

STATE STREET CORP
Form S-4/A
May 02, 2007
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As filed with the Securities and Exchange Commission on May 1, 2007

Registration No. 333-141015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

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)

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:

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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) 474-1000

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. "

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.

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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 MAY 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, 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 [•], 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.

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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.

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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, 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 [•], 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.

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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 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 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.

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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.**

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

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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.

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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

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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 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

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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 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 \$[•] (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 [•], 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 \$[•] million and in respect of their vested stock options is estimated to be approximately \$[•] 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 \$[•] million and in respect of their vested stock options is estimated to be approximately \$[•] 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 \$[•] million (approximately \$[•] million of which is payable to Mr. Sheehan and \$[•] 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 \$[•] million (approximately \$[•] million of which is payable to Mr. Sheehan and \$[•] million of which is payable to Mr. Rogers).

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 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

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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,

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.

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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 [•], 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 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 \$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 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 [•], 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 63.

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
Provision for loan losses			(18)		4
Gains (losses) on sales of available-for-sale investment securities, net	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	6,311	5,473	4,951	4,734	4,396
Total operating expenses	4,540	4,041	3,759	3,622	2,841
Income from continuing operations before income tax expense	1,771	1,432	1,192	1,112	1,555
Income tax expense from continuing operations	675	487	394	390	540
Income from continuing operations	1,096	945	798	722	1,015
Net income (loss) from discontinued operations	10	(107)			
Net income	\$ 1,106	\$ 838	\$ 798	\$ 722	\$ 1,015
PER COMMON SHARE:					
Basic earnings:					
Continuing operations	\$ 3.31	\$ 2.86	\$ 2.38	\$ 2.18	\$ 3.14
Net income	3.34	2.53	2.38	2.18	3.14
Diluted earnings:					
Continuing operations	3.26	2.82	2.35	2.15	3.10
Net income	3.29	2.50	2.35	2.15	3.10
Cash dividends declared	.80	.72	.64	.56	.48
AT YEAR-END:					
Investment securities	\$ 64,992	\$ 59,870	\$ 37,571	\$ 38,215	\$ 28,071
Total assets	107,353	97,968	94,040	87,534	85,794
Deposits	65,646	59,646	55,129	47,516	45,468
Long-term debt	2,616	2,659	2,458	2,222	1,270
Shareholders' equity	7,252	6,367	6,159	5,747	4,787
RATIOS:					
Continuing operations:					
Return on shareholders' equity	16.2%	15.3%	13.3%	13.9%	24.1%
Return on average assets	1.03	.95	.84	.87	1.28

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Dividend payout	24.2	25.3	26.9	25.9	15.4
Net income:					
Return on shareholders' equity	16.4	13.6	13.3	13.9	24.1
Return on average assets	1.04	.84	.84	.87	1.28
Dividend payout	24.0	28.5	26.9	25.9	15.4
Average shareholders' equity to average assets	6.3	6.2	6.3	6.3	5.3
Tier 1 risk-based capital	13.7	11.7	13.3	14.0	17.1
Total risk-based capital	15.9	14.0	14.7	15.8	18.0
Tier 1 leverage ratio	5.8	5.6	5.5	5.6	5.6
Tangible common equity to adjusted total assets	5.1	4.8	4.5	4.5	4.9
OTHER DATA:					
Assets under custody (in billions)	\$ 11,854	\$ 10,121	\$ 9,497	\$ 9,370	\$ 6,171
Assets under management (in billions)	1,749	1,441	1,354	1,106	763
Employees at end of period	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 historical financial data as of and for the years ended December 31, 2002 through 2006. 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, which is 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)

	2006	2005	2004	2003 ⁽¹⁾	2002
FOR THE YEAR ENDED DECEMBER 31:					
Noninterest income	\$ 639	\$ 526	\$ 425	\$ 336	\$ 299
Net interest income	164	170	188	154	139
Net operating revenues	803	696	613	490	438
Operating expenses	579	460	398	345	342
Income before income taxes	224	236	215	145	96
Income taxes	70	76	73	53	29
Net income	\$ 154	\$ 160	\$ 142	\$ 92	\$ 67
PER COMMON SHARE:					
Basic earnings	\$ 2.34	\$ 2.42	\$ 2.15	\$ 1.42	\$ 1.05
Diluted earnings	2.28	2.37	2.09	1.39	1.02
Cash dividends declared	0.09	0.08	0.07	0.06	0.05
AT YEAR-END:					
Investments	\$ 10,372	\$ 11,183	\$ 10,558	\$ 8,653	\$ 6,760
Total assets	11,558	12,089	11,143	9,223	7,215
Deposits	6,145	4,993	5,396	4,207	3,333
Junior subordinated debentures ⁽²⁾	25	25	25	25	
Shareholders' equity	939	773	712	540	443
RATIOS:					
Return on average shareholders' equity	17.7%	21.1%	22.7%	19.1%	17.1%
Return on average assets	1.3	1.3	1.4	1.1	1.1
Dividend payout ratio ⁽³⁾	3.9	3.4	3.3	4.3	4.9
Average shareholders' equity to average assets	7.3	6.3	6.1	5.9	6.4
Tier 1 risk-based capital	19.0	18.5	20.5	17.6	15.3
Total risk-based capital	19.0	18.5	20.5	17.6	15.3
Tier 1 leverage ratio	7.6	6.0	5.9	5.4	5.4
Noninterest income to net operating income	79.6	75.5	69.4	68.6	68.3
OTHER DATA:					
Assets processed at end of period (in billions) ⁽⁴⁾	\$ 2,212	\$ 1,793	\$ 1,430	\$ 1,057	\$ 785
Employees at end of period	4,265	3,252	2,778	2,413	2,591

(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 certain historical, pro forma combined and pro forma-equivalent per share financial information for State Street common stock and Investors Financial common stock. The pro forma and pro forma-equivalent per share information gives effect to the merger as if the merger had been effective on December 31, 2006, in the case of the book value data presented, and as if the merger had become effective on January 1, 2006, in the case of the net income and dividends declared data presented. The pro forma data in the table assumes 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 change 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 certain 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 year ended December 31, 2006, combines the historical net 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
Net Income:				
For the year ended December 31, 2006:				
Basic	\$ 3.34	\$ 2.34	\$ 3.02	\$ 2.74
Diluted	3.29	2.28	2.97	2.69
Cash Dividends Declared:				
For the year ended December 31, 2006	0.80	0.09	0.80	0.72
Book Value:				
As of December 31, 2006	21.81	14.30	29.70	26.91

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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.

