State Street common stock is listed on the NYSE under the symbol STT. Investors Financial common stock is quoted on the NASDAQ under the symbol IFIN. The following table shows the closing sale prices of State Street common stock and Investors Financial common stock as reported on the NYSE and the NASDAQ on February 2, 2007, the last trading day before we announced the merger, and on May 18, 2007, the last practicable trading day for which such information was available before the distribution of this document. This table also shows the implied value of the merger consideration proposed for each share of Investors Financial common stock, which we calculated by multiplying the closing price of State Street common stock on those dates by 0.906, the exchange ratio.

	State Street	Investors Financial	Implied Value per Share of Investors Financial
	Common Stock	Common Stock	Common Stock
February 2, 2007	\$71.75	\$46.95	\$65.01
At May 18, 2007	\$68.38	\$61.32	\$61.95

*The market prices of State Street common stock and Investors Financial common stock will fluctuate prior to the merger. You should obtain current market quotations.*

**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF STATE STREET**

Set forth below are highlights from State Street's consolidated financial data as of and for the years ended December 31, 2002 through 2006 and as of and for the three months ended March 31, 2006 and 2007. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results of operations for the full year or any other interim period. State Street management prepared the unaudited information on the same basis as it prepared State Street's audited consolidated financial statements. In the opinion of State Street management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with State Street's consolidated financial statements and related notes included in State Street's Annual Report on Form 10-K for the year ended December 31, 2006, and State Street's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, which are incorporated by reference in this document and from which this information is derived. See [Where You Can Find More Information](#) on page 63.

**State Street Summary of Selected Consolidated Financial Data****(Dollars in millions, except per share data or where otherwise noted)**

	Three months ended			Year ended December 31,			
	March 31, 2007	2006	2006	2005	2004	2003	2002
Total fee revenue	\$ 1,370	\$ 1,260	\$ 5,186	\$ 4,551	\$ 4,048	\$ 3,556	\$ 2,850
Net interest revenue	325	266	1,110	907	859	810	979
Provision for loan losses					(18)		4
(Losses) gains on sales of available-for-sale investment securities, net	1	(3)	15	(1)	26	23	76
Gain on sale of Private Asset Management business, net of exit and other associated costs				16		285	
Gain on sale of Corporate Trust business, net of exit and other associated costs						60	495
Total revenue	1,696	1,523	6,311	5,473	4,951	4,734	4,396
Total operating expenses	1,213	1,096	4,540	4,041	3,759	3,622	2,841
Income from continuing operations before income tax expense	483	427	1,771	1,432	1,192	1,112	1,555
Income tax expense from continuing operations	169	145	675	487	394	390	540
Income from continuing operations	314	282	1,096	945	798	722	1,015
Net income (loss) from discontinued operations		10	10	(107)			
Net income	\$ 314	\$ 292	\$ 1,106	\$ 838	\$ 798	\$ 722	\$ 1,015
<b>PER COMMON SHARE:</b>							
Basic earnings:							
Continuing operations	\$ .94	\$ .85	\$ 3.31	\$ 2.86	\$ 2.38	\$ 2.18	\$ 3.14
Net income	.94	.88	3.34	2.53	2.38	2.18	3.14
Diluted earnings:							
Continuing operations	.93	.84	3.26	2.82	2.35	2.15	3.10
Net income	.93	.87	3.29	2.50	2.35	2.15	3.10
Cash dividends declared	.21	.19	.80	.72	.64	.56	.48
<b>PERIOD END:</b>							
Investment securities	\$ 67,904	\$ 59,970	\$ 64,992	\$ 59,870	\$ 37,571	\$ 38,215	\$ 28,071
Total assets	110,003	104,156	107,353	97,968	94,040	87,534	85,794
Deposits	66,600	61,799	65,646	59,646	55,129	47,516	45,468
Long-term debt	2,613	2,617	2,616	2,659	2,458	2,222	1,270
Shareholders' equity	7,467	6,413	7,252	6,367	6,159	5,747	4,787
<b>RATIOS:</b>							
Continuing operations:							
Return on shareholders' equity	17.4%	17.6%	16.2%	15.3%	13.3%	13.9%	24.1%
Return on average assets	1.18	1.10	1.03	.95	.84	.87	1.28
Dividend payout	22.5	24.2	24.2	25.3	26.9	25.9	15.4

## Edgar Filing: STATE STREET CORP - Form 424B3

Net income:							
Return on shareholders' equity	17.4	18.3	16.4	13.6	13.3	13.9	24.1
Return on average assets	1.18	1.14	1.04	.84	.84	.87	1.28
Dividend payout	22.5	23.4	24.0	28.5	26.9	25.9	15.4
Average shareholders' equity to average assets	6.8	6.2	6.3	6.2	6.3	6.3	5.3
Tier 1 risk-based capital	11.5	10.9	13.7	11.7	13.3	14.0	17.1
Total risk-based capital	13.5	13.0	15.9	14.0	14.7	15.8	18.0
Tier 1 leverage ratio	5.7	5.5	5.8	5.6	5.5	5.6	5.6
Tangible common equity to adjusted total assets	4.7	4.5	5.1	4.8	4.5	4.5	4.9
<b>OTHER DATA:</b>							
Assets under custody (in billions)	\$ 12,331	\$ 10,737	\$ 11,854	\$ 10,121	\$ 9,497	\$ 9,370	\$ 6,171
Assets under management (in billions)	1,849	1,538	1,749	1,441	1,354	1,106	763
Employees at end of period	21,950	21,375	21,700	20,965	19,668	19,850	19,501

