UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

HILL v. STATE STREET CORPORATION	MASTER DOCKET NO. 09-cv-12146-NG
THIS DOCUMENT RELATED TO THE ERISA ACTION: DOCKET NO. 10-cv-10184	ECF CASE JURY TRIAL DEMANDED

FIRST AMENDED COMPLAINT

Plaintiff Casey J. Richard, a participant in the State Street Corporation Salary Savings Program (hereafter the "Plan"), on behalf of himself and a class of all others similarly situated and for the benefit of the Plan, alleges as follows:

INTRODUCTION

1. This class action is brought pursuant to Section 502 of the Employee Retirement Income Security Act ("ERISA"), 29 U.S.C. § 1132, against Defendants, who are fiduciaries of the Plan.

2. State Street Corporation ("State Street" or the "Company") common stock is one of the investment alternatives made available to Plan participants for investing a portion of their retirement portfolio. The Plan offers participants the opportunity to invest in Company stock through an investment option known as the Employee Stock Ownership Plan (the "Company Stock Fund"), although there is nothing in the design of the Plan that required the plan fiduciaries to offer the Company Stock Fund as an investment option.

3. Plaintiff is a participant in the Plan who invested in State Street stock through the Company Stock Fund. He brings this suit on behalf of a class all participants in

the Plan who had any portion of their plan accounts allocated to the Company Stock Fund as of October 20, 2009.

4. State Street is a provider of financial services to institutional investors, which include foreign exchange trading services. The Company has publicly positioned itself as an experienced and trusted partner to institutional investors. As of September 30, 2009, the Company had $17.9 trillion in assets under custody and administration and $1.7 trillion in assets under management.

5. On October 20, 2009, California Attorney General Edmund G. Brown Jr. announced that he had filed suit against State Street for committing "unconscionable fraud" against California's two largest pension funds -- California Public Employees' Retirement System ("CalPERS") and California State Teachers' Retirement System ("CalSTRS") -- by illegally overcharging CalPERS and CalSTRS for the costs of executing foreign currency exchange ("FX") trades since 2001. According to the California Attorney General, there are several other sealed qui tam cases pending in other states that allege claims arising from State Street's illegal FX trading scheme. Indeed, the qui tam complaint that gave rise to the California Attorney General's action makes clear that the alleged FX trading scheme was not limited to CalPERS and CalSTRS, and that the scheme involved hundreds of millions of dollars of revenue.

6. Defendants, in communications with Plan participants who had invested in the Company Stock Fund, made false and/or misleading statements about its foreign exchange trading revenue and/or failed to disclose: (1) that the Company set up a scheme to substantially mark up foreign currency trades, which caused State Street's clients to

overpay for such trades; (2) that the scheme allowed the Company to overcharge its clients by hundreds of millions of dollars; and (3) that, as a result, the Company's financial results were materially inflated.

7. As a result, the market price of State Street common stock was artificially inflated and overvalued as a result of material misrepresentations made by State Street about its foreign exchange trading revenues, and State Street common stock was not a prudent investment for the Participants' accounts in the Plan.

8. Plaintiff alleges that Defendants, as fiduciaries of the Plan, breached their fiduciary duties to him and to the other participants and beneficiaries of the Plan in violation of ERISA, with regard to the Plan's holdings of State Street stock. Specifically:

a) Defendants breached their fiduciary duties in violation of ERISA by failing to manage the Plan's investment in State Street stock through the Company Stock Fund prudently and loyally by continuing to offer the Company Stock Fund as an investment option and to invest Plan assets in the Company Stock Fund when State Street stock no longer was a prudent investment for the participants' retirement savings (Count I);

b) Defendants who were responsible for the selection, removal and monitoring of the Plan's fiduciaries failed to monitor the performance of their fiduciary appointees properly and to remove and replace those whose performance was inadequate (Count II);

c) Defendants who communicated with participants regarding the Plan's assets, or had a duty to do so, failed to provide participants with complete and accurate information regarding State Street stock sufficient to advise participants of the true risks of investing their retirement savings in State Street stock (Count III); and Defendants breached their fiduciary duty of loyalty by acting in furtherance of their personal interests as employees and executives of State Street and at the expense of the best interests of the Plan (Count IV).

9. Defendants are liable under ERISA to restore losses sustained by the Plan participants because of their breaches of their fiduciary obligations, and the breaches of their co-fiduciaries.

JURISDICTION AND VENUE

10. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1331 and ERISA § 502(e)(1), 29 U.S.C. § 1132(e)(1).

11. Venue is proper in this district pursuant to ERISA § 502(e)(2), 29 U.S.C. § 1132(e)(2), because the Plan was administered in this district, some or all of the fiduciary breaches for which relief is sought occurred in this district, and/or one or more Defendants reside or maintain their primary place of business in this district.

PARTIES

12. Plaintiff Casey J. Richard is a "participant" of the Plan, within the meaning of ERISA §3(7), 29 U.S.C. § 1102(7), and held State Street stock in his Plan account through the Company Stock Fund as of October 20, 2009.

13. Defendant State Street Corporation ("State Street" or the "Company") is a financial holding company. State Street is incorporated in Massachusetts and maintains its

principal place of business in Massachusetts. According to the Summary Plan Description ("SPD") for the Plan, State Street, acting through its committees, is the Plan Administrator, and a fiduciary of the Plan. State Street has discretionary authority over the assets of the Plan.

14. Defendant State Street Bank and Trust Company ("State Street Bank" or the "Trustee") is the principal banking subsidiary of State Street. State Street Bank is incorporated in Massachusetts and maintains its principal place of business in Massachusetts. According to the SPD for the Plan, State Street Bank is the Plan Trustee and a fiduciary of the Plan. State Street Bank has discretionary authority over the assets of the Plan.

15. At relevant times, Defendant North America Regional Benefits Committee of State Street Corporation (the "Benefits Committee"), through its members, has managed and administered the Plan and has had discretionary authority over the assets of the Plan. According to the Plan's SPD, the Benefits Committee is the Plan Administrator and is a fiduciary of the Plan.

16. At relevant times, Defendant Investment Committee of State Street Corporation (the "Investment Committee"), through its members, managed and administered the Plan and has had discretionary authority over the investment of the assets of the Plan. According to the Plan's SPD, the Investment Committee is a fiduciary of the Plan.

17. On information and belief, at relevant times, Defendant Charles Cutrell was a member of the Benefits Committee, the Investment Committee, and a fiduciary of the Plan.

At relevant times, Mr. Cutrell was Executive Vice President, General Counsel and Secretary of State Street.

18. On information and belief, at relevant times, Defendant Stephen DeSalvo was a member of the Benefits Committee, the Investment Committee, and a fiduciary of the Plan. At relevant times, Mr. DeSalvo was a Senior Vice President at State Street and Head of Client Management.

19. On information and belief, at relevant times, Defendant Jayne Donahue was a member of the Benefits Committee and a fiduciary of the Plan. Ms. Donahue is an Executive Vice President and the General Auditor of State Street, where she leads a team responsible for advancing the company's internal governance and control infrastructure globally. Previously, Ms. Donahue served as chief compliance officer for State Street, responsible for ensuring compliance with applicable laws and regulations wherever State Street conducts business worldwide.

20. On information and belief, at relevant times, Defendant Pamela Gormley was a member of the Benefits Committee, the Investment Committee, and a fiduciary of the Plan. At relevant times, Ms. Gormley signed the Plan's Form 11-K on behalf of the Investment Committee. At relevant times, Ms. Gormley was an Executive Vice President and Corporate Controller of State Street.

21. On information and belief, at relevant times, Defendant David Gutschenritter, was a member of the Benefits Committee and a fiduciary of the Plan. Mr. Gutschenritter is an Executive Vice President and the Treasurer of State Street with responsibilities for the

oversight of State Street's balance sheet, investment portfolio, liquidity and interest rate risk management activities worldwide.

22. On information and belief, at relevant times, Defendant Kathryn Horgan was a member of the Benefits Committee, the Investment Committee, and a fiduciary of the Plan.