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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.

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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.

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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 [●], 2007, at [●] 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

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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 [●], 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 [●] shares of Investors Financial common stock were outstanding, held by approximately [●] 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 [●] shares of Investors Financial common stock, or [●]% 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.

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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.

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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

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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.

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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% 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

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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.

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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

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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

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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.

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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.

	State Street's Proposal
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 ¹	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:

<u>Custodians</u>	<u>Financial Processors</u>	<u>Securities Processors</u>
Bank of New York / Mellon Financial Corporation State Street Corporation Northern Trust Corporation	Fiserv, Inc. Total Systems Services, Inc. ChoicePoint, Inc. Jack Henry & Associates, Inc. eFunds Corporation	SEI Investments Company DST Systems, Inc. BISYS Group, Inc. Advent Software, Inc.

Although none of the selected companies is directly comparable to Investors Financial, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of Investors Financial.

The multiples and ratios of Investors Financial and the selected companies were based on the latest publicly available financial data, market data as of February 2, 2007 and IBES estimates (or, with respect to the EPS estimate for Investors Financial, internal forecasts prepared by its management). With respect to the selected companies, Goldman Sachs calculated:

the closing share price as a percentage of the 52-week high share price;

the closing share price as a multiple of median IBES EPS estimate for 2007 and 2008;

the median IBES long-term earnings growth rate estimate;

the ratio of the 2007 P/E multiple to the median IBES long-term earnings growth rate estimate; and

for the selected companies primarily involved in the custodial business, the ratio of the share price to the tangible book value per share.

¹ Based on fully phased-in after-tax cost synergies per share based on 50% of 2006 run-rate non-interest expense grown at 3% per year.

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	Securities									
	Investors Financial	Custodians		Financial Processors		Processors				
		Range	Median	Range	Median	Range	Median	Range	Median	
Closing share price as a percentage of the 52-week high share price	92%	97%	100%	100%	85%	100%	96%	82%	100%	95%
Closing share price as a multiple of:										
Estimated 2007 EPS ²	20.8x	17.4x	18.4x	17.8x	18.5x	25.8x	20.0x	19.0x	63.7x	21.9x
Estimated 2008 EPS ³	17.7x	15.3x	16.5x	16.2x	16.2	23.0x	18.0x	17.7x	40.0x	19.7x
IBES long-term growth rate estimate	13.3%	12.0%	12.0%	12.0%	13.0%	15.0%	15.0%	10.0%	17.5%	13.5%
Ratio of the 2007 P/E multiple to IBES long-term earnings growth rate estimate	1.6x	1.5x	1.5x	1.5x	1.2x	2.0x	1.3x	1.6x	3.6x	1.8x
Ratio of market capitalization to tangible book value	3.6x	3.9x	6.1x	4.6x	NM		NM	NM		NM

Goldman Sachs compared the historical total return, calculated as the change in stock price plus the reinvested proceeds from dividends, for certain periods ended February 2, 2007 for Investors Financial, to the average historical total return for the following Investors Financial peers: Bank of New York, Mellon Financial and Northern Trust. The following table represents the results of this analysis:

	Investors	
	Financial	Peer Group
10-year total return	1,237.2%	203.8%
7-year total return	362.6%	29.2%
5-year total return	38.7%	19.1%
3-year total return	12.0%	39.0%
total return since the announcement of Bank of New York / Mellon transaction (December 4, 2006)	13.0%	3.3%

Selected Transactions Analysis. Goldman Sachs analyzed certain publicly available financial information relating to 35 selected transactions in the financial institutions sector, which are divided into the following three groups:

a group of 20 selected transactions announced since January 1, 2003 involving depository institutions, each of which had an announced value between \$1.0 billion and \$7.0 billion;

a group of 6 selected transactions announced since January 1, 2003 involving asset managers, each of which had an announced value between \$1.0 billion and \$10.0 billion; and

a group of 9 selected transactions involving financial institution technology processors, each of which had an announced value greater than \$1.0 billion.

Goldman Sachs took into consideration the information obtained from its selected transaction analysis in its evaluation of the fairness of the exchange ratio of 0.906 shares of State Street common stock to be received for each share of Investors Financial common stock by the holders of Investors Financial common stock.

² Based on median IBES estimates except for Investors Financial, which is based on internal forecasts prepared by Investors Financial's management.

³ Based on median IBES estimates except for Investors Financial, which is based on internal forecasts prepared by Investors Financial's management.

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For the selected transactions, Goldman Sachs calculated and compared:

for transactions involving depository institutions and financial institution technology processors, the implied premium represented by the price paid for the target in the transaction to the closing price per share of common stock of the target shortly prior to the announcement of the transaction; and

the implied ratio of the price paid for the target in the transaction to: (i) earnings of the target for the last twelve months prior to the date the transaction was announced, (ii) for transactions involving depository institutions and financial institution technology processors, estimated earnings of the target for the fiscal year following the year in which the transaction was announced (FY1), based on IBES estimates except for Investors Financial, which was based on internal forecasts prepared by its management; (iii) for transactions involving depository institutions, stated book value of the target, based on the last publicly available financial statements of the target available prior to the announcement of the transaction; (iv) for transactions involving depository institutions, tangible book value of the target, based on the last publicly available financial statements of the target available prior to the announcement of the transaction; (v) for transactions involving asset managers, assets under management of the target, based on the last publicly available financial statements of the target available prior to the announcement of the transaction; and (vi) for transactions involving asset managers, revenue of the target, based on the last publicly available financial statements of the target available prior to the announcement of the transaction.

The following table presents the results of this analysis by group for the selected transactions.