**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF INVESTORS FINANCIAL**

Set forth below are highlights from Investors Financial's consolidated financial data as of and for the years ended December 31, 2002 through 2006 and as of and for the three months ended March 31, 2006 and 2007. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results of operations for the full year or any other interim period. Investors Financial management prepared the unaudited information on the same basis as it prepared Investors Financial's audited consolidated financial statements. In the opinion of Investors Financial management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with Investors Financial's consolidated financial statements and related notes included in Investors Financial's Annual Report on Form 10-K for the year ended December 31, 2006, and Investors Financial's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, which are incorporated by reference in this document and from which this information is derived. See "Where You Can Find More Information" on page 63.

**Investors Financial Summary of Selected Consolidated Financial Data**

(Dollars in millions, except per share data or where otherwise noted)

	Three months ended						
	March 31,		2006	Year ended December 31,			
	2007	2006		2005	2004	2003 <sup>(1)</sup>	2002
Noninterest income	\$ 171	\$ 150	\$ 639	\$ 526	\$ 425	\$ 336	\$ 299
Net interest income	49	43	164	170	188	154	139
Net operating revenues	220	193	803	696	613	490	438
Operating expenses	159	136	579	460	398	345	342
Income before income taxes	61	57	224	236	215	145	96
Income taxes	20	20	70	76	73	53	29
Net income	\$ 41	\$ 37	\$ 154	\$ 160	\$ 142	\$ 92	\$ 67
<b>PER COMMON SHARE:</b>							
Basic earnings	\$ 0.61	\$ 0.57	\$ 2.34	\$ 2.42	\$ 2.15	\$ 1.42	\$ 1.05
Diluted earnings	0.60	0.56	2.28	2.37	2.09	1.39	1.02
Cash dividends declared	0.03	0.02	0.09	0.08	0.07	0.06	0.05
<b>PERIOD END:</b>							
Investments	\$ 10,338	\$ 11,044	\$ 10,372	\$ 11,183	\$ 10,558	\$ 8,653	\$ 6,760
Total assets	14,205	12,427	11,558	12,089	11,143	9,223	7,215
Deposits	8,483	5,425	6,145	4,993	5,396	4,207	3,333
Junior subordinated debentures <sup>(2)</sup>	25	25	25	25	25	25	
Shareholders' equity	1,024	820	939	773	712	540	443
<b>RATIOS:</b>							
Return on average shareholders' equity	16.8%	19.0%	17.7%	21.1%	22.7%	19.1%	17.1%
Return on average assets	1.3	1.3	1.3	1.3	1.4	1.1	1.1
Dividend payout ratio <sup>(3)</sup>	4.1	3.9	3.9	3.4	3.3	4.3	4.9
Average shareholders' equity to average assets	7.6	6.6	7.3	6.3	6.1	5.9	6.4
Tier 1 risk-based capital	18.0	19.0	19.0	18.5	20.5	17.6	15.3
Total risk-based capital	18.0	19.0	19.0	18.5	20.5	17.6	15.3
Tier 1 leverage ratio	7.7	6.5	7.6	6.0	5.9	5.4	5.4
Noninterest income to net operating income	77.7	77.5	79.6	75.5	69.4	68.6	68.3
<b>OTHER DATA:</b>							
Assets processed at end of period (in billions) <sup>(4)</sup>	\$ 2,276	\$ 1,930	\$ 2,212	\$ 1,793	\$ 1,430	\$ 1,057	\$ 785
Employees at end of period	4,299	3,463	4,265	3,252	2,778	2,413	2,591

## Edgar Filing: STATE STREET CORP - Form 424B3

- (1) Effective July 1, 2003, Investors Financial adopted the provisions of Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, which resulted in a reclassification of the trust preferred securities from mezzanine financing to liabilities. As such, interest expense associated with the trust preferred securities was reclassified to net interest income.
- (2) Effective October 1, 2003, Investors Financial adopted the provisions of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, which resulted in the deconsolidation of Investors Capital Trust I, the trust that holds the trust preferred securities.
- (3) Investors Financial intends to retain the majority of future earnings to fund development and growth of its business. Investors Financial currently expects to pay cash dividends at an annualized rate of \$0.10 per share subject to regulatory requirements.
- (4) Assets processed is the total dollar value of financial assets on the reported date for which Investors Financial provides one or more of the following services: global custody, multicurrency accounting, fund administration, middle office outsourcing, foreign exchange, cash management, securities lending, investment advisory, performance measurement, institutional transfer agency, lines of credit and brokerage and transition management services.

**Table of Contents****COMPARATIVE PER SHARE DATA**

The following table sets forth for State Street common stock and Investors Financial common stock certain historical, pro forma and pro forma-equivalent per share financial information. The pro forma and pro forma-equivalent per share information gives effect to the merger as if the merger had been effective on the dates presented, in the case of the book value data, and as if the merger had become effective on January 1, 2006, in the case of the net income and dividends declared data. The pro forma data in the tables reflects that the merger will be accounted for using the purchase method of accounting and represents a current estimate based on available information of the combined company's results of operations. The pro forma financial adjustments record the assets and liabilities of Investors Financial at their estimated fair values and are subject to adjustment as additional information becomes available and as additional analyses are performed. See Accounting Treatment on page 48. The information in the following table is based on, and should be read together with, the historical financial information that we have presented in our prior filings with the Securities and Exchange Commission, which we refer to as the SEC. See Where You Can Find More Information on page 63.