23. On information and belief, at relevant times, Defendant Lee Jones was a member of the Benefits Committee, the Investment Committee, and a fiduciary of the Plan. At relevant times, Mr. Jones was Senior Vice President for Public Funds at State Street.

24. On information and belief, at relevant times, Defendant Jacques Longerstaey was a member of the Benefits Committee, the Investment Committee, and a fiduciary of the Plan. At relevant times, Mr. Longerstaey was Executive Vice President and Chief Risk Officer of State Street Global Advisors Ltd..

25. On information and belief, at relevant times, Defendant James Malerba was a member of the Benefits Committee, the Investment Committee, and a fiduciary of the Plan. At relevant times, Mr. Malerba signed the Plan's Form 11-K on behalf of the Investment Committee. Mr. Malerba is an Executive Vice President, the Corporate Controller and the Chief Accounting Officer of State Street. In this capacity, he is responsible for ensuring consolidated books and records are closed in a timely and accurate manner and for the timely reporting of results. Mr. Malerba oversees the corporate accounting function including global accounting, accounting systems and operations as well as global accounting policy, and regulatory and SEC reporting.

26. On information and belief, at relevant times, Defendant Ross McLellan was a member of the Benefits Committee, the Investment Committee, and a fiduciary of the Plan. Mr. McLellan is the Senior Managing Director of State Street's Global Markets' business.

27. On information and belief, at relevant times, Defendant David O'Leary was a member of the Benefits Committee and a fiduciary of the Plan. Mr. O'Leary is an Executive Vice President and is the head of State Street's Global Human Resources. Mr. O'Leary reports directly to Chairman and Chief Executive Officer Ronald E. Logue and is also a member of State Street's Operating Group, the company's most senior strategy and policy-making management committee.

28. On information and belief, at relevant times, Defendant Alison Quirk was a member of the Benefits Committee and a fiduciary of the Plan. Ms. Quirk is an Executive Vice President at State Street in Global Human Resources. In this role, she is responsible for Global Staffing, Global Learning & Development, Global Inclusion/Work Life Benefits, Compensation & Benefits and Global Service Delivery.

29. On information and belief, at relevant times, Defendant Doreen Rigby was a member of the Benefits Committee, the Investment Committee, and a fiduciary of the Plan. Ms. Rigby is the Managing Director of State Street's Investor Services business.

30. On information and belief, at relevant times, Defendant Anne Tangen was a member of the Benefits Committee, the Investment Committee, and a fiduciary of the Plan. Ms. Tangen is an Executive Vice President for State Street's Wealth Manager Services' business.

31. Defendants Charles Cutrell, Stephen DeSalvo, Jayne Donahue, Pamela Gormley, David Gutschenritter, Kathryn Horgan, Lee Jones, Jacques Longerstaey, James Malerba, Ross McLellan, David C. O'Leary, Alison Quirk, Doreen Rigby and Anne Tangen shall collectively be referred to as the Committee Member Defendants.

32. According to the Company's most recent proxy statement, at relevant times, Defendant Ronald E. Logue was a member of the Executive Committee of the State Street Board of Directors (the "Executive Committee"). According to the SPD, the Executive Committee was delegated with discretion and authority to appoint and remove members of the Benefits Committee and the Investment Committee, and a fiduciary of the Plan. Mr. Logue also is the Chairman of the Board of Directors and the Chief Executive Officer at State Street. He is also a member of State Street's Operating Group, the company's most senior strategy and policy-making management committee.

33. The Committee Member Defendants and Defendant Ronald Logue shall collectively be referred to as the Individual Defendants.

34. Defendants John and Jane Does 1 – 10 are unknown members of the Benefits Committee and/or the Investment Committee, or of any other committee which is or was responsible for carrying out the provisions of the Plan. Their identities are currently unknown to the Plaintiff, but are known to State Street and the Plan.

THE PLAN

35. The Plan is an employee benefit plan within the meaning of ERISA §§ 3(3) and 3(2)(A), 29 U.S.C. §§ 1002(3) and 1002(2)(A), and a "defined contribution" plan within the meaning of ERISA § 3(34), 29 U.S.C. § 1002(34). The Plan provides for individual

accounts for each Participant and for benefits based solely upon the amount contributed to the Participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other Participants which could be allocated to such Participant's accounts.

36. Active Plan participants may elect to make tax-deferred contributions and/or Roth after-tax contributions to the Plan equal to 1% to 50% of their compensation, subject to certain limitations. Participants may also contribute amounts representing rollover distributions from other qualified defined benefit or defined contribution plans. Effective January 1, 2008, Matching Contributions to the Plan are made by the Company in amounts equal to 100% of the first 6% of the employee’s tax-deferred contributions or Roth after-tax contributions. Prior to January 1, 2008, contributions to the Plan were made by the Company in amounts equal to 50% of the first 6% of the employee’s contributions. All contributions to the Plan are paid to State Street Bank and Trust Company, as Plan Trustee.

37. At all times relevant to this Complaint, Participants were allowed to direct the Plan to purchase investments from among the investment options available under the Plan and allocate them to their individual accounts.

38. At all times relevant to this Complaint, the Plan provided a number of different options for investment of the Plan's assets, including the Company Stock Fund, through which Plan participants could invest in State Street stock.

39. Unlike ESOPs or many other 401(k) Plans, there is nothing in the design of the Plan that required the Plan fiduciaries to offer the Company Stock Fund as an investment option.

40. The Plan's most recent Form 11-K for the year ended December 31, 2008 ("2008 11-k") explains, among other things:

> **Investment Options**
>
> Participant contributions and matching contributions are allocated to investment funds at the participant's direction. A wide range of investment choices, including various common collective trust funds managed by State Street Bank and Trust Company, a mutual fund, a company stock fund (ESOP) and a Self-Managed Brokerage Account (SMBA), are available to participants. Limitations and restrictions apply to direct contributions to the ESOP or the SMBA funds.
>
> In the event a participant does not make an investment election, and in the event of automatic enrollment, funds are invested in the Target Retirement Date Fund that corresponds to the participants assumed target retirement year based on the participant's date of birth.

41. Up until January 1, 2007, direct payroll contributions could be invested in the Company Stock Fund, with no upper limit on the percentage of the account balance that could be invested in the Company Stock Fund.

42. During 2007, the following amendments and changes were made to the Plan:

- Restriction on State Street Corporation ESOP Fund (ESOP Fund) account balance to no more than 25% of participant's total account balance (existing ESOP balances grandfathered).

- Investment in the ESOP Fund can be made only by means of a spot transfer from another core plan fund or funds, subject to the 25% restriction; direct investment into the ESOP Fund by means of payroll contributions or rollovers is no longer permitted.

43. The SPD provides participants with information about the various investment options. Regarding the Company Stock Fund, the SPD explains:

> **Company Stock**
>
> The State Street Corporation ESOP Fund gives you the opportunity to become an owner of the Company and share directly in its financial

performance by investing in State Street Corporation common stock. Because the Fund is considered to be an ESOP (Employee Stock Ownership Plan), the Corporation is allowed to take a tax deduction on all dividends paid to the ESOP.

You may not make direct payroll contributions to the ESOP Fund. If you wish to invest in the ESOP Fund you can transfer all or a part of your account balance from another investment option under the SSP into the ESOP Fund. Transfers generally can be made on any day that the NYSE is open. The Plan limits the amount you can invest in the ESOP Fund to 25% of your account balance. If as of January 1, 2007 you were already invested in the ESOP Fund and your account balance exceeded the 25% limit,

- You will not be allowed to make further investments [sic.] transfers into this Fund until the balance falls below the 25% limit; and

- If you did not change your ESOP contribution election instruction, your future contributions were placed in the Target Retirement Date Funds applicable for your age.