	Depository Institutions			Asset Managers			Financial Institution Technology Processors		
	High	Median	Low	High	Median	Low	High	Median	Low
Premium/Market (1 or 6 days prior to announcement) ⁴	45.8%	22.3%	2.7%	NA	NA	NA	44.3%	22.2%	10.8%
Premium/ Market (30 days prior to announcement)	NA	NA	NA	NA	NA	NA	63.4%	24.4%	(10.2)%
Price/LTM Earnings	42.1x	18.5x	10.6	25.0x	24.2x	17.5x	48.6x	23.4x	18.8x
Price/FY1 Earnings	28.9x	17.4x	10.7x	NA	NA	NA	37.4x	22.5x	18.4x
Price/Stated Book Value	3.4x	2.5x	1.5x	NA	NA	NA	NA	NA	NA
Price/Tangible Book Value	4.9x	3.2x	1.9x	NA	NA	NA	NA	NA	NA
Price/Assets Under Management	NA	NA	NA	5.0%	3.8%	0.8%	NA	NA	NA
Price/Revenue	NA	NA	NA	5.6x	4.5x	2.2x	NA	NA	NA

Note: Financial Information used in calculating the figures in this table were taken from SNL Financial, Bloomberg and company press releases.

Pro Forma Merger Analysis. Goldman Sachs prepared pro forma analyses of the financial impact of the merger using, for State Street, earnings estimates from IBES and for Investors Financial, internal forecasts prepared by its management, and market data as of February 2, 2007. Goldman Sachs performed these analyses using various assumptions, including with respect to: the transaction closing date; cost savings and a related pre-tax restructuring charge; share repurchases by State Street; specified balance sheet growth rates for Investors Financial and State Street; and straight line amortization of the purchase price premium.

⁴ For depository institutions, based on closing share price 6 days prior to the announcement of the transaction. For financial institution technology processors, based on the closing share prices one day prior to the announcement of the transaction.

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For each of the years 2008 and 2009, Goldman Sachs compared the EPS of State Street's common stock to the EPS, on both a GAAP basis and a cash basis, of the combined companies' common stock, using the foregoing assumptions. The following table sets forth the results of this analysis:

	GAAP Basis	Cash Basis
	Accretion /(Dilution)	Accretion /(Dilution)
IBES estimated 2007 EPS	(1.9)%	(0.3)%
IBES estimated 2008 EPS	0.7%	3.2%
IBES estimated 2009 EPS	3.4%	5.8%

The purpose of this pro forma analysis is to illustrate the financial impact of the transaction by calculating the percentage change in the projected earnings per share for each share of State Street common stock that may result from the merger under various assumptions including, but not limited to, cost savings and operating synergies, while not adjusting for accounting reconciliation.

Value Creation Analysis. Goldman Sachs analyzed the estimated value created for the Investors Financial shareholders by the merger. Goldman Sachs calculated the potential net synergy value for the Investors Financial common shares based on the after-tax value of the expected synergies that could be achieved by the combined company after taking into account the after-tax cost of achieving the synergies as well as the premium paid to the holders of Investors Financial common stock. The analysis was based on (i) estimated cost savings projected by Investors Financial and State Street, which were valued at a multiple of State Street's estimated price to 2007 EPS, based on median IBES estimates, (ii) the premium paid to holders of Investors Financial common stock, (iii) the exchange ratio of 0.906 shares of State Street common stock for each share of Investors Financial common stock and (iv) Investors Financial's and State Street's share prices as of February 2, 2007. Based on the assumptions set forth above, this analysis implied value creation for the Investors Financial common stockholders of up to \$1.582 billion in the aggregate based on Investors Financial common stockholders' pro forma ownership of the combined company.

Dividend Discount Model Analysis. Goldman Sachs performed a dividend discount model analysis with respect to the future dividend streams of Investors Financial's common shares based on estimates provided by Investors Financial's management. Goldman Sachs added the illustrative present value indications based on the estimated future dividend streams for Investors Financial over the 5 year period from 2007 to 2012 and the present values of the Investors Financial common stock at the end of the year 2012 that resulted from this analysis.

Goldman Sachs employed the following assumptions in this analysis:

an estimated excess capital of Investors Financial based on adjusted tangible common equity to tangible assets target ratio of 7.5%;

an estimated growth rate of tangible assets of 12.0% per year;

an estimated cost of equity of 11.3%;

an estimated tax rate of 40.0%; and

Investors Financial's management EPS estimates for 2007 and 2008 of \$2.26 and \$2.66, respectively, and a long-term EPS growth rate of 13.3% thereafter.

This analysis resulted in a reference range for the implied present value per share of Investors Financial common stock of \$40.39 to \$64.68.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' analyses and opinion. In arriving at its fairness determination, Goldman Sachs considered the

results of all

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of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to Investors Financial or State Street or the contemplated transaction.

Goldman Sachs prepared these analyses solely for purposes of providing an opinion to Investors Financial's board of directors as to the fairness, from a financial point of view, to the holders of shares of Investors Financial common stock of the exchange ratio of 0.906 shares of State Street common stock for each share of Investors Financial common stock to be received pursuant to the merger agreement. These analyses do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Investors Financial, State Street, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The exchange ratio was determined through arms-length negotiations between Investors Financial and State Street and was approved by Investors Financial's board of directors. Goldman Sachs did not recommend any specific amount of consideration to Investors Financial or its board of directors or that any specific amount of consideration constituted the only appropriate consideration for the transaction.

As described above, Goldman Sachs' opinion to Investors Financial's board of directors was one of many factors taken into consideration by Investors Financial's board of directors in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex B to this document.

Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs acted as financial advisor to Investors Financial in connection with, and participated in certain of the negotiations leading to, the transaction contemplated by the merger agreement.

Goldman Sachs currently is providing and has provided certain investment banking services to State Street from time to time, including having acted as:

sole lead bookrunner with respect to three offerings of State Street's Floating Rate 2-Year Certificate of Deposits (aggregate principal amount of \$250,000,000 each) in December 2004 and subsequent interest swap (aggregate principal amount of \$500,000,000);

joint lead manager with respect to an offering of State Street's Fixed-Rate 5.3% Subordinated Notes (aggregate principal amount \$400,000,000) in December 2005; and

joint lead manager with respect to an offering of State Street's Floating-Rate, 3-Month Subordinated Notes (aggregate principal amount of \$200,000,000) in December 2005.