We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses and revenue enhancement opportunities. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of possible revenue enhancements or reductions, expense efficiencies, restructuring or merger-related costs, asset dispositions or share repurchases, among other factors, that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.

The comparative per share data for the three months ended March 31, 2007 and the year ended December 31, 2006, combines the historical income per share data of State Street and its subsidiaries and Investors Financial and its subsidiaries giving effect to the merger as if the merger had become effective on January 1, 2006, using the purchase method of accounting based on the assumptions noted above. Upon completion of the merger, the operating results of Investors Financial will be reflected in the consolidated financial statements of State Street on a prospective basis.

	State Street Historical	Investors Financial Historical	Pro Forma Combined	Pro Forma Equivalent Investors Financial Share
<b>Net Income:</b>				
<b>For the year ended December 31, 2006:</b>				
Basic	\$ 3.34	\$ 2.34	\$ 3.02	\$ 2.74
Diluted	3.29	2.28	2.97	2.69
<b>For the three months ended March 31, 2007:</b>				
Basic	0.94	0.61	0.87	0.79
Diluted	0.93	0.60	0.85	0.77
<b>Cash Dividends Declared:</b>				
<b>For the year ended December 31, 2006</b>				
	0.80	0.09	0.80	0.72
<b>For the three months ended March 31, 2007</b>				
	0.21	0.03	0.21	0.19
<b>Book Value:</b>				
<b>As of December 31, 2006</b>				
	21.81	14.30	29.39	26.63
<b>As of March 31, 2007</b>				
	22.24	15.34	29.80	27.00

**Table of Contents**

**RISK FACTORS**

**In addition to general investment risks and the other information contained in or incorporated by reference into this document, including the matters under the caption *Cautionary Statement Regarding Forward-Looking Statements* and the matters discussed under the caption *Risk Factors* included in the Annual Reports on Form 10-K filed by each of State Street and Investors Financial for the years ended December 31, 2006, as updated by any subsequently filed Forms 10-Q and 8-K, you should carefully consider the following factors in deciding whether to vote for adoption of the merger agreement.**

**Because the Market Price of State Street Common Stock Will Fluctuate, Investors Financial Stockholders Cannot Be Sure of the Trading Price of the Merger Consideration They Will Receive.**

Upon completion of the merger, each share of Investors Financial common stock will be converted into 0.906 of a share of State Street common stock. The market value of the merger consideration will vary from the closing price of State Street common stock on the date we announced the merger, on the date we mailed this document to Investors Financial stockholders, on the date of the special meeting of the Investors Financial stockholders and thereafter. Any change in the market value of State Street common stock prior to completion of the merger will affect the market value of the consideration that Investors Financial stockholders will receive upon completion of the merger. Accordingly, at the time of the special meeting, Investors Financial stockholders will not know or be able to calculate the market value of the merger consideration they would receive upon completion of the merger. Neither company is permitted to terminate the merger agreement solely because of changes in the market prices of either company's stock. There will be no adjustment to the merger consideration for changes in the market price of either shares of State Street common stock or shares of Investors Financial common stock. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond our control. You should obtain current market quotations for shares of State Street common stock and for shares of Investors Financial common stock.

**We May Fail to Realize All of the Anticipated Benefits of the Merger.**

State Street and Investors Financial entered into the merger agreement with the expectation that the merger would result in various benefits, including, among other things, synergies, revenue growth, cost savings, expanded client base, additional cross-selling opportunities and operating efficiencies. The success of the merger will depend, in part, on our ability to realize such anticipated benefits and cost savings from combining the businesses of State Street and Investors Financial. However, to realize these anticipated benefits and cost savings, we must successfully combine the businesses of State Street and Investors Financial. If we are not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully or at all or may take longer to realize than expected.

State Street and Investors Financial have operated and, until the completion of the merger, will continue to operate independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers and employees or to achieve the anticipated benefits of the merger. Integration of the businesses entails information technology systems conversions, which involve operational risks and may result in customer dissatisfaction and defection. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Investors Financial and State Street during the transition period. The integration may take longer than anticipated and may have unanticipated adverse results relating to Investors Financial's or State Street's existing business. Additionally, State Street may not be able to effectively assimilate services, technologies or Investors Financial's key personnel. Failure to achieve anticipated benefits could result in increased costs and decreases in the amounts of expected revenues of the combined company.



## **Table of Contents**

### **State Street is a Competitor of Certain Investors Financial Customers and as a Result of the Merger, Some Customers May Seek Alternative Providers.**

Certain Investors Financial customers are competitors of State Street's non-custody businesses, including Investors Financial's largest customer by revenue, Barclays Global Investors, N.A., which like State Street Global Advisers is an institutional investment adviser. The loss of some of these Investors Financial customers, or a significant reduction in revenues generated from such customers, for competitive reasons or otherwise, would adversely affect the anticipated benefits of the merger.