If you have funds invested in the ESOP Fund, you have several options for your ESOP dividends:

- Reinvest dividends paid on State Street common stock into the ESOP Fund; or

- Take a quarterly distribution of your dividends in cash. If you would like to have dividends paid to you in cash, you may go to the State Street Benefits Center Website at http://statestreet.csplans.com, select the "Salary Savings Program 401(k)" option and use the "Dividends" option in the "My Account" section. You may also call the State Street Benefits Center VRU at 1-800-985-3863. If you are calling from outside the United States, you must call 617-479-4211. Hearing impaired participants may call the TDD number at 1-800-579-5708. Any changes you make to your contribution percentage will normally take effect within two pay periods.

If you do nothing, the dividends will be reinvested in the ESOP Fund.

* * *

> You may change your ESOP dividend election at any time. The election on file as of 4:00 p.m. Eastern Time on the last business day before the dividend payment date will be used to determine the treatment of your dividend.

44. As of December 31, 2008 (the latest year reported), approximately $194,949,882 (representing 4,956,774 units of participation) of the Plan's total investments of $1,152,290,790, were invested in the Company Stock Fund. During 2008, the Plan's investment in State Street common stock depreciated in value by $203,921,042.

PLAN FIDUCIARIES

45. SPDs, which were provided to Plan participants, identify State Street, State Street Bank, the Benefits Committee and the Investment Committee as "Plan Fiduciaries" which had "Fiduciary Responsibility."

46. In describing the responsibilities of the Plan Fiduciaries, the SPD explained: "ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called 'fiduciaries' of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries."

47. Under the governing Plan document, State Street was the "Plan Sponsor", Plan, § 2.35, and State Street designated the committee(s) which was or were to manage and administer the Plan on a day-to-day basis. Plan, § 2.10. Under the Plan document, State Street "acting through the Committee(s)" was the Plan Administrator. Plan, § 2.34.

48. Under the Plan, State Street (together with the Benefits Committee) had the power to select the investment options in which Participants could invest their retirement savings in the Plan. Section 5.4 of the Plan states that Participant accounts "shall be

invested . . . as the Participants . . . direct from among such investment options as the Committee or Plan Sponsor may make available from time to time." Similarly, the SPDs, which were made available to Participants on an annual basis, specifically advised that "[t]he Company may add or delete funds or other investment alternatives at any time."

49. According the Plan's Investment Policy Statement, "the Company reserves the right to add or replace options based upon any factors it considers relevant."

50. The Benefits Committee is the Committee identified in the Plan (§ 2.10) which has been designated by State Street to manage and administer the Plan on a day-to-day basis. The Benefits Committee is described in the Plan documents as "the fiduciary identified to furnish the information to Participants and Beneficiaries described in the ERISA 404(c) regulations . . . .", Plan, § 5.4., and as the entity "responsible . . . for complying with the reporting and disclosure requirements of ERISA." Plan, § 10.8. The Benefits Committee had "full discretionary power and authority to administer the Plan in all of its details," which included the power and authority "to make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan"; "to interpret the Plan"; and "to select the investment options available under the Plan." Plan, § 10.2. Under Section 10.7 of the Plan, the Benefits Committee "will be a named fiduciary for the purposes of Section 402(a)(1) of ERISA with authority to control and manage the operation and administration of the Plan." Members of the Benefits Committee are indemnified by State Street under the Plan. Plan, §10.10.

51. According to the Plan's Investment Policy Statement, the Benefits Committee "provides oversight and determines the investment options available under the Plan,"

establishes guidelines "for overseeing the selection, maintenance and removal of investment alternatives under the Plan," and "determines which funds are offered by the Plan." The Benefits Committee had the responsibility to: "develop, review and revise the Plan's Investment Policy Statement," "establish investment objective and fund options available to participants," "delegate to professional investment managers the executions of investment policies and the selection of specific investments," "evaluate investment managers and the Plan's funds' performance on, at a minimum, a quarterly basis," "take appropriate action if investment managers fail to perform as expected," "determine appointment/discharge of investment managers and consultants," and "monitor record keeping and investment fees."

52. According to its charter, the Benefits Committee has the authority and responsibility to, inter alia:

(a) carry out the duties of the named fiduciary of those plans subject to ERISA;

(b) perform all plan administration functions in accordance with the plan documents and legal requirements;

(c) Perform investment require for both defined benefit and defined contribution plans and selection of investment vehicles consistent with funding policy.

53. The SPD disclosed that the Executive Committee of the Board of Directors of State Street, which included Defendant Logue, may appoint and remove members of the Benefits Committee and the Investment Committee.

54. At relevant times, State Street, the Benefits Committee, the Investment Committee, and the Defendant Committee Members, had the discretion to establish and change the investment alternatives among which Participants could direct the investment of the Plan's assets allocated to their accounts.

55. At relevant times, State Street, the Benefits Committee, the Investment Committee, and the Defendant Committee Members had a duty to review the Plan's investment policies and the selection and the performance of investment alternatives offered under the Plan. There was no requirement that any assets of the Plan be invested in Company stock or that Company stock be continued as an investment alternative. Thus, these defendants had the discretion to discontinue the Company Stock Fund as an investment option.

56. At relevant times, State Street, the Benefits Committee, the Investment Committee, and the Defendant Committee Members had a duty to obtain from the Company information necessary for the proper administration of the Plan, and to accurately communicate information about the investment alternatives available under the Plan to participants.

57. At relevant times, Defendant Logue, as a member of the Executive Committee, had the duty to monitor the performance of the members of the Benefits Committee and the Investment Committee, and to remove those members who failed to perform their duties properly. The appointment and removal of members of the Benefits Committee and the Investment Committee fell within the discretion of the Executive Committee.

58. At all times relevant to this Complaint, Defendants were fiduciaries of the Plan as defined by ERISA § 3(21)(A), 29 U.S.C. § 1002(21)(A), because they exercised discretionary authority or control respecting management of the Plan or exercised discretionary authority or control respecting management or disposition of assets and had discretionary authority or responsibility in the administration of the Plan.

SUBSTANTIVE ALLEGATIONS

OVERVIEW

59. State Street holds itself out as the leading servicer of U.S. pensions plans and custodian of assets worldwide and describes itself as "a leading specialist in meeting the needs of institutional investors worldwide." In a Company "overview" on its website, State Street discloses:

> **Serving the specialized needs of institutional investors**
>
> With $18.8 trillion in assets under custody and administration and $1.9 trillion under management,* State Street is one of the world's leading providers of financial services to institutional investors. Our broad and integrated range of services spans the entire investment spectrum, including research, investment management, trading services and investment servicing.
>
> **An industry leader**
>
> State Street has earned its reputation as a leader by successfully meeting the changing needs of our customers for more than 200 years. Today, we rank among the top financial service providers in all of the markets we serve.
>
> No. 1 provider of U.S. mutual fund custody and accounting services
> No. 1 servicer of U.S. pension plans
> No. 1 investment manager of U.S. institutional tax-exempt assets
> No. 2 assets under management worldwide
> Leading investment manager of institutional assets worldwide
> Leading custodian worldwide

Leading offshore fund service provider worldwide
Leading provider of securities finance services worldwide

A tradition of financial strength

Our company's history of strong, solid financial performance** is supported by our leadership role in developing the industry's leading products and services for global investors.

Operating-basis earnings per share growth consecutively for the past 31 years**
Operating-basis earnings per share growth of 15.3% compounded annually over the 10 years of 1998-2008**
Operating-basis return on shareholders' equity of 19.3%** in 2008
Total assets under custody grew from $4.8 trillion in 1998 to $12.0 trillion in 2008
Total assets under management grew from $485 billion in 1998 to $1.4 trillion in 2008

A global network

With more than 27,300 talented and dedicated employees in our offices all over the world*, we offer customers the benefit of a global perspective backed by local industry expertise. State Street maintains operations in 25 countries covering all major investment centers. Our network spans more than 100 geographic markets, facilitating our customers' investment strategies anywhere in the world where they see opportunity.

By leveraging the strength of an integrated global network and an impressive infrastructure, we provide our customers with a worldwide platform for growth, creating custom-tailored solutions that can support even the most complex investment strategy in virtually any market.

