

STATE STREET CORP
Form S-4
March 01, 2007
Table of Contents

As filed with the Securities and Exchange Commission on March 1, 2007

Registration No. 333-[*]

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

Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

STATE STREET CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of
incorporation or organization)

6022
(Primary Standard Industrial
Classification Code Number)
One Lincoln Street

04-2456637
(I.R.S. Employer
Identification Number)

Boston, Massachusetts 02111

(617) 786-3000

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

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David Phelan, Esq.

One Lincoln Street

Boston, Massachusetts 02111

(617) 786-3000

(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

With copies to:

B. Robbins Kiessling, Esq.	John E. Henry, Esq.	Craig M. Wasserman, Esq.
Sarkis Jebejian, Esq.	Senior Vice President,	Nicholas G. Demmo, Esq.
Cravath, Swaine & Moore LLP	General Counsel and Secretary	Wachtell, Lipton, Rosen & Katz
825 Eighth Ave.	Investors Financial Services Corp.	51 West 52nd Street
New York, New York 10019	200 Clarendon Street	New York, New York 10019
(212) 474-3700	Boston, Massachusetts 02116	(212) 403-1000
	(617) 937-6700	

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed document.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate	Amount of Registration Fee
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	to Be Registered		Offering Price	
Common stock, par value \$1.00 per share	65,615,113 ⁽¹⁾	N/A	\$4,247,600,856 ⁽²⁾	\$130,401.35 ⁽³⁾

- (1) Represents the maximum number of shares of State Street Corporation (State Street) common stock estimated to be issuable upon the completion of the merger of Investors Financial Services Corp. (Investors Financial) with and into State Street, based on the number of shares of Investors Financial common stock, par value \$0.01 per share, outstanding, or reserved for issuance under various plans, as of January 31, 2007, and the exchange of each share of Investors Financial common stock for 0.906 of a share of State Street common stock.
- (2) Pursuant to Rules 457(c) and 457(f) under the Securities Act of 1933, as amended, and solely for the purpose of calculating the registration fee, the registration fee is based on the average of the high and low sales prices of Investors Financial common stock (the securities to be canceled in the merger), as reported on the NASDAQ on February 28, 2007, and computed based on the estimated maximum number of shares that may be exchanged for the State Street common stock being registered, including shares issuable upon exercise of outstanding options or other securities to acquire Investors Financial common stock.
- (3) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to \$30.70 per \$1,000,000 of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

PRELIMINARY SUBJECT TO COMPLETION DATED MARCH 1, 2007

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 [●], 2007 at [●], 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. 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. 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 [●], 2007, the last 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 [●], 2007	\$[●]	\$[●]	\$[●]

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.

Table of Contents

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 [●], 2007, and it is first being mailed or otherwise delivered to Investors Financial stockholders on or about [●], 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 [•] a.m., local time, on [•], 2007 to consider and vote upon the following proposals:

to adopt 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 [•], 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

[•], 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:

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

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

See Where You Can Find More Information on page 61.

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 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

	Page
<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>Public Trading Markets</u>	28
<u>Investors Financial Stockholders Do Not Have Dissenters' Appraisal Rights in the Merger</u>	29
<u>Regulatory Approvals Required for the Merger</u>	29
<u>Some of Investors Financial's Directors and its Executive Officers Have Financial Interests in the Merger</u>	30
<u>THE MERGER AGREEMENT</u>	34
<u>Terms of the Merger</u>	34
<u>Treatment of Investors Financial Stock Options, Restricted Shares and Employee Stock Purchase Plan</u>	34
<u>Closing and Effective Time of the Merger</u>	35
<u>Conversion of Shares; Exchange of Certificates</u>	35
<u>Representations and Warranties</u>	37
<u>Covenants and Agreements</u>	38
<u>Reasonable Best Efforts of Investors Financial to Obtain the Required Stockholder Vote</u>	40
<u>Agreement Not to Solicit Other Offers</u>	41
<u>Fees and Expenses</u>	42
<u>Employee Matters</u>	42
<u>Indemnification and Insurance</u>	43
<u>Conditions to Complete the Merger</u>	43
<u>Termination of the Merger Agreement</u>	44
<u>Termination Fee</u>	44
<u>Amendment, Waiver and Extension of the Merger Agreement</u>	45
<u>Resales of State Street Stock by Affiliates</u>	45
<u>ACCOUNTING TREATMENT</u>	46
<u>MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER</u>	46
<u>Tax Consequences of the Merger Generally</u>	47
<u>Tax Basis and Holding Period</u>	47
<u>Cash Instead of a Fractional Share</u>	48
<u>Information Reporting and Backup Withholding</u>	48
<u>Reporting Requirements</u>	48

Table of Contents

	Page
<u>INFORMATION ABOUT THE COMPANIES</u>	48
<u>State Street Corporation</u>	48
<u>Investors Financial Corp.</u>	49
<u>COMPARISON OF STOCKHOLDERS' RIGHTS</u>	50
<u>COMPARATIVE MARKET PRICES AND DIVIDENDS</u>	58
<u>LEGAL MATTERS</u>	59
<u>EXPERTS</u>	59
<u>OTHER MATTERS</u>	59
<u>Investors Financial 2007 Annual Meeting Stockholder Proposals</u>	59
<u>COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES</u>	60
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	61
<u>AGREEMENT AND PLAN OF MERGER, DATED AS OF FEBRUARY 4, 2007, BY AND BETWEEN STATE STREET CORPORATION AND INVESTORS FINANCIAL SERVICES CORP.</u>	ANNEX A
<u>OPINION OF GOLDMAN, SACHS & 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, by and between State Street Corporation and Investors Financial Services Corp.

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.**

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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.

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 selected 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 61. 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 34)

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 34)

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

Table of Contents

exchange for a cash payment equal to the product of (1) the excess of the cash equivalent value of the 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 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 46)

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

Table of Contents

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.

Financial Interests of Some of Investors Financial's Directors and its Executive Officers in the Merger (page 30)

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.

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.

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.

The Merger Agreement (page 34)

Conditions to Completion of the Merger (page 43)

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 44)

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

Table of Contents

(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 44)

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,

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 29)

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 50)

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

Table of Contents

incorporated in different states (Investors Financial in Delaware and State Street in Massachusetts). Page 50 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 [•], 2007 (page 15)

The special meeting will be held on [•], 2007, at [•], 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 [•], 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 [•], 2007, there were approximately [•] 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 [•] shares of Investors Financial common stock, or [•]% 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 48)*****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 \$11.85 trillion of assets under custody and \$1.75 trillion of assets under management at year-end 2006, 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 December 31, 2006, State Street had total assets of \$107.35 billion, total deposits of \$65.65 billion, total shareholders' equity of \$7.25 billion and 21,700 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 \$2.2 trillion at December 31, 2006, including approximately \$0.4 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 58)

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 [•], 2007, the last 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 [•], 2007	\$ [•]	\$ [•]	\$ [•]

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 historical financial data as of and for the years ended December 31, 2002 through 2006. 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, which is incorporated by reference in this document and from which this information is derived. See "Where You Can Find More Information" on page 61.

State Street Summary of Selected Consolidated Financial Data

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

	2006	2005	2004	2003	2002
FOR THE YEAR ENDED DECEMBER 31:					
Total fee revenue	\$ 5,186	\$ 4,551	\$ 4,048	\$ 3,556	\$ 2,850
Net interest revenue	1,110	907	859	810	979