### **The Market Price of State Street Common Stock after the Merger May Be Affected by Factors Different from Those Affecting the Shares of Investors Financial or State Street Currently.**

The businesses of State Street and Investors Financial differ and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations of Investors Financial. For a discussion of the businesses of State Street and Investors Financial and of certain factors to consider in connection with those businesses, see the documents incorporated by reference in this document and referred to under "Where You Can Find More Information."

### **The Merger is Subject to the Receipt of Consents and Approvals from Government Entities that May Impose Conditions that Could Have an Adverse Effect on State Street.**

Before the merger can be completed, various approvals or consents must be obtained from the Federal Reserve Board, the Massachusetts Board of Bank Incorporation and various domestic and foreign bank regulatory, antitrust, insurance and other authorities. These governmental entities, including the Federal Reserve Board, may impose conditions on the completion of the merger or require changes to the terms of the merger. Investors Financial and State Street have not yet obtained all regulatory approvals required to complete the merger. Although State Street and Investors Financial do not currently expect that any such conditions or changes will be imposed, such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of State Street following the merger, any of which might have an adverse effect on State Street following the merger.

### **Investors Financial Executive Officers and Directors Have Financial Interests in the Merger that May Be Different from, or in Addition to, the Interests of Investors Financial Stockholders.**

Some of Investors Financial's directors and its executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Investors Financial stockholders. For example, certain executive officers of Investors Financial will receive payments pursuant to their change of control employment agreements, accelerated payouts of their supplemental executive retirement plan accounts and payments with respect to their outstanding stock options to acquire Investors Financial common stock in connection with the merger.

Investors Financial's board of directors was aware of these interests and took them into account in its decision to adopt the merger agreement. For information concerning these interests, please see the discussion under the caption "Some of Investors Financial's Directors and its Executive Officers Have Financial Interests in the Merger."

### **The Shares of State Street Common Stock to be Received by Investors Financial Stockholders as a Result of the Merger Will Have Different Rights from the Shares of Investors Financial Common Stock.**

Upon completion of the merger, Investors Financial stockholders will become State Street stockholders and their rights as stockholders will be governed by the articles of organization and by-laws of State Street and Massachusetts corporate law. The rights associated with Investors Financial common stock are different from the rights associated with State Street common stock. See the section of this proxy statement/prospectus titled "Comparison of Stockholders' Rights" beginning on page 52 for a discussion of the different rights associated with State Street common stock.

**Table of Contents**

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This document contains or incorporates by reference a number of forward-looking statements, including statements about the financial conditions, results of operations, earnings outlook and prospects of State Street, Investors Financial and the potential combined company and may include statements for the period following the completion of the merger. Forward-looking statements are typically identified by words such as plan, believe, expect, anticipate, intend, outlook, estimate, forecast, project and other similar words and expressions.

The forward-looking statements involve certain risks and uncertainties. The ability of either State Street or Investors Financial to predict results or the actual effects of its plans and strategies, or those of the combined company, is subject to inherent uncertainty. Factors that may cause actual results or earnings to differ materially from such forward-looking statements include those set forth below under Risk Factors, as well as, among others, the following:

those discussed and identified in public filings with the SEC made by State Street or Investors Financial;

completion of the merger is dependent on, among other things, receipt of stockholder and regulatory approvals, the timing of which cannot be predicted with precision and which may not be received at all;

the merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events;

the integration of Investors Financial's business and operations with those of State Street and the anticipated cost savings and other synergies of the merger may take longer to be realized than anticipated, may be more costly than anticipated, may have unanticipated adverse results relating to Investors Financial's or State Street's existing businesses or may not be entirely achieved;

attrition in key client, partner and other relationships relating to the merger may be greater than expected; and

disruptions from the transaction may harm relationships with customers, employees and regulators.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this document or the date of any document incorporated by reference in this document.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this document and attributable to State Street or Investors Financial or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document. Except to the extent required by applicable law or regulation, State Street and Investors Financial undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

**Table of Contents**

**THE INVESTORS FINANCIAL SPECIAL MEETING**

This section contains information about the special meeting of Investors Financial stockholders that has been called to consider and adopt the merger agreement which provides for the merger of Investors Financial with and into State Street, with State Street as the surviving corporation in the merger.

Together with this document, we are also sending you a notice of the special meeting and a form of proxy that is solicited by the Investors Financial board of directors. The special meeting will be held on June 20, 2007, at 10:00 a.m. local time, at 200 Clarendon Street, Boston, Massachusetts 02116, subject to any adjournments or postponements.

**Matters To Be Considered**

The purpose of the special meeting is to vote on a proposal for adoption of the merger agreement.

You also will be asked to vote upon a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

**Proxies**

Each copy of this document mailed to holders of Investors Financial common stock is accompanied by a form of proxy with instructions for submitting a proxy. If you hold stock in your name as a stockholder of record, you should complete, sign, date and return the proxy card accompanying this document to ensure that your shares are voted at the special meeting, or at any adjournment or postponement of the special meeting, regardless of whether you plan to attend the special meeting. You may also submit your proxy by telephone or through the Internet as instructed on the proxy card.

If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

If you hold stock in your name as a stockholder of record, you may revoke any proxy at any time before your shares are voted by (1) signing and returning a proxy card with a later date or submitting another proxy via the Internet or by telephone, (2) delivering a written revocation letter to Investors Financial's Secretary or (3) attending the special meeting in person and voting your shares in person by ballot at the special meeting (however, the mere presence, without notifying Investors Financial's Secretary will not constitute revocation of a previously given proxy). If you hold your stock in street name through a bank or broker, you must follow your bank's or broker's instructions to revoke your proxy.