A focus on relationships

At State Street, we understand that each investor's needs are unique. We work closely with our customers to identify key challenges and opportunities — building long-term business relationships, establishing effective growth strategies and providing the right mix of products and services to support their objectives. No matter where our customers choose to invest — or how complex their needs — at

State Street, we are committed to providing global investors with the integrated products and services that help them succeed.

*As of December 31, 2009
**Operating-basis results as defined by State Street.

60. One of the financial services that State Street offers its clients is foreign exchange services, which enable clients to exchange U.S. Dollars into foreign currency and vice-versa. State Street's clients typically use these services to trade foreign securities or to convert foreign currency held in their custodial accounts into U.S. Dollars.

61. State Street's website explains the Foreign Exchange trading services that the Company provides to its institutional clients as follows:

> **Foreign Exchange**
>
> Foreign exchange services at State Street are designed to aid institutional investors at every stage of the currency management process. We provide our client base with pre-trade, trade and post-trade solutions and products delivered by a team of highly skilled and experienced sales traders.
>
> Foreign exchange services, including currency risk management, order management, trade execution, currency management program structuring and hedging strategy development, are available around the globe twenty-four hours a day from State Street branches in Boston, Toronto, Montreal, London, Sydney, Singapore, Hong Kong, Taipei and Tokyo.
>
> State Street's experienced team of sales traders, market traders, currency advisory sales team and currency strategists work in concert to provide our clients timely market information, competitive pricing and strategic and quantitative expertise.
>
> The foreign exchange team's commitment to excellence is demonstrated by the results of the 2001 Global Investor foreign exchange survey, in which more than 300 investment managers awarded first place to State Street as the Best Overall FX Provider.

State Street's FX sales team coordinates the requirements of our clients. Working with our market, advisory and strategy teams, the FX sales team provides pricing and market views to investment managers. This group is also responsible for keeping portfolio managers who are involved in asset selection and strategy abreast of medium-term currency valuation and asset allocation perspectives.

The professionals of the FX Market risk trading team are highly skilled and experienced in managing currency inventories, making it possible for State Street to provide aggressive prices even in difficult or illiquid markets.

State Street's currency strategy team, led by Avinash Persaud, offers analyses of political events, forecasts and discussions of economic releases and portfolio flows.

Our currency advisory sales team provides the insights and investment technology of leading researchers and practitioners affiliated with State Street Associates, LLC. This group of leading academics and theoreticians offers access to the latest developments in currency theory and practice, enabling investment managers to design and implement appropriate strategies.

When strategies have been selected and research has been assimilated, trading can be executed via telephone or via FX Connect®, a module of Global Link, our e-finance network that enables you to exercise maximum flexibility in dealing efficiently across multiple portfolios, currencies and value dates.

Spot, outright and swap transactions can be executed on the platform. Non-deliverable forwards are also offered.

The Global Link team can integrate a client's order management system with FX Connect, making STP a reality.

Operational requests are accommodated through an experienced and professional middle office, ensuring rapid and efficient settlement of any post-trade and settlement issues

Post-trade management is made available via another Global Link module, Global Trading Support Services IISM. This product enables investment managers to monitor outstanding foreign exchange positions by portfolio, currency and value date.

> State Street's unique product line — from strategy formulation, via currency advisory sales, to tactics and execution via foreign exchange sales, to settlement and record-keeping via middle office — provides a truly outstanding suite of products and services, giving State Street's clients a genuine competitive advantage.

62. All foreign exchange transactions are executed at a prevailing exchange rate, which determines how much one currency is worth in terms of another. The most commonly-used exchange rate is the Interbank rate, which fluctuates throughout each day and is tracked and published by various industry sources. State Street executed two types of foreign exchange transactions for its clients.

63. *First*, some of State Street's clients would conduct "direct" foreign exchange trades. In a direct trade, an institution would contact a State Street representative who would quote an exchange rate that the institution could accept or reject. If State Street's rate was sufficiently competitive, the client would accept and the trade would be executed at the agreed upon exchange rate. State Street would collect a fee for processing the trade and pass along the cost of the exchange rate to its client.

64. *Second*, for more than 75% of its large custodial clients, State Street would conduct "indirect" foreign exchange trades. In an indirect trade, neither the institution nor its outside investment manager would be quoted an exchange rate. Instead, the client would request a transaction involving a foreign exchange (such as a purchase of foreign securities), and State Street would execute the transaction pursuant to its contract with its client. Under the terms of State Street's custodial arrangements, State Street was obligated to provide its clients the same exchange rate that State Street actually used to make the trade. This arrangement was supposed to be beneficial to State Street's clients because, among other things, they would not have to incur the expense and time of identifying and choosing the most competitive exchange rate.

65. The terms of a typical contract between State Street and its custodial clients are illustrated by the contract between State Street and the State of California's largest public pension funds, CalPERS and CalSTRS. As was revealed in the California Attorney General's Action (discussed in more detail below), State Street's contract included a section titled "Competitiveness of Your Rates," in which State Street described how it provided the best execution when completing "indirect" foreign exchanges, and guaranteed the competitiveness of its foreign exchange rates. The contract stated:

> All trades are priced based on the interbank rate at the time the trade is executed. As all trades are priced based on the prevailing interbank rate at the time of the trade, we guarantee that we provide competitive pricing for all foreign exchange transactions, regardless of size, currency or contract type . . .
>
> * * *
>
> Clients executing foreign exchange transactions with State Street . . . are guaranteed to receive the most competitive rates available for all FX transactions, regardless of size, currency or contract type, because all trades are priced based on the interbank rates at the time the trade is executed.

66. These terms memorialized State Street's guarantee to provide competitive exchange rates for all foreign exchange transactions, regardless of size, currency or contact type. State Street itself has confirmed in its Form 10-K for the year ended 2009 that the same foreign exchange trading services it offers to CalPERS and CalSTRS are also offered "to a broad range of custody clients in the U.S. internationally."

<u>THE FOREIGN EXCHANGE TRADING SCHEME</u>

67. Contrary to State Street's carefully crafted image as a trusted, experienced financial partner to institutional investors, on October 20, 2009, California Attorney General Edmund G. Brown Jr. announced the filing of a complaint setting forth facts demonstrating that State Street had committed what the Attorney General termed an

"unconscionable fraud" against California's two largest pension funds—CalPERS and CalSTRS—by improperly overcharging CalPERS and CalSTRS for the costs of executing foreign currency trades since 2001.

68. The California Attorney General's press release, entitled "Brown Sues State Street Bank for Massive Fraud Against CalPERS and CalSTRS," stated, in relevant part:

> SACRAMENTO - Seeking to recover more than $200 million in illegal overcharges and penalties, Attorney General Edmund G. Brown Jr. today announced that he has filed suit against State Street Bank and Trust -- one of the world's leading providers of financial services to institutional investors – for committing "unconscionable fraud" against California's two largest pension funds -- CalPERS and CalSTRS.
>
> The suit, which was unsealed today by a Sacramento Superior Court judge, contends that Boston-based State Street illegally overcharged CalPERS and CalSTRS for the costs of executing foreign currency trades since 2001.
>
> "Over a period of eight years, State Street bankers committed unconscionable fraud by misappropriating millions of dollars that rightfully belonged to California's public pension funds," Brown said. "This is just the latest example of how clever financial traders violate laws and rip off the public trust."
>
> The case was originally filed under seal by whistleblowers - "Associates Against FX Insider Trading," who alleged that State Street added a secret and substantial mark-up to the price of interbank foreign currency trades. The interbank rate is the price at which major banks buy and sell foreign currency. Subsequently, Brown launched an independent investigation into the allegations.
>
> Brown's investigation revealed that State Street was indeed overcharging the two funds. Despite being contractually obligated to charge the interbank rate at the precise time of the trade, State Street consistently charged at or near the highest rate of the day, even if the interbank rate was lower at the time of trade.
>
> Additionally, State Street concealed the fraud by deliberately failing to include time stamp data in its reports, so that the pension funds could not determine the true execution costs by verifying when State Street

> actually executed the trades. Commenting on this deception, one State Street senior vice president said to another executive that "if providing execution costs will give [CalPERS] any insight into how much we make off of FX transactions, I will be shocked if [State Street] or anyone would agree to reveal the information."
>
> Brown's office estimates that the pension funds were overcharged by more than $56.6 million over eight years. The lawsuit asks for relief in the amount of triple California's damages, civil penalties of $10,000 for each false claim; and recovery of costs, attorneys' fees and expenses. It is estimated that damages and penalties could exceed more than $200 million.