Goldman Sachs also may provide investment banking services to State Street in the future.

Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may provide such services to Investors Financial, State Street and their respective affiliates, may actively trade the debt and equity securities (or related derivative securities) of Investors Financial and State Street for their own account and for the accounts of their customers and may at any

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time hold long and short positions of such securities. During the past two years Goldman Sachs has performed foreign exchange and stock repurchase services for Investors Financial for which it has received approximately \$125,000 in revenue.

Investors Financial's board of directors selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the merger. Pursuant to a letter agreement dated January 16, 2007, Investors Financial engaged Goldman Sachs to act as its financial advisor in connection with the transaction. Pursuant to the terms of this engagement letter, Investors Financial has agreed to pay Goldman Sachs a transaction fee equal to 0.70% of the aggregate consideration paid in the merger for Investors Financial securities (including amounts paid to holders of options, warrants and convertible securities, distributions declared by Investors Financial other than normal recurring cash dividends, and amounts paid by Investors Financial to repurchase any of its outstanding securities), calculated based on an average price of State Street's common stock over a specified pre-closing period. Accordingly, the transaction fee is not determinable until closing. However, assuming the average price of State Street's common stock over the specified pre-closing period was equal to the closing price of State Street's common stock on April 20, 2007 of \$69.51, Goldman Sachs' transaction fee would be approximately \$30 million. The transaction fee is payable in cash upon consummation of the merger. In addition, Investors Financial has agreed to reimburse Goldman Sachs for certain of its reasonable expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

Financial Forecasts

Prior to entering into the merger agreement, Investors Financial provided State Street and the parties' respective financial advisors with internal management forecasts that included estimates of 2007 and 2008 earnings per share. The internal management estimates of 2007 and 2008 earnings were \$2.26, which was consistent with publicly available consensus analyst estimates and within the range of the earnings guidance provided by Investors Financial in its 2006 fourth quarter earnings release, and \$2.66, respectively. These estimates were prepared for internal budgeting and other purposes, and were not prepared with a view toward public disclosure or with a view toward complying with the published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information or generally accepted accounting principles. Investors Financial's internal management estimates are not facts and should not be relied upon as being necessarily indicative of future results, and readers of this document are cautioned not to place undue reliance on the management estimates. These estimates are forward-looking statements and actual results may differ materially from them; see *Cautionary Statement Regarding Forward-Looking Statements* on page 14.

Public Trading Markets

State Street common stock trades on the NYSE under the symbol *STT*. Investors Financial common stock trades on the NASDAQ under the symbol *IFIN*. Upon completion of the merger, Investors Financial common stock will be delisted from the NASDAQ and deregistered under the Securities Exchange Act of 1934, as amended. The State Street common stock issuable in the merger will be listed on the NYSE.

The shares of State Street common stock to be issued in connection with the merger will be freely transferable under the Securities Act of 1933, as amended, which we refer to as the Securities Act, except for shares issued to any stockholder who is an affiliate of Investors Financial, as discussed in *The Merger Agreement Resales of State Street Stock by Affiliates* on page 47.

Investors Financial Stockholders Do Not Have Dissenters' Appraisal Rights in the Merger

Under Delaware law, stockholders generally have the right to dissent from any plan of merger or consolidation to which the corporation is a party, and to demand payment for the fair value of their shares. However, unless the certificate of incorporation otherwise provides (and the certificate of incorporation of

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Investors Financial does not so provide), Delaware law states that stockholders do not have a right to dissent from any plan of merger or consolidation with respect to shares:

listed on a national securities exchange or the NASDAQ or held of record by more than 2,000 holders; and

for which, pursuant to the plan of merger or consolidation, stockholders will receive only (1) shares or depository receipts of another corporation which at the effective date of the merger or consolidation will be either listed on a national securities exchange or the NASDAQ or held of record by more than 2,000 holders, (2) shares of stock or depository receipts of the surviving corporation in the merger or consolidation, (3) cash for fractional shares or (4) any combination of (1)-(3).

Consequently, because State Street's common stock is listed on the NYSE and Investors Financial's common stock is quoted on the NASDAQ, Investors Financial's stockholders do not have dissenters' rights with respect to their Investors Financial common stock as a result of the merger.

Regulatory Approvals Required for the Merger

We have agreed to use our reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement, including the merger, substantially simultaneously with the consummation of the merger of Investors Financial into State Street, of Investors Financial's subsidiary bank, Investors Bank & Trust Company, into State Street's primary bank subsidiary, State Street Bank and Trust Company. These approvals include approval from the Federal Reserve Board, the Massachusetts Board of Bank Incorporation and the Massachusetts Commissioner of Banks, as well as various other federal, state and foreign regulatory authorities. State Street and Investors Financial have completed, or will complete, the filing of applications and notifications to obtain the required regulatory approvals.

Federal Reserve Board. The merger and the related merger of our primary bank subsidiaries are subject to approval by the Federal Reserve Board pursuant to Section 3 of the Bank Holding Company Act of 1956 and pursuant to the Bank Merger Act. State Street has filed the required applications with the Federal Reserve Board for such approvals, and the Federal Reserve Board acknowledged receipt of State Street's applications as of March 19, 2007.

The Federal Reserve Board is prohibited from approving any transaction under the applicable statutes that (1) would result in a monopoly, (2) would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States, or (3) may have the effect in any section of the United States of substantially lessening competition, tending to create a monopoly or resulting in a restraint of trade, unless the Federal Reserve Board finds that the anti-competitive effects of the transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the communities to be served.

In addition, in reviewing a transaction under the applicable statutes, the Federal Reserve Board will consider the financial and managerial resources of the companies and their subsidiary banks and the convenience and needs of the community to be served as well as the companies' effectiveness in combating money-laundering activities. In connection with its review, the Federal Reserve Board will provide an opportunity for public comment on the application for the merger, and is authorized to hold a public meeting or other proceeding if it determines that would be appropriate.