Written notices of revocation and other communications about revoking your proxy should be addressed to:

**Investors Financial Services Corp.**

**200 Clarendon Street**

**Boston, Massachusetts 02116**

**Attention: Secretary**

All shares represented by valid proxies that we receive through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted FOR adoption of the merger agreement and FOR adoption of the proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to adopt the merger agreement. According to the Investors Financial by-laws, business to be conducted

## **Table of Contents**

at a special meeting of stockholders will be limited to matters relating to the purpose or purposes stated in the notice of meeting. Accordingly, no matters other than the matters described in this document will be presented for action at the special meeting or at any adjournment or postponement of the special meeting.

Investors Financial stockholders should not send Investors Financial stock certificates with their proxy cards. After the merger is completed, holders of Investors Financial common stock will be mailed a transmittal form with instructions on how to exchange their Investors Financial stock certificates for shares of State Street common stock and cash instead of fractional shares of State Street common stock, if applicable.

## **Solicitation of Proxies**

Investors Financial will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, Investors Financial will request that banks, brokers and other record holders send proxies and proxy material to the beneficial owners of Investors Financial common stock and secure their voting instructions. Investors Financial will reimburse the record holders for their reasonable expenses in taking those actions. Investors Financial has also made arrangements with Innisfree M&A Incorporated to assist in soliciting proxies and have agreed to pay them \$10,000 plus reasonable expenses for these services. If necessary, Investors Financial may use several of its regular employees, who will not be specially compensated, to solicit proxies from Investors Financial stockholders, either personally or by telephone, facsimile, letter or other electronic means.

The costs and expenses of printing and mailing this document, and all filing and other fees paid to the SEC in connection with the merger, shall be borne equally by Investors Financial and State Street.

## **Record Date**

The close of business on May 15, 2007 has been fixed as the record date for determining the Investors Financial stockholders entitled to receive notice of and to vote at the special meeting. At that time, approximately 67,150,609 shares of Investors Financial common stock were outstanding, held by approximately 717 holders of record.

## **Voting Rights and Vote Required**

The presence, in person or by properly executed proxy, of the holders of a majority of the outstanding shares of Investors Financial common stock entitled to vote is necessary to constitute a quorum at the special meeting. Abstentions will be counted for the purpose of determining whether a quorum is present.

Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Investors Financial common stock entitled to vote at the special meeting. You are entitled to one vote for each share of Investors Financial common stock you held as of the record date. The failure to vote by proxy or in person will have the same effect as a vote against the merger.

The Investors Financial board of directors urges you to promptly complete, date and sign the accompanying proxy card and to return it promptly in the enclosed postage-paid envelope or to submit your proxy by telephone or through the Internet, or, if you hold your stock in street name through a bank or broker, by following the voting instructions of your bank or broker.

As of the record date:

Directors and executive officers of Investors Financial and their affiliates, had the right to vote approximately 2,301,687 shares of Investors Financial common stock, or 3% of the outstanding Investors Financial common stock at that date. We currently expect that each of these individuals will vote their shares of Investors Financial common stock in favor of the proposals to be presented at the special meeting.

**Table of Contents**

**Recommendation of the Investors Financial Board of Directors**

The Investors Financial board of directors believes that the merger, the merger agreement and the transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Investors Financial and its stockholders and has directed that the merger be submitted to Investors Financial's stockholders for consideration and adoption. The Investors Financial board of directors unanimously recommends that Investors Financial stockholders vote FOR adoption of the merger agreement. See The Merger Investors Financial's Reasons for the Merger; Recommendation of the Investors Financial Board of Directors for a more detailed discussion of the Investors Financial board of directors recommendation.

**Attending the Meeting**

All holders of Investors Financial common stock, including stockholders of record and stockholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting in person. Stockholders of record can vote in person at the special meeting. If you are not a stockholder of record, you must obtain a proxy executed in your favor from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted. We reserve the right to refuse admittance to anyone without both proper proof of share ownership (such as a copy of a bank or brokerage statement) and proper photo identification.

## **Table of Contents**

### **THE MERGER**

#### **Background of the Merger**

The board of directors of Investors Financial, together with the senior management, has from time to time reviewed and considered strategic developments and various strategic options potentially available to Investors Financial. These discussions have included management presentations concerning possible transactions, investments and other business initiatives intended to create or enhance stockholder value.

Ronald Logue, Chairman and Chief Executive Officer of State Street, and Kevin Sheehan, Chairman and Chief Executive Officer of Investors Financial have previously discussed the possibility of a strategic combination between Investors Financial and State Street. These prior discussions did not result in any sharing of diligence materials or in either party making a proposal for a potential combination.