69. The fraudulent scheme first revealed by the California Attorney General began no later than 2001, and ended only upon disclosure of the California Attorney General's lawsuit on October 20, 2009.

70. On news of the California allegations, shares of State Street declined $4.41 per share, or 8.44%, to close at $47.84 per share on October 20, 2009 on heavy trading volume.

71. As reported in *The New York Times*, "the lawsuit raises troubling questions about the bank's practices and controls." Moreover, despite announcing an 8% increase in quarterly profits to $516 million, which was in-line with analysts' expectations, State Streets shares "fell 8.4 percent, its biggest drop in five months, on the news of the lawsuit and a sobering earnings forecast," according to *The New York Times.*

72. *Bloomberg* likewise attributed the decline in the price of State Street common stock – "the most in five months" – to news of the California lawsuit and the lowered earnings forecast.

73. Similarly, the *Los Angeles Times* reported, "State Street shares fell $4.41, to $47.84 on Tuesday after the company lowered its annual earnings forecast and Brown announced his lawsuit."

74. Because of Defendants' wrongful acts and omissions, and the decline in the market value of the Company's securities held by the Plan, Plaintiff and other Class members have suffered significant losses and damages.

75. The California Attorney General's complaint is based upon a whistleblower complaint, known as a *Qui Tam* Action, filed under seal by apparent company insiders in April, 2008. The *Qui Tam* plaintiffs allege that they "have personal knowledge of the false records, statements and/or claims that Defendants presented to their customers," *Qui Tam* Complaint, ¶ 4, and explain in detail how the foreign exchange trading scheme worked. *Qui Tam* Complaint, ¶¶18-35.

76. The scheme itself was relatively straightforward. As explained in State Street's annual reports, foreign exchange trading revenue is influenced by three principal factors: the volume and type of customer foreign exchange transactions; currency volatility and trend; and the management of currency market risks. Through the foreign exchange trading scheme, State Street took advantage of the currency volatility to overcharge their clients. *Qui Tam* Complaint, ¶23.

77. According to the *Qui Tam* Complaint, State Street executed foreign exchange transactions requested by the pension funds early in the day at the rate available at that time, and then watched market fluctuations over the course of the day in order to charge the clients a different rate than the one at which State Street actually settled the transactions. Because the report the clients received from State Street did not indicate the

time of the trade and the foreign exchange rate charged was within the range of rates prevailing during the day of the trade, the pension funds did not know of the overcharges. *Qui Tam* Complaint, ¶18. *See also Qui Tam* Complaint, ¶¶19-27.

78. For instance, if the transaction was a purchase of a foreign security, State Street would charge the client a higher foreign exchange rate that occurred later in the day, thus causing the client to pay more than what State Street had already paid. If the transaction was a sale of a foreign security, State Street would charge the client a lower foreign exchange, thus paying the client less than what State Street actually received. In either event, State Street would take for itself the difference between the amount for which the trade was actually executed and the amount that State Street charged its clients.

79. State Street was only able to perpetrate this scheme against its custody clients who had handed their foreign trading operations over to the Company. According to the qui tam complaint and confirmed by Lead Plaintiffs' investigation, State Street referred to these clients – usually public pension funds – as "dumb" clients or "dumb money" because they had no way of double-checking what exchange rate State Street used to execute their trade. By contrast, clients who conducted direct trades would be quoted an exchange rate by State Street before executing the transaction. These clients – often large hedge funds – typically had easy access to an alternate price source, such as Bloomberg or Reuters, to double-check the truthfulness of State Street's rate quotes. Accordingly, State Street could not overcharge these clients, and thus referred to them internally as "smart" clients or "smart money."

80. State Street deliberately designed its systems to further the scheme to defraud its "dumb" clients. As detailed in the California qui tam action, these clients or their investment managers would initiate a foreign exchange transaction by sending a request, often electronically, to the Securities Processing Unit of State Street, which was located on the "custody side" of the Company. This request was then sent electronically to the State Street foreign exchange trading desk in the Global Markets division, where it would appear on the Market Order Management System ("MOMS") software used by State Street's traders.

81. Upon receipt of the request, State Street's foreign exchange traders would check the exchange rate, set a price, and execute the transaction, which typically occurred early in the day since State Street traders are at their desks by 7 a.m. Eastern Standard Time. All of those transactions were then entered by the trader into a separate software system called Wall Street Systems ("WSS"), which memorializes the transaction and charges the cost (for purchases) or remits the payment (for sales) directly to State Street. The WSS would record time stamps for the actual "real time" transaction.

82. Although the transaction was now completed and the price locked in, State Street did not inform the client. Instead, as confirmed to Lead Plaintiffs by the California Attorney Generals' source, State Street would observe market fluctuations until sometime around 3 p.m. in the afternoon and then assign either a higher exchange rate (for purchases) or a lower exchange rate (for sales) to the foreign exchange transactions occurring during the day. State Street would then fraudulently apply that rate to all of the "indirect" foreign exchange transactions it had conducted that day.

83. As detailed in the California Attorney General's Complaint, State Street would enter the "false" exchange rate into its MOMS system, and the manipulated transaction details would be sent back to the custody group to be cleared with the client. The client would not receive any record of the time or rate of the earlier transaction or the time when the false exchange rate occurred. Once complete, State Street would automatically debit or credit its clients' custodial accounts utilizing the false exchange rates entered into the MOMS system by State Street's employees.

84. State Street deliberately falsified its internal and external reports to conceal the fraud. The Company provided its clients with monthly "FX Spot Purchase/Sale Activity Reports," detailing all foreign exchange transactions performed for the client in that period. It would also download the foreign exchange trading into its on-line client reporting database, MyStateStreet.com. These reports and databases would not reflect the true exchange rate at which State Street had executed the transaction earlier in the day. Instead, they would show the false exchange rate that was fraudulently selected by State Street and manually entered into State Street's systems. According to the allegations in the qui tam complaint, a comparison of the rates and times recorded on the WSS system, on the one hand, and on the MOMS system, on the other hand, will show that in the vast majority of cases, a corresponding trade was made earlier in the day at a different rate more favorable to State Street.

85. State Street's practices of overcharging its clients was not confined to California pension funds. Other states attorneys general and the United States Attorney General are currently investigating State Street for perpetrating this scheme against other

clients nationwide. As the California Attorney General stated in October 2009: "The state of California is not alone … there are other state [lawsuits] that you are going to hear about that are presently under seal."

86. This fact was confirmed by State Street itself. In the Company's Form 10-K for the year ended 2009, filed on February 22, 2010, State Street stated:

> A similar action [to the California Attorney General action] has been commenced in the District of Columbia by an anonymous whistleblower who purports to sue on behalf of DC public pension funds. We provide custody and foreign exchange services to government pension plans in other jurisdictions, and attorneys general from a number of these other jurisdictions, as well as the U.S. Attorney General's office, have requested information in connection with inquiries into our foreign exchange pricing.

DEFENDANTS' MISREPRESENTATIONS AND OMISSIONS CONCERNING STATE STREET'S FOREIGN EXCHANGE TRADING REVENUE

87. Every Plan participant who held State Street stock in the Company Stock Fund received a Proxy Statement and Annual Report to Shareholders annually, which purported to describe the business and operations of State Street. As reflected in the Company's proxy statements, Defendants, acting in their fiduciary capacity, provided an electronic or paper copy of "State Street's annual report and the notice of annual meeting and proxy statement to Salary Savings Program participants with investments in the Employee Stock Ownership Plan."

88. In communicating with participants, Defendants, as Plan fiduciaries, had a duty to communicate honestly about the business affairs and financial condition of the Company, which as more fully explained herein, they did not fulfill.