Under the Community Reinvestment Act of 1977, which we refer to as the CRA, the Federal Reserve Board must take into account the record of performance of each of State Street and Investors Financial in meeting the credit needs of the entire communities, including low- and moderate-income neighborhoods, served by the company and its subsidiaries. State Street Bank and Trust Company has received an outstanding CRA rating in its most recent performance evaluation by the Federal Reserve Bank. Investors Bank & Trust Company is exempted from federal CRA review.

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Other Requisite Approvals, Notices and Consents. The merger and the related merger of our primary bank subsidiaries are also subject to the prior approval of the Massachusetts Board of Bank Incorporation and the Massachusetts Commissioner of Banks. State Street has filed the required applications with the Massachusetts Board of Bank Incorporation and the Massachusetts Commissioner of Banks and has received an acknowledgement of receipt from the Massachusetts Board of Bank Incorporation as of February 15, 2007 and an acknowledgement of receipt from the Massachusetts Commissioner of Banks as of February 27, 2007. Applications or notifications may also be required to be filed with various other domestic and foreign regulatory authorities in connection with the merger, including the Vermont Insurance Division, the Financial Services Authority in the United Kingdom, the regulatory authorities in Ireland, the Office of the Superintendent of Financial Institutions in Canada, the Commission de Surveillance du Secteur Financier in Luxembourg, the Cayman Islands Monetary Authority, the NASD and SEC.

Antitrust Considerations. At any time before or after the acquisition is completed, the United States Department of Justice or DOJ could take action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the acquisition or seeking divestiture of substantial assets of State Street or Investors Financial or their subsidiaries. Private parties also may seek to take legal action under the antitrust laws under some circumstances. State Street and Investors Financial believe that the merger does not raise substantial antitrust or other significant regulatory concerns and that they will be able to obtain all requisite regulatory approvals on a timely basis without the imposition of any condition that would have a material adverse effect on State Street or Investors Financial. However, State Street and Investors Financial can give no assurance that a challenge to the merger on antitrust grounds will not be made, or, if such a challenge is made, that State Street and Investors Financial will prevail.

Timing. We cannot assure you that all of the regulatory approvals described above will be obtained, and, if obtained, we cannot assure you as to the date of any approvals or the absence of any litigation challenging such approvals. Likewise, we cannot assure you that the DOJ will not attempt to challenge the merger on antitrust grounds, and, if such a challenge is made, we cannot assure you as to its result.

Pursuant to the Bank Holding Company Act, a transaction approved by the Federal Reserve Board may not be completed until 30 days after approval is received, during which time the DOJ may challenge the merger on antitrust grounds. The commencement of an antitrust action would stay that is, suspend the effectiveness of an approval unless a court specifically were to order otherwise. With the approval of the Federal Reserve Board and the concurrence of the DOJ, the waiting period may be reduced to no less than 15 days.

We are not aware of any material governmental approvals or actions that are required for completion of the merger other than those referred to above. It is presently contemplated that if any such additional governmental approvals or actions are required, those approvals or actions will be sought. There can be no assurance as to the timing of such approvals and actions or the ability to obtain such approvals on satisfactory terms or otherwise.

Some of Investors Financial's Directors and its Executive Officers Have Financial Interests in the Merger

In considering the recommendation of the Investors Financial board of directors that you vote to adopt the merger agreement, you should be aware that some of Investors Financial's directors and its executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of Investors Financial's stockholders generally. The Investors Financial board of directors was aware of these interests and considered them, among other matters, in reaching its decisions to approve the merger agreement and to recommend that you vote in favor of adopting the merger agreement.

Table of Contents**Stock Options**

The merger agreement provides that, 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 a single lump sum cash payment equal to the product of:

the number of shares of Investors Financial common stock subject to the outstanding portion of the option; and

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 being the product of 0.906 multiplied by 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 following table shows the number of stock options held by Investors Financial's executive officers and directors (as a group) as of [•]. The number of vested versus unvested options assumes an effective time of July 2, 2007. The aggregate cash value is based on an assumed cash-out price of \$[•] (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 [•], 2007).

	Outstanding Options		Aggregate Cash Value	
	Vested	Unvested	Vested	Unvested
Kevin J. Sheehan	[•]	[•]	\$[•]	\$[•]
Michael F. Rogers	[•]	[•]	[•]	[•]
Edmund J. Maroney	[•]	[•]	[•]	[•]
Robert D. Mancuso	[•]	[•]	[•]	[•]
John N. Spinney, Jr.	[•]	[•]	[•]	[•]
John E. Henry	[•]	[•]	[•]	[•]
All other directors as a group	[•]	[•]	[•]	[•]
			\$[•]	\$[•]

Restricted Stock

The merger agreement provides that, 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 both terms are defined in the merger agreement), the stockholder's restricted stock will vest in full upon termination. None of the directors or executive officers of Investors Financial hold restricted stock.

Supplemental Executive Retirement Plan

Investors Financial maintains a supplemental executive retirement plan, which we refer to as the SERP, under which executive officers of Investors Financial are eligible for retirement benefits. Pursuant to the merger agreement, Investors Financial and State Street have agreed to pay, on January 2, 2008, each executive officer who is a participant in the SERP such executive officer's accrued benefits under the SERP through the effective time of the merger, plus any additional amounts accrued thereafter. The benefits under the SERP are normally payable to a participant when he or she reaches age 55. Assuming the effective time occurs on July 2, 2007, the lump-sum present value of the benefits accrued under the SERP through such date that will be payable to each of Kevin J. Sheehan, Michael F. Rogers, Edmund J. Maroney, Robert D. Mancuso, John N. Spinney, Jr. and John

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E. Henry are estimated to be approximately \$[•], \$[•], \$[•], \$[•], \$[•] and \$[•], respectively, with an estimated aggregate amount of \$[•].