In mid-January 2007, Mr. Logue approached Mr. Sheehan and arranged for a meeting. At this meeting, Messrs. Logue and Sheehan discussed their respective companies, industry trends and the possibility of a strategic combination involving the two companies. In light of the strong complementary business fit between the two companies and recent market and business developments, at the conclusion of the meeting, Messrs. Logue and Sheehan decided to instruct their senior management teams to explore further the possibility of a combination. In addition, they agreed to share some preliminary due diligence materials concerning their respective companies and discuss with their respective boards the possibility of proceeding forward with a potential business combination transaction. Mr. Sheehan also indicated that it would be helpful if State Street could provide Investors Financial with an indication of the range of financial terms and other conditions that would apply in the context of such a potential business combination. Following this meeting, Investors Financial entered into a confidentiality agreement with State Street and then senior management and the financial advisors of both State Street and Investors Financial held a number of meetings to review preliminary financial information regarding a potential combination. Also during such time, Mr. Sheehan and Mr. Logue had preliminary conversations regarding State Street's initial thoughts on a valuation for Investors Financial common stock. Mr. Logue communicated a preliminary range of \$57 to \$58 per share of Investors Financial common stock, which Mr. Sheehan indicated was below what Investors Financial would consider appropriate for a transaction. However, Mr. Sheehan indicated that he would be interested in having further conversations with Mr. Logue around a higher valuation. In addition, shortly after the initial meeting between Messrs. Logue and Sheehan, another company in the financial services industry, representatives of which, from time to time in the past, had preliminary contact with representatives of Investors Financial regarding a potential business transaction, contacted Mr. Sheehan to express its interest in discussing a potential strategic combination with Investors Financial. Investors Financial entered into a confidentiality agreement with the other company and Mr. Sheehan updated the Investors Financial board on developments with State Street and the other company. Once updated, the Investors Financial board asked its financial advisor to request that each party deliver a firm proposal representing its best and final offer for a strategic combination with Investors Financial by February 2, 2007.

During the week of January 29, both State Street and the other company engaged in detailed due diligence investigations of Investors Financial, and conducted meetings with the Investors Financial management team. Also during this period, Investors Financial delivered draft transaction documentation to State Street and the other company.

On February 2, 2007, State Street submitted a firm proposal to acquire Investors Financial in an all-stock merger for consideration of 0.906 shares of State Street common stock for each share of Investors Financial common stock. State Street's proposal also included a revised version of the draft transaction documentation reflecting State Street's comments. The other company declined to submit a firm proposal without the opportunity for further consideration of various due diligence and other business issues. On February 2, 2007, management updated the Investors Financial board. After consideration of all aspects of State Street's proposal, including its

## **Table of Contents**

financial terms, the board authorized management to seek to finalize the terms of a definitive agreement with State Street. Over the next two days, counsel to Investors Financial and State Street, working with the companies, negotiated the representations, termination fee and operating covenants in the merger agreement and then proceeded to finalize the definitive transaction documentation. During this period, State Street conducted further due diligence of Investors Financial, and Investors Financial management and their advisors also conducted a due diligence investigation of State Street.

On February 4, 2007, the board of directors of Investors Financial met with senior management and their outside legal and financial advisors. Management reviewed for the Investors Financial board of directors the background of discussions with State Street and the progress of negotiations, and reported on Investors Financial's due diligence investigations of State Street. Goldman, Sachs & Co. reviewed with the Investors Financial board of directors the structure and other terms of the proposed transaction, and financial information regarding State Street, Investors Financial and the transaction, as well as information regarding peer companies and comparable transactions. In connection with the deliberation by the Investors Financial board of directors, Goldman, Sachs & Co. rendered to the Investors Financial board of directors its oral opinion (subsequently confirmed in writing), as described under "Opinion of Investors Financial's Financial Advisor," that, as of the date of its opinion, and subject to and based on the qualifications and assumptions set forth in its opinion, the exchange ratio of 0.906 shares of State Street common stock for each share of Investors Financial common stock was fair, from a financial point of view, to the stockholders of Investors Financial.

Representatives of Wachtell, Lipton, Rosen & Katz discussed with the Investors Financial board of directors the legal standards applicable to its decisions and actions with respect to its consideration of the proposed transaction, and reviewed the legal terms of the proposed transaction agreements. Representatives of Wachtell, Lipton, Rosen & Katz also discussed with the Investors Financial board of directors the stockholder and regulatory approvals that would be required to complete the proposed merger, the likely process and timetable of the merger, including expected timing for obtaining the required stockholder and regulatory approvals. Wachtell, Lipton, Rosen & Katz also discussed compensation and benefits issues in connection with the merger and reviewed for the Investors Financial board of directors a set of draft resolutions relating to the proposed merger.

Following these discussions, and discussions among the members of the Investors Financial board of directors, management and Investors Financial's advisors, including consideration of the factors described under "Investors Financial's Reasons for the Merger; Recommendation of the Investors Financial Board of Directors," the Investors Financial board of directors unanimously determined that the transactions contemplated by the merger agreement and the related transactions and agreements are fair to, advisable and in the best interests of Investors Financial and its stockholders, and the directors voted unanimously to approve the merger with State Street, to approve and adopt the merger agreement and to approve the related transactions and agreements.

On February 4, 2007, the board of directors of State Street held a special meeting by teleconference at which members of State Street's senior management and its legal and financial advisors made various presentations about, and the board discussed, the potential merger. At this meeting, State Street's board of directors approved the merger agreement and the transactions contemplated by the merger agreement.

Following approval of each board of directors, the parties executed the merger agreement and on February 5, 2007 the transaction was announced in a joint press release.

### **Investors Financial's Reasons for the Merger; Recommendation of the Investors Financial Board of Directors**

The Investors Financial board of directors determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Investors Financial and its stockholders. Accordingly, the Investors Financial board of directors unanimously approved the merger agreement and unanimously recommends that Investors Financial stockholders vote FOR the adoption of the merger agreement.