89. According to State Street's annual reports, the Company reports two lines of business: Investment Servicing and Investment Management.

- Investment Servicing provides services for U.S. mutual funds, collective investment funds and other investment pools, corporate and public retirement plans, insurance companies, foundations and endowments worldwide. Products include custody, product- and participant-level accounting; daily pricing and administration; master trust and master custody; recordkeeping; foreign exchange, brokerage and other trading services; securities finance; deposit and short-term investment facilities; loans and lease financing; investment manager and hedge fund manager operations outsourcing; and performance, risk and compliance analytics to support institutional investors.

- Investment Management offers a broad array of services for managing financial assets, including investment management and investment research services, primarily for institutional investors worldwide. These services include passive and active U.S. and non-U.S. equity and fixed-income strategies, and other related services, such as securities finance.

90. As reported in State Street's annual reports, Foreign Exchange ("F/X") trading revenue was an extremely lucrative business for State Street. State Street leveraged its position as custodian of trillions of dollars in assets to make billions of dollars from foreign exchange trading revenue.

91. State Street was aware that investors and analysts focused on the Company's foreign exchange revenue. Indeed, State Street provided a break-out of its foreign exchange revenue in its Annual Reports that were provided to the members of the Class.

92. State Street's revenue from foreign exchange trading services grew precipitously during this time, and comprised a significant percentage of the Company's overall revenue:

Year	Total Revenue (Millions)	Total Fee Revenue (Millions)	Trading Services Revenue (Millions)	F/X Revenue (Millions)	F/X Revenue as % of Total Revenue	F/X Revenue as % of Total Fee Revenue	% Annual Increase in F/X Revenue
12/31/02	$4,396	$2,850	N/A	$300	6.8%	10.5%	
12/31/03	$4,734	$3,556	N/A	$391	8.3%	11.0%	30%
12/31/04	$4,951	$4,048	N/A	$420	9.6%	10.4%	7%
12/31/05	$5,473	$4,551	$694	$468	8.6%	10.3%	11%
12/31/06	$6,311	$5,186	$862	$611	9.7%	11.8%	31%
12/31/07	$8,636	$6,633	$1,152	$802	9.2%	12.1%	31%
12/31/08	$10,693	$7,747	$1,467	$1,080	10.1%	13.4%	35%

93. In its annual and quarterly filings, the Company consistently attributed its enormous growth in foreign exchange revenues to one of three factors: (1) "the volume and type of customer foreign exchange transactions;" (2) "currency volatility and trends;" and (3) "the management of currency market risks." When there were declines in State Street's foreign exchange revenue, Defendants attributed them to lower volumes and weaker volatilities. When there were increases – which there consistently were during most of the Class Period – Defendants attributed them to high customer volumes and high volatility in the markets.

94. In reality, however, State Street's foreign exchange revenue did not increase merely as a result of increased customer volumes, general market volatility or "the management of currency market risks." Rather, as was first revealed on October 20, 2009, these increases were in large part due to a long-running fraudulent scheme to overcharge State Street's largest institutional customers for foreign exchange trades. Thus, State Street's purportedly strong financial performance during this time was in large part an illusion because State Street was

artificially inflating its revenues by hundreds of millions of dollars by defrauding its foreign exchange clients.

95. The disclosure of the California Attorney General's Action and State Street's fraudulent foreign exchange trading practices ended the Company's manipulation of exchange rates and had a materially negative impact on the Company's foreign exchange revenues.

96. Immediately following this disclosure, State Street saw a steep decline in its foreign exchange trading revenue, which suffered a <u>56% decline</u> from the fourth quarter of 2009 ($144 million) compared to the fourth quarter of 2008 ($330 million). While State Street attributed the fourth quarter 2009 decline to lower "customer volumes" and a decrease in "currency volatility," as State Street itself admitted in its Form 10-K for 2009, customer volumes declined by only 16% from 2008 to 2009, and currency volatility decreased by only 4%. On information and belief, a substantial portion of the 56% decline was the direct result of the disclosure of the California Attorney General's action, which forced State Street to stop fraudulently overcharging its clients.

97. Indeed, in its 2009 Form 10-K, which addressed the California Attorney General's action and other investigations by various state attorneys general and the U.S. Attorney General, State Street explicitly admitted that the Company had changed its foreign exchange trading practices to add "transparency," and that this change would lead to a decline in foreign exchange revenues:

> In light of the action commenced by the California Attorney General, we are providing customers with greater transparency into the pricing of this product and other alternatives offered by us for addressing their foreign exchange requirements. <u>Although we believe such disclosures will address customer interests for increased transparency, over time such action may result in pressure on our pricing of this product or result in clients electing</u>

other foreign exchange execution options, which would have an adverse impact on the revenue from, and profitability of, this product for us.

98. The *qui tam* plaintiffs (who the California Attorney General referred to as "industry insiders") alleged that State Street generated $400 million in fraudulently-obtained trading revenue annually, constituting one-third of Defendants' trading revenue. *Qui Tam* Complaint, ¶11. Without access to State Street's internal documents, it is not possible to determine the precise amount that State Street was inflating its foreign exchange revenue through the scheme described herein. However, the 56 percent decline in revenues for the quarter immediately following disclosure of the fraud provides a verifiable basis for estimating the impact of the fraud, and coupled with the determination by the *qui tam* plaintiffs (whom the California Attorney General termed "industry insiders" with detailed knowledge of the illegal practices at State Street) that the foreign exchange fraud artificially inflated State Street's total trading revenues by at least one-third, a conservative estimate is that the Company's foreign exchange revenue was artificially inflated by at least 30% during between 2006 - 2009, which would result in an overstatement of at least ***$832 million***, and an overstatement of net income by 11.7 percent during that period.

99. The impact of this fraud on State Street's foreign exchange revenue and net income for each financial period in the Class Period is set forth in the charts below:

Impact on FX Trading Revenues

Inflated Period	Reported FX Revenue	Actual FX Revenue Without Fraud (30%)	Amount FX Revenue Overstated
2006 (4Q)	$141,000,000	$99,000,000	$42,000,000
2007	$802,000,000	$561,000,000	$241,000,000
2008	$1,080,000,000	$756,000,000	$324,000,000
2009 (1Q-3Q)	$750,000,000	$525,000,000	$225,000,000
Total	**$2,773,000,000**	**$1,941,000,000**	**$832,000,000**

Impact on Net Income

Inflated Period	Reported Net Income	Actual Net Income Without Fraud	Percentage of Overstatement
2006 (4Q)	$309,000,000	$283,000,000	8.4%
2007	$1,261,000,000	$1,100,000,000	12.7%
2008	$1,811,000,000	$1,600,000,000	11.4%
2009 (1Q-3Q)	$1,305,000,000	$1,145,000,000	12.2%
Total	**$4,686,000,000**	**$4,130,000,000**	**11.7%**

2008 Annual Report

100. On or about April 6, 2009, State Street distributed its Annual Report to Shareholders for the year ended December 31, 2008 ("2008 Annual Report") to participants in the Plan who invested part or all of their accounts in the Company Stock Fund.

101. In a letter to shareholders at the beginning of the 2008 Annual Report, Defendant Logue wrote that State Street's "core business performed very well in 2008" amidst the market turmoil. Defendant Logue wrote:

> Servicing fee revenue rose 11 percent in 2008 to $3.75 billion, from $3.39 billion in 2007. We finished the year with a record $1.66 trillion in asset servicing business wins, 75 percent of which came from existing customers. Management fees declined by 10 percent in 2008, comparing favorably against the average 40 percent annual drop in domestic and global stock market indices. Our securities finance and trading businesses both benefited from the market disruption in 2008. Securities finance revenue rose 81 percent to $1.23 billion from $681 million in 2007. Trading services revenue, which includes foreign exchange trading revenue and brokerage and other fee revenue, increased 27 percent to $1.47 billion in 2008.
>
> An important factor driving growth at State Street in 2008 was a dramatic flight to quality. Our reputation as a trusted, experienced partner and our long-standing relationships with customers reassured our pension fund and mutual fund customers, investment managers, and government funds grappling with the consequences of lower returns. We also benefited throughout the year when large asset managers with multiple custodians opted to consolidate their business with State Street.