Change of Control Agreements

Investors Financial is, and has been since 2001, party to change of control employment agreements with each of Messrs. Sheehan, Rogers, Maroney, Mancuso, Spinney and Henry. The agreements become effective on a change of control of Investors Financial, which will be triggered by the completion of the merger. The agreements guarantee the executive officers that certain terms of their employment (including title, duties, salary, bonus and benefit plan participation) will not change for three years after a change of control. The agreements provide that, if the employment of any of the executive officers is terminated by the company (other than for cause (as defined in the agreements), death or disability), or an executive officer resigns for good reason (as defined in the agreements) during such three-year period, or if an executive officer resigns for any reason during the 30-day period commencing on the first anniversary of the change of control, the executive officer will be generally entitled to receive in a lump sum within 30 days of the date of termination (1) a pro rata bonus through the date of termination based on the higher of (a) the executive officer's most recent annual bonus or (b) the highest bonus earned by the executive officer during the three years prior to the change of control (we refer to this as the highest bonus), (2) an amount equal to three times the sum of the executive officer's annual base salary and highest bonus, (3) continued welfare benefits for three years, (4) a lump sum payment equal to the benefits that would have accrued to the executive officer under the qualified and non-qualified defined benefit pension plans of the company if the executive officer had remained an employee of the company for three additional years, (5) three years' service credit for purposes of determining eligibility for retiree welfare benefits and (6) outplacement services. Assuming the effective time occurs on July 2, 2007, the cash severance amounts payable under the change of control employment agreements to each of Messrs. Sheehan, Rogers, Maroney, Mancuso, Spinney and Henry are estimated to be approximately \$[•], \$[•], \$[•], \$[•], \$[•] and \$[•], respectively, with an estimated aggregate amount of \$[•]. In addition, in the event that any of the executive officers becomes subject to an excise tax under Section 4999 of the Internal Revenue Code, the agreements generally provide for an additional payment to the executive officer such that the executive officer will be placed in the same after-tax position as if no such excise tax had been imposed. However, if an executive officer's payments do not exceed 110% of the greatest amount that could be paid to the executive officer without triggering the excise tax, then no additional payment will be made and the severance payments will be reduced to such greatest amount.

Pursuant to the merger agreement, Investors Financial and State Street have agreed to pay each executive officer who is party to a change of control employment agreement the benefits to which such executive officer would be entitled under such agreement had such executive officer's employment been terminated by Investors Financial without cause immediately following closing of the merger. Such payments will be made on January 2, 2008, regardless of whether the executive officers remain employed by State Street on such date.

Consulting Arrangement with Kevin J. Sheehan

State Street entered into a term sheet with Mr. Sheehan, which provides that Mr. Sheehan will serve as a consultant to the Investors Financial business to aid in transition and to provide client contact for 18 months following the consummation of the merger. Mr. Sheehan will receive an aggregate of \$2 million as compensation for such services in equal monthly installments over such 18-month period. He will be subject to noncompetition and nonsolicitation covenants during the consulting period and for one year thereafter. Mr. Sheehan's consulting arrangement will be documented in a consulting agreement.

Employment Arrangement with Michael F. Rogers

State Street has entered into a term sheet with Mr. Rogers which sets forth certain terms of ongoing employment between State Street and Mr. Rogers. The employment arrangement, which may be terminated at any time by either party, provides that Mr. Rogers will serve as an Executive Vice President of State Street and Head of the

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IBT Division. Mr. Rogers's base salary will be \$910,000 per year, and he will be entitled to a \$1,740,000 bonus for the 2007 calendar year (payable in March 2008), which will be pro-rated for the period between the closing of the merger and December 31, 2007. If Mr. Rogers's employment is terminated by State Street without cause or on account of his death or disability (as each term is defined in the term sheet) prior to the payment of his pro rata 2007 bonus, Mr. Rogers will nevertheless be paid this bonus in March 2008. He will not be entitled to receive any other severance payments or benefits upon termination of his employment. In addition, Mr. Rogers will be subject to noncompetition and nonsolicitation covenants during his employment period and for 18 months thereafter.

If Mr. Rogers remains employed by State Street in August 2007, he will be granted performance-based deferred stock awards with an initial value of \$2,350,000, which will vest in equal installments in February and August of 2009 provided he has achieved certain integration synergy targets imposed with respect to each such date. The term sheet also contemplates that Mr. Rogers will become entitled to receive other customary benefits, and if he remains employed on January 1, 2009, he will become eligible to participate in State Street's Supplemental Executive Retirement Plan and severance plan and will become a party to a change of control agreement. The above-mentioned terms are subject to an election by State Street's Board of Directors and the approval by its Executive Compensation Committee.

Employment Arrangement with Edmund J. Maroney

State Street has entered into a term sheet with Mr. Maroney which sets forth certain terms of ongoing employment between State Street and Mr. Maroney. The employment arrangement, which may be terminated at any time by either party, provides that Mr. Maroney will serve as an Executive Vice President of State Street and Head of Technology, IBT Division. Mr. Maroney's base salary will be \$625,000 per year, and he will be entitled to a \$1,200,000 bonus for the 2007 calendar year (payable in March 2008), which will be pro-rated for the period between the closing of the merger and December 31, 2007. If Mr. Maroney's employment is terminated by State Street without cause or on account of his death or disability (as each term is defined in the term sheet) prior to the payment of his pro rata 2007 bonus, Mr. Maroney will nevertheless be paid this bonus in March 2008. However, Mr. Maroney will not be entitled to receive any other severance payments or benefits upon termination of his employment. In addition, Mr. Maroney will be subject to noncompetition and nonsolicitation covenants during his employment period and for 18 months thereafter.

If Mr. Maroney remains employed by State Street in February 2008, he will become entitled to certain equity awards with an initial value of \$800,000. The term sheet also contemplates that Mr. Maroney will receive other customary benefits, and if he remains employed on January 1, 2009, he will become eligible to participate in State Street's Supplemental Executive Retirement Plan and severance plan and will become a party to a change in control agreement. The above-mentioned terms are subject to an election by State Street's Board of Directors and the approval by its Executive Compensation Committee.

Employment Arrangement with John N. Spinney, Jr.

State Street has entered into a term sheet with Mr. Spinney which sets forth certain terms of transitional employment between State Street and Mr. Spinney. The employment arrangement, which may be terminated at any time by either party, provides that Mr. Spinney will serve as an advisor to State Street's Chief Financial Office and will assist the Chief Financial Officer in transitioning clients and employees from Investors Financial to State Street. Mr. Spinney's base salary will be \$500,000 per year and he will not be entitled to receive any bonus payment or equity awards. Mr. Spinney will not be entitled to participate in any severance plans or policies of State Street, other than as described below.