**Table of Contents**

In reaching its decision to approve the merger agreement and recommend the merger to its stockholders, the Investors Financial board of directors consulted with Investors Financial's management, as well as its legal and financial advisors, and considered a number of factors, including the following factors which the Investors Financial board of directors viewed as generally supporting its decision to approve the merger agreement and recommend the merger to Investors Financial stockholders:

its knowledge of Investors Financial's business, operations, financial condition, earnings and prospects;

its knowledge of State Street's business, operations, financial condition, earnings and prospects, taking into account the results of Investors Financial's due diligence review of State Street, the related information presented by Investors Financial's management and financial advisors, and the expected financial impact of the merger on State Street, including pro forma earnings;

its knowledge of the current environment in the financial services industry, including economic conditions, potential continued consolidation, increased operating costs resulting from regulatory initiatives and compliance mandates, increasing competition, and current financial market conditions and the likely effects of these factors on the companies' potential growth, development, productivity and strategic options;

its belief that by combining the two companies Investors Financial would become part of a significantly larger institution with greater capital and more diverse product offerings that would be both better equipped to respond to economic and industry developments and better positioned to serve existing clients and develop and grow its businesses;

financial terms of the merger, including the fact that, based on the closing prices on the NYSE of State Street common stock on February 2, 2007, and based on the right of Investors Financial stockholders to receive 0.906 shares of State Street common stock for each share of Investors Financial common stock, as of February 2, 2007, the consideration represented an approximate 38.5% premium over the closing price of Investors Financial shares on the NASDAQ;

the expectation that financial benefits may result from the transaction, including potential significant cost savings and revenue synergies;

the complementary fit and compatibility of the businesses and cultures of State Street and Investors Financial and the operational benefits that may result from the transaction;

the likelihood that the merger would be completed in a timely manner and that the management team of the combined company would be able to successfully integrate and operate the businesses of the combined company after the merger;

the financial analyses presented by Goldman, Sachs & Co. to the Investors Financial board of directors, and the opinion dated as of February 4, 2007 delivered to Investors Financial by Goldman, Sachs & Co. to the effect that, as of that date, and subject to and based on the qualifications and assumptions set forth in the opinion, the exchange ratio of 0.906 shares of State Street common stock for each share of Investors Financial common stock was fair, from a financial point of view, to such stockholders, as described under  
Opinion of Investors Financial's Financial Advisor ,

the structure of the merger and the terms of the merger agreement, including the fact that Investors Financial stockholders would receive equity ownership in the combined company that would afford them the opportunity to participate in the potential benefits from combining the two companies;



the fact that any increase in the market price of State Street stock prior to the completion of the merger will increase the value of the merger consideration that Investors Financial stockholders will receive upon completion of the merger;

the expected treatment of the merger as a reorganization for United States federal income tax purposes; and

## Table of Contents

the regulatory and other approvals required in connection with the merger and the likelihood such approvals would be received in a timely manner and without unacceptable conditions.

The board of directors also considered potentially adverse factors and risks in reaching its conclusion, including:

the merger agreement's provisions imposing restrictions on Investors Financial from soliciting alternative transactions and the termination fee of \$165 million that Investors Financial would be required to pay if the merger agreement is terminated under certain circumstances, which the Investors Financial board of directors understood were a condition to State Street's willingness to enter into the merger agreement and that could limit the willingness of a third party to propose a competing business combination transaction with Investors Financial;

the restrictions on the conduct of Investors Financial's business during the period between signing of the merger agreement and the completion of the merger or the termination of the merger agreement;

the potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger;

the fact that any decrease in the market price of State Street common stock prior to the completion of the merger will decrease the value of the merger consideration that Investors Financial stockholders will receive upon completion of the merger; and

the interests that certain directors and executive officers of Investors Financial may have in the merger, in addition to their interests as stockholders of Investors Financial generally. See *Some of Investors Financial's Directors and its Executive Officers Have Financial Interests in the Merger*.

The foregoing discussion of the factors considered by the Investors Financial board of directors is not intended to be exhaustive, but, rather, includes the material factors considered by the Investors Financial board of directors. In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, the Investors Financial board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Investors Financial board of directors considered all these factors as a whole, including discussions with, and questioning of, Investors Financial management and Investors Financial's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination. The Investors Financial board of directors also relied on the experience of Goldman, Sachs & Co., its financial advisor, for analyses of the financial terms of the merger and for its opinion as to the fairness of the exchange ratio to Investors Financial's stockholders.

**For the reasons set forth above, the Investors Financial board of directors unanimously determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Investors Financial and its stockholders, and unanimously approved and adopted the merger agreement. The Investors Financial board of directors unanimously recommends that the Investors Financial stockholders vote FOR adoption of the merger agreement.**

### **Opinion of Investors Financial's Financial Advisor**

Goldman Sachs rendered its opinion to Investors Financial's board of directors that as of February 4, 2007 and based upon and subject to the factors and assumptions set forth in its opinion, the exchange ratio of 0.906 shares of State Street common stock to be received for each share of Investors Financial common stock pursuant to the merger agreement was fair from a financial point of view to the holders of Investors Financial common stock.