102. In Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the 2008 Annual Report, State Street reported:

> Total revenue for 2008 grew 28% from 2007. Total fee revenue, which grew 17%, reflected growth in servicing fees and trading services revenue, up 11% and 27%, respectively, compared to 2007, and securities finance revenue, up 81%.

> Generally, servicing fees benefited from the inclusion of the acquired Investors Financial business for the full year and net new business, partly offset by declines in equity market valuations. . . . Trading services revenue grew primarily as a result of higher levels of volatility and the contribution of the acquired Investors Financial business (with respect to foreign exchange revenue), and the inclusion of revenue from the acquired Currenex business (with respect to brokerage and other fees), both for a full year. . . .
>
> * * *
>
> Trading services revenue includes revenue from foreign exchange trading and brokerage and other trading services. We offer a complete range of foreign exchange services under an account model that focuses on the global requirements of our customers for our proprietary research and to execute trades in any time zone. Foreign exchange trading revenue is influenced by three principal factors: the volume and type of customer foreign exchange transactions; currency volatility; and the management of currency market risks.
>
> For 2008, foreign exchange trading revenue totaled $1.08 billion for 2008, a 35% increase from 2007 revenue of $802 million, and benefited from the continued disruption in the global securities markets. The increase was mainly driven by a 92% increase in currency volatility, but also included an increase of $45 million of foreign exchange revenue attributable to the inclusion of a full year of revenue of the acquired Investors Financial business compared to two quarters for 2007. Aggregate customer volumes were relatively flat compared to 2007.

103. State Street's 2008 Annual Report included the Company's consolidated financial statements for the year ended December 31, 2008, including a Consolidated Statement of Income, which reported total revenue of $10,693 million, total fee revenue of $7,737 million and total trading services revenue of $1,467 million. State Street represented that the consolidated financial statements were prepared in accordance with GAAP."

104. The 2008 Annual Report, and the financial statements contained therein, was signed by Defendants Logue and Malerba.

2007 Annual Report

105. On or about March 17, 2008, State Street distributed its Annual Report to Shareholders for the year ended December 31, 2007 ("2007 Annual Report") to participants in the Plan who invested part or all of their accounts in the Company Stock Fund.

106. In a letter to shareholders at the beginning of the 2007 Annual Report, Defendant Logue wrote:

> Overall, 2007 was another strong year for State Street and one that demonstrated the continued value of our focus on meeting the needs of global institutional investors.
>
> The year, however, was not without its challenges. I believe that the best way to evaluate the strength of a company is to judge its performance not only when conditions are favorable, but also during times of adversity. At State Street, we face up to difficulty by sticking to the values that are at the core of our company. These values are reflected in the four constituencies we serve: our shareholders, our customers, our employees and our community. With each of these constituencies our actions are guided by one principle—doing what is right. For this reason we are open and transparent with our shareholders and fair to our customers. . . . During 2007, unprecedented conditions within the financial markets presented many challenges for our industry. I am pleased to report that despite these issues, our core businesses grew considerably in 2007. We added new customers, expanded relationships with existing customers, grew market share, and extended our range of capabilities and services.
>
> * * *
>
> Let me now outline our performance in 2007 across a number of key areas:

Performance Against Our Goals

. . . . I am pleased to report that State Street exceeded its financial goals for 2007, excluding the merger and integration costs related to the Investors Financial acquisition, the fourth-quarter charge related to our active fixed-income strategies and, for 2006, excluding the tax adjustments. We were rewarded by a 20 percent annual gain in our stock price, well above the 3.5 percent rise in the Standard & Poor's 500 Index through December 31, 2007.

Contributing to this result was sustained momentum in our core business in 2007, resulting in double-digit increases in nearly every revenue item on our income statement. On an operating basis, after excluding the impact of the fourth quarter charge, the merger and integration costs associated with the Investors Financial acquisition and the impact of the tax adjustments in 2006, State Street earned $4.57 per share on net income of $1.669 billion in 2007, up 32 percent compared to $3.46 per share from continuing operations in 2006. Revenue for the year increased 32 percent to a record $8.394 billion. Operating return on shareholders' equity was 17.7 percent, up from 17.1 percent in 2006.

We achieved our 30th consecutive year of growth in operating earnings per share and our dividend grew for the 29th consecutive year as we increased our per share fourth-quarter dividend in 2007 to 23 cents, up 10 percent from 2006. We also achieved positive operating leverage on an annual basis for the third consecutive year.

We ended 2007 with $15.3 trillion in assets under custody, a 29 percent gain over the previous year. Assets under management were $1.98 trillion at the end of 2007, up 13 percent from 2006. Servicing fees increased in 2007, growing 24 percent from 2006, and management fees were up by 21 percent from the prior year. Foreign exchange revenue in 2007 increased 31 percent and securities finance revenue increased 76 percent from 2006.

107. In Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the 2007 Annual Report, State Street reported:

Total revenue for 2007 grew 32% from 2006. Total fee revenue for 2007, which grew 27%, reflected consistent growth throughout the year in servicing fees and management fees, up 24% and 21%, respectively, compared to 2006, and trading services and securities

> finance revenue, up 34% and 76%, respectively. Generally, servicing fees benefited from the inclusion of the acquired Investors Financial Business, net new business and favorable equity markets, and management fees benefited primarily from net new business and favorable equity markets. Trading services revenue grew primarily as a result of increases in customer volumes and the inclusion of the acquired Investors Financial business, with respect to foreign exchange revenue, and as a result of the inclusion of revenue from the acquired Currenex business, with respect to other trading services revenue. . . .
>
> * * *
>
> Trading services revenue includes revenue from foreign exchange trading and brokerage and other trading services. We offer a complete range of foreign exchange services under an account model that focuses on the global requirements of our customers to execute trades and receive market insights in any time zone. In March 2007, we acquired Currenex's electronic foreign exchange trading platform. The Currenex business serves hedge funds, banks and other commercial enterprises in the active-trading segment of the foreign exchange market. We have exclusive ownership of FX Connect®, the world's first foreign exchange trading platform, and we provide quantitatively-based research into investor behavior, as well as consultative services that use quantitative tools designed to optimize our customers' returns. Foreign exchange trading revenue is influenced by three principal factors: the volume and type of customer foreign exchange transactions; currency volatility; and the management of currency market risks.
>
> For 2007, foreign exchange trading revenue increased 31%, to $802 million from $611 million in 2006, and benefited from the disruption in the global securities markets that occurred in the second half of the year. The increase was mainly driven by a 39% increase in customer volumes, but also was the result of the inclusion of $43 million of foreign exchange revenue from the acquired Investors Financial business. These increases were partly offset by an unfavorable transaction mix influenced by lower margin transactions and a 5% decline in currency volatility.

108. State Street's 2007 Annual Report included the Company's consolidated financial statements for the year ended December 31, 2007, including a Consolidated Statement of Income, which reported total revenue of $8,636 million, total fee revenue of

$6,633 million and total trading services revenue of $1,152 million. State Street represented that the consolidated financial statements were prepared in accordance with GAAP.

109. The 2007 Annual Report, and the financial statement contained therein, was signed by Defendants Logue and Malerba.

2006 Annual Report

110. On or about March 19, 2007, State Street distributed its Annual Report to Shareholders for the year ended December 31, 2006 ("2006 Annual Report") to participants in the Plan who invested part or all of their accounts in the Company Stock Fund.

111. In a letter to shareholders at the beginning of the 2006 Annual Report, Defendant Logue wrote:

> **2006 was a very good year for State Street.**
>
> We exceeded all of our financial goals (excluding tax adjustments), grew our business globally, expanded relationships with our customers, launched new products, acquired new capabilities and continued to be a strong corporate citizen in the communities in which we live and work. Our performance in 2006 was driven by a number of themes that I define as setting the standard for our industry.
>
> **Consistency**
>
> The first theme is consistency, which is best illustrated by our financial performance. 2006 was our twenty-ninth consecutive year of operating earnings per share growth and our twenty-eighth consecutive year of dividend increases, with an 11 percent increase from 2005. We outperformed our peer group in revenue and EPS growth while generating lower expense growth. . . .