Mr. Spinney's employment will terminate on December 31, 2007, unless terminated earlier by either party. Upon the termination of Mr. Spinney's employment on December 31, 2007, or upon any earlier termination of his employment by State Street without cause (as determined by State Street in good faith and in its reasonable

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discretion), he will be entitled to a severance payment of \$500,000. In the event of any termination of Mr. Spinney's employment prior to December 31, 2007 by State Street for cause, or by Mr. Spinney for any reason, Mr. Spinney will not be entitled to receive any severance payments or benefits.

Employment Arrangement with John E. Henry

State Street has entered into a term sheet with Mr. Henry which sets forth certain terms of transitional employment between State Street and Mr. Henry. The employment arrangement, which may be terminated at any time by either party, provides that Mr. Henry will serve as Special Counsel to State Street in order to assist State Street's General Counsel in transitioning clients and employees from Investors Financial to State Street. Mr. Henry's base salary will be \$453,450 per year and he will not be entitled to receive any bonus payment or equity awards. Mr. Henry will not be entitled to participate in any severance plans or policies of State Street, other than as described below.

Mr. Henry's employment will terminate on December 31, 2007, unless terminated earlier by either party. Upon the termination of Mr. Henry's employment on December 31, 2007, or upon any earlier termination of his employment by State Street without cause (as determined by State Street in good faith and in its reasonable discretion), he will be entitled to a severance payment of \$500,000. In the event of any termination of Mr. Henry's employment prior to December 31, 2007 by State Street for cause, or by Mr. Henry for any reason, Mr. Henry will not be entitled to receive any severance payments or benefits.

Employee Stock Purchase Plan

See Treatment of Investors Financial Stock Options, Restricted Shares and Employee Stock Purchase Plan on page 36.

Indemnification and Insurance

The merger agreement provides that (a) from and after the completion of the merger, State Street shall, to the fullest extent permitted by applicable law, indemnify, defend and hold harmless, and provide advancement of expenses to, Investors Financial's directors and officers against all losses, claims, damages, costs, expenses (including fees and expenses of counsel), fines, penalties, liabilities or judgments or amounts that are paid in settlement of or in connection with any claim based on or arising out of the fact that such person is or was a director or officer of Investors Financial or any subsidiary of Investors Financial, and pertaining to any matter existing or occurring, or any acts or omissions occurring, at or prior to the completion of the merger and (b) all rights to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the completion of the merger now existing in favor of any Investors Financial director or officer as provided in the charter or articles of organization or by-laws (or comparable organizational documents) of Investors Financial and its subsidiaries, and any existing indemnification agreements, shall survive the merger and shall continue in full force and effect in accordance with their terms, and shall not be amended, repealed or otherwise modified after the effective time of the merger, except for those set forth in the organizational documents of Investors Financial or its subsidiaries, which shall not be amended, repealed or otherwise modified for a period of six years after the completion of the merger.

The merger agreement provides that State Street will, for a period of six years after the completion of the merger, maintain directors' and officers' liability insurance for the individuals serving as directors and officers of Investors Financial immediately prior to the effective time of the merger with respect to acts or omissions occurring prior to the effective time of the merger that were committed by such directors and officers in such capacities. The merger agreement provides that such directors' and officers' liability insurance will be comparable to that currently maintained by Investors Financial for such individuals; provided that State Street is not required to expend an annual aggregate amount in excess of 250% of the annual premiums currently paid by Investors Financial for such insurance.

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THE MERGER AGREEMENT

The following describes certain aspects of the merger, including material provisions of the merger agreement. The following description of the merger agreement is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached to this document as Annex A and is incorporated by reference in this document. We urge you to read the merger agreement carefully and in its entirety, as it is the legal document governing this merger.

Terms of the Merger

Each of the Investors Financial board of directors and the State Street board of directors has approved the merger agreement which provides for the merger of Investors Financial with and into State Street. State Street will be the surviving corporation in the merger. Each share of State Street common stock issued and outstanding immediately prior to completion of the merger will remain issued and outstanding and will not be affected by the merger, and each share of Investors Financial common stock issued and outstanding immediately prior to the completion of the merger, except for specified shares of Investors Financial common stock held by Investors Financial and State Street, will be converted into the right to receive 0.906 of a share of State Street common stock. If the number of shares of common stock of State Street changes before the merger is completed because of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar event, then an appropriate and proportionate adjustment will be made to the number of shares of State Street common stock into which each share of Investors Financial common stock will be converted.

State Street will not issue any fractional shares of State Street common stock in the merger. Instead, an Investors Financial stockholder who otherwise would have received a fraction of a share of State Street common stock will receive an amount in cash rounded to the nearest cent, determined by multiplying the fraction of a share of State Street common stock to which the holder would otherwise be entitled by the average closing sale prices of State Street common stock over the five trading days immediately prior to the date on which the merger is completed.

The State Street articles of organization will be the articles of organization, and the State Street by-laws will be the by-laws, of the combined company after completion of the merger. The merger agreement provides that State Street may change the structure of the merger if consented to by Investors Financial (but Investors Financial's consent cannot be unreasonably withheld or delayed). No such change will alter the amount or kind of merger consideration to be provided under the merger agreement, adversely affect the tax consequences to Investors Financial stockholders in the merger or materially impede or delay completion of the merger.

Treatment of Investors Financial Stock Options, Restricted Shares and Employee Stock Purchase Plan

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,

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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 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.

Closing and Effective Time of the Merger

The merger will be completed only if all of the following occur:

the merger agreement is adopted by Investors Financial stockholders;

we obtain all requisite governmental and regulatory consents and approvals, which remain in full force, and if all relevant statutory waiting periods have expired; and

all other conditions to the merger discussed in this document and the merger agreement are either satisfied or waived.