**Table of Contents**

**The full text of the written opinion of Goldman Sachs, dated February 4, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this document. Investors Financial's shareholders should read the opinion in its entirety. Goldman Sachs provided its opinion for the information and assistance of Investors Financial's board of directors in connection with its consideration of the transaction. The Goldman Sachs opinion is not a recommendation as to how any holder of Investors Financial's common stock should vote with respect to the transaction.**

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the merger agreement;

annual reports to stockholders and Annual Reports on Form 10-K of Investors Financial and State Street for the five fiscal years ended December 31, 2005;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Investors Financial and State Street;

certain other communications from Investors Financial and State Street to their respective stockholders;

certain internal financial analyses and forecasts for Investors Financial prepared by its management, as described under "Financial Forecasts", and certain publicly available research analyst reports with respect to the future financial performance of State Street; and

certain cost savings and operating synergies projected by the managements of Investors Financial and State Street to result from the transaction.

Goldman Sachs also held discussions with members of the senior management of Investors Financial and State Street regarding their assessment of the strategic rationale for, and the potential benefits of, the transaction and the past and current business operations, financial condition, and future prospects of their respective companies.

In addition, Goldman Sachs:

reviewed the reported price and trading activity for Investors Financial's common stock and State Street's common stock;

compared certain financial and stock market information for Investors Financial and State Street with similar financial and stock market information for certain other companies the securities of which are publicly traded;

reviewed the financial terms of certain recent business combinations in the banking industry specifically and other industries generally; and

performed such other studies and analyses, and considered such other factors, as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering the opinion described above. In that regard, Goldman Sachs assumed with the consent of Investors Financial's board of directors that the internal financial analyses and forecasts for Investors

## Edgar Filing: STATE STREET CORP - Form 424B3

Financial and the cost savings and operating synergies projected by Investors Financial and State Street were reasonably prepared on a basis reflecting the best currently available estimates and judgments of Investors Financial and, with respect to the cost savings and operating synergies, State Street. Goldman Sachs is not an expert in the evaluation of loan portfolios for purposes of assessing the adequacy of the allowance for loan losses, and, accordingly, Goldman Sachs assumed that such allowances for losses were in the aggregate adequate to cover such losses. In addition, Goldman Sachs did not review individual credit files and did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of

**Table of Contents**

Investors Financial or State Street or any of their respective subsidiaries. No evaluation or appraisal of the assets or liabilities of Investors Financial or State Street or any of their respective subsidiaries was furnished to Goldman Sachs. Goldman Sachs also assumed that all governmental, regulatory or other consents and approvals necessary for the completion of the merger would be obtained without any adverse effect on Investors Financial or State Street or on the expected benefits of the merger in any way meaningful to its analysis.

The following is a summary of the material financial analyses used by Goldman Sachs in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs. The order of analyses described does not represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before February 2, 2007 and is not necessarily indicative of current market conditions.

*Transaction Overview and Transaction Multiples Analysis.* Goldman Sachs reviewed with the Investors Financial board of directors the basic terms of the merger, including the following:

aggregate consideration to be determined based on a fixed exchange ratio of 0.906 shares of State Street common stock for each share of Investors Financial common stock;

implied value for the merger consideration of \$65.01 per share of Investors Financial common stock (based on the closing price of State Street's common stock on February 2, 2007), representing a total equity value of approximately \$4.5 billion; and

the form of consideration consisting of 100% stock.

Goldman Sachs calculated for the Investors Financial board of directors various multiples and premiums resulting from the transaction. These calculations were based on historical information, estimates from Institutional Brokerage Estimate Systems, or IBES (a data service that compiles estimates issued by securities analysts) and certain financial analyses and forecasts for Investors Financial prepared by its management.

Goldman Sachs calculated that the implied consideration of \$65.01 per share of Investors Financial's common stock, represented a 38.5% premium to the closing price per share of Investors Financial common stock on February 2, 2007 (the last trading day prior to the presentation made by Goldman Sachs to the Investors Financial board of directors) and a 40.2% and 42.1% premium to the average closing price per share for the 5 and 15 trading days, respectively, prior to the presentation made by Goldman Sachs to the Investors Financial board of directors.

**Table of Contents**

Using the implied consideration, Goldman Sachs also calculated the following multiples and premiums:

the implied consideration per share of \$65.01 as a multiple of: Investors Financial's earnings per share, or EPS, for 2006; IBES estimates and Investors Financial's management's estimates for Investors Financial's EPS, for each of years 2007 and 2008; and Investors Financial's management's estimates for Investors Financial's EPS for 2008 including estimated cost synergies; and

the implied aggregate consideration (based on the implied consideration per share of \$65.01) as a multiple of Investors Financial's stated book value and tangible book value as of December 31, 2006.

	<b>State Street's Proposal</b>
Implied consideration per share as a multiple of:	
2006 Actual EPS	28.5x
Management Estimated 2007 EPS	28.8x
Median IBES Estimated 2007 EPS	28.8x
Management Estimated 2008 EPS	24.4x
Median IBES Estimated 2008 EPS	24.8x
Management Estimated 2008 EPS with Cost Synergies <sup>1</sup>	11.9x
Implied aggregate consideration as a multiple of:	
Stated book value	4.5x
Tangible book value	5.0x

*Selected Companies Analysis.* Goldman Sachs reviewed and compared certain financial information for Investors Financial to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the banking industry:

**Custodians**