The merger will become effective when the certificate of merger is filed with the Secretary of State of the State of Delaware and the articles of merger are filed with the Secretary of State of the Commonwealth of Massachusetts. However, we may agree to a later time for completion of the merger and specify that time in the certificate of merger and articles of merger. In the merger agreement, we have agreed to cause the completion of the merger to occur on the later of the fifth business day following the satisfaction or waiver of the last of the conditions specified in the merger agreement and July 2, 2007, or on another mutually agreed date. It currently is anticipated that the effective time of the merger will occur in the middle of 2007, but we cannot guarantee when or if the merger will be completed.

Conversion of Shares; Exchange of Certificates

The conversion of Investors Financial common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. As soon as reasonably practicable after completion of the merger, the exchange agent will provide to Investors Financial stockholders of record the letter of transmittal described below and, as soon as reasonably practicable after the completed letter and Investors Financial stock certificates are returned to the exchange agent, will exchange certificates representing shares of Investors Financial common stock for merger consideration to be received pursuant to the terms of the merger agreement. Prior to the completion of the merger, State Street will select a bank or trust company reasonably acceptable to

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Investors Financial, or State Street's transfer agent, to be the exchange agent, who will exchange certificates for the merger consideration and perform other duties as explained in the merger agreement.

Letter of Transmittal

Soon after the completion of the merger, the exchange agent will mail a letter of transmittal to each holder of an Investors Financial common stock certificate at the effective time of the merger. This mailing will contain instructions on how to surrender Investors Financial common stock certificates in exchange for statements indicating book-entry ownership of State Street common stock. If a holder of an Investors Financial common stock certificate makes a special request, however, State Street will issue to the requesting holder a State Street stock certificate in lieu of book-entry shares. When you deliver your Investors Financial stock certificates to the exchange agent along with a properly executed letter of transmittal and any other required documents, your Investors Financial stock certificates will be canceled and you will receive statements indicating book-entry ownership of State Street common stock, or, if requested, stock certificates representing the number of full shares of State Street common stock to which you are entitled under the merger agreement. You will receive a cash payment instead of any fractional shares of State Street common stock that would have been otherwise issuable to you as a result of the merger.

Holders of Investors Financial common stock should not submit their Investors Financial stock certificates for exchange until they receive the transmittal instructions and a form of letter of transmittal from the exchange agent.

If a certificate for Investors Financial common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of an affidavit of that fact from the claimant, and, if reasonably required by the exchange agent or State Street, the posting of a bond by the claimant.

After completion of the merger, there will be no further transfers on the stock transfer books of Investors Financial, except as required to settle trades executed prior to completion of the merger. Subject to the combined company's obligations to pay unpaid dividends on Investors Financial's stock declared prior to the completion of the merger, upon conversion of any shares of Investors Financial common stock, the merger consideration issued and paid in accordance with the terms of the merger agreement will be deemed to have been issued and paid in full satisfaction of all rights pertaining to the Investors Financial common stock.

Withholding

The exchange agent will be entitled to deduct and withhold from the cash in lieu of fractional shares payable to any Investors Financial stockholder the amounts the exchange agent is required to deduct and withhold under any federal, state, local or foreign tax law. If the exchange agent withholds any amounts, these amounts will be treated for all purposes of the merger as having been paid to the stockholders from whom they were withheld.

Dividends and Distributions

Until Investors Financial common stock certificates are surrendered for exchange, any dividends or other distributions declared after the effective time with respect to State Street common stock into which shares of Investors Financial common stock may have been converted will accrue but will not be paid. State Street will pay to former Investors Financial stockholders any unpaid dividends or other distributions, without interest, only after they have duly surrendered their Investors Financial stock certificates.

Prior to the effective time of the merger, Investors Financial and its subsidiaries may not declare or pay any dividend or distribution on its capital stock or repurchase any shares of its capital stock, other than:

regular quarterly cash dividends at a rate not to exceed \$0.025 per share of Investors Financial common stock with record dates and payment dates consistent with the prior year;

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dividends paid by any subsidiary of Investors Financial to Investors Financial or to any of its wholly-owned subsidiaries; and

the acceptance of shares of Investors Financial common stock in payment of the exercise price or withholding taxes of a stock option or the vesting of restricted shares of Investors Financial common stock granted under an Investors Financial stock plan, in each case in accordance with past practice and the applicable Investors Financial stock plan.

Investors Financial and State Street have agreed to coordinate declaration of dividends so that holders of Investors Financial common stock will not receive two dividends, or fail to receive one dividend, for any quarter with respect to their Investors Financial common stock and any State Street common stock any holder receives in the merger.

Representations and Warranties

The merger agreement contains customary representations and warranties of Investors Financial and State Street relating to their respective businesses. With the exception of certain representations that must be true and correct in all material respects, no representation or warranty will be deemed untrue or incorrect as a consequence of the existence or absence of any fact, circumstance or event unless that fact, circumstance or event, individually or when taken together with all other facts, circumstances or events, has had or is reasonably likely to have a material adverse effect on the ability of the company making the representation to consummate the merger, or on the business, results of operations or financial conditions of the company making the representation. In determining whether a material adverse effect has occurred or is reasonably likely, the parties will disregard effects resulting from (1) changes in generally accepted accounting principles or regulatory accounting requirements generally affecting similarly situated companies in the financial services industries in which the parties operate, (2) changes in laws, rules or regulations generally affecting similarly situated companies in the financial services industries in which the companies operate, or their interpretations by courts or governmental entities, (3) changes in global or national or regional political conditions or in general or regional economic or market conditions generally affecting similarly situated companies in the financial services industries in which the companies operate, except to the extent that such changes in general or regional economic or market conditions have a materially disproportionate adverse effect on such party, or (4) public disclosure of the merger agreement (including any impact of such disclosure on customers and employees). The representations and warranties in the merger agreement do not survive the effective time of the merger.

Each of State Street and Investors Financial has made representations and warranties to the other regarding, among other things:

corporate matters, including due organization and qualification;

capitalization;

authority relative to execution and delivery of the merger agreement and the absence of conflicts with, or violations of, organizational documents or other obligations as a result of the merger;

required governmental filings and consents;

the timely filing of reports with governmental entities, and the absence of investigations by regulatory agencies;

financial statements, internal controls and accounting;

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