* * *

Customer Focus

> The fourth and final theme is customer focus. Our commitment to delivering a value to our customers that they cannot find anywhere else proved to be a strong differentiator for State Street in 2006, with more than 75 percent of our new revenue coming from deepening relationships with existing customers. . . .
>
> The California Public Employees' Retirement System (CalPERS) reappointed State Street to provide investment services for its $200 billion pension fund, a testament to the high-quality customer service that State Street has provided to CalPERS for more than 13 years. CalPERS also selected SSgA as one of its first managers to implement a domestic long-short equity strategy, underscoring the success SSgA continues to achieve in offering the most innovative investment strategies available in the industry today.

112. In Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the 2006 Annual Report, State Street reported:

> Total revenue for 2006 grew 15% from 2005, with about three-quarters of the growth generated from existing customers. Total fee revenue for 2006, which grew 14%, reflected consistent growth throughout the year in servicing and management fees, up 10% and 26%, respectively, compared to 2005. Generally, servicing fees benefited from our continued expansion overseas and our cross-selling of services to our broad customer base, while management fees benefited from the strategic introduction of quantitative active products, which provide higher-margin revenue. Trading services revenue, which benefited from strong capital markets in the first half of 2006, grew 24% year over year. . . .
>
> * * *
>
> Trading services revenue includes revenue from foreign exchange trading and brokerage and other trading services. We offer a complete range of foreign exchange services under an account model that focuses on the global requirements of our customers to execute trades and receive market insights in any time zone. We have exclusive ownership of FX Connect®, the world's first and leading foreign exchange trading platform, and we provide quantitatively-based research into investor behavior, as well as consultative services that use quantitative tools designed to optimize our customers' returns. Foreign exchange trading revenue is influenced by three principal

> factors: the volume and type of customer foreign exchange transactions; currency volatility and trend; and the management of currency market risks.
>
> For 2006, foreign exchange trading revenue increased 31%, to $611 million from $468 million in 2005, and benefited from a strong first half of the year. The increase from 2005 resulted from increased transaction volumes, a favorable transaction mix related to custody FX services, and an increase in FX trading profits, partially offset by a decline in customer volume-weighted currency volatility.

113. State Street's 2006 Annual Report included the Company's consolidated financial statements for the year ended December 31, 2006, including a Consolidated Statement of Income, which reported total revenue of $6,311 million, total fee revenue of $5,186 million and total trading services revenue of $862 million. State Street represented that the consolidated financial statements were prepared in accordance with GAAP.

114. The 2006 Annual Report, and the financial statements contained therein, was signed by Defendants Logue and Malerba.

2005 Annual Report

115. On or about March 13, 2006, State Street distributed its Annual Report to Shareholders for the year ended December 31, 2005 ("2005 Annual Report") to participants in the Plan who invested part or all of their accounts in the Company Stock Fund.

116. In a letter to shareholders at the beginning of the 2005 Annual Report, Defendant Logue wrote:

> **State Street delivered value in 2005.**
>
> We delivered value to our shareholders, our customers, our employees and the communities in which we operate. We achieved this value by focusing on delivering for our customers, executing our

plan against our goals, performing consistently for our shareholders, providing more opportunities for our employees, and continuing to give back to the communities where we do business.

* * *

I measure the year's achievements in four ways.

Financial

We remained focused on the bottom line in 2005, carefully balancing revenue growth with continued expense management. This focus allowed us to generate positive operating leverage for the year, an objective I set out to accomplish when I took over as chairman and chief executive officer in July 2004, and one that I continue to target. I view our 2005 results as a start, and an indication that we are heading in the right direction.

Business growth across the company helped fuel our revenue increase in 2005. . . .

* * *

We continued to deepen existing customer relationships and expand new product capabilities. These factors, combined with new business growth, enabled us to deliver what I consider to be better top-line performance than our peers.

* * *

Customer

State Street's singular focus on providing large, global institutional investors with unparalleled service and value remained a differentiator for our company in 2005. Our ability to handle complex transactions, create innovative solutions and improve efficiencies helped us to attract new customers and add significant value to our existing customer relationships around the world.

* * *

Our research and trading capabilities, including foreign exchange, equity execution, transition management and securities finance activities, also posted record results in 2005. Daily trading volume on FX Connect,® our multibank electronic trading system, surpassed $45

> billion and State Street remained the unmatched leader in transition management, managing more than $380 billion in transitions during the year.

117. In Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the 2005 Annual Report, State Street reported:

> Total revenue for 2005 was $5.47 billion, an increase of $522 million from $4.95 billion in 2004. Revenue growth from 2004 reflected growth in servicing, management, trading and securities finance fees, as well as higher net interest revenue.
>
> * * *
>
> Trading services revenue, which includes foreign exchange trading and brokerage and other trading services, was $694 million for 2005, up $99 million, or 17%, from $595 million in 2004.
>
> We offer a complete range of foreign exchange services under an account model that focuses on the global requirements of our customers to execute trades and receive market insights in any time zone. We have exclusive ownership of FX Connect®, the world's first and leading foreign exchange trading platform, and we provide quantitatively based research into investor behavior, as well as advice and quantitative tools designed to optimize our customers' returns.
>
> In 2005, foreign exchange trading revenue increased $48 million, to $468 million, from $420 million in 2004. Foreign exchange trading revenue is influenced by three principal factors: the volume and type of customer foreign exchange transactions; currency volatility and trend; and the management of currency market risks. Customer spot, swap, forward and options trading volumes were strong in 2005, both in the volume and value of transactions, up 32% from 2004. The impact of volume increases was somewhat offset by lower currency volatility, as measured by our index of 26 currencies, down 12% from 2004.

118. State Street's 2005 Annual Report included the Company's consolidated financial statements for the year ended December 31, 2005, including a Consolidated Statement of Income, which reported total revenue of $5,473 million, total fee revenue of

$4,551 million and total trading services revenue of $694 million. State Street represented that the consolidated financial statements were prepared in accordance with GAAP.

119. The 2005 Annual Report, and the financial statement contained therein, was signed by Defendants Logue and Gormley.

Earlier Annual Reports

120. Similar disclosures regarding State Street's foreign exchange trading revenues were made in earlier annual reports.

State Street's Annual Reports Were False and Misleading

121. State Street's annual reports were false and misleading in numerous respects:

a) State Street did not "optimize our customers' returns" in foreign exchange transactions as represented. Rather, the Company set up a scheme to substantially mark up foreign currency trades, which caused State Street's valued institutional clients to overpay for such trades. State Street's wrongful overcharging of its custody clients had been ongoing since at least 2001.

b) tTe Company was overcharging its institutional clients by hundreds of millions of dollars for executing their foreign exchange trades. State Street reported F/X trading revenue (which made up a significant portion of the Company's total revenues and total fee revenues) that included illegal profits derived from the F/X trading scheme.

c) These activities had materially inflated the Company's reported financial results, causing material inflation of the Company's revenue and net income.

d) State Street publicly built its reputation on its long-standing and trusted relationships with its institutional clients, which has been damaged by the disclosure of the F/X trading scheme, in which the Company has been accused of "unconscionable fraud."

STATE STREET'S SENIOR MANAGEMENT KNEW OR SHOULD HAVE KNOWN ABOUT THE FOREIGN EXCHANGE TRADING SCHEME

122. Although the *Qui Tam* Complaint was not unsealed until October 20, 2009, on information and belief, State Street learned that it was a target of an investigation into its by F/X trading practices by the California Attorney General shortly after the *Qui Tam* Complaint shortly after the complaint was filed in April, 2008. Indeed, as reflected in an October 21, 2009 press release by the Office of the California Attorney General: "[W]hen two whistleblowers filed suit under seal in April 2008, attorneys from my office immediately investigated - examining hundreds of thousands of pages of documents, interviewing witnesses and subpoenaing records."

123. A fraud of this length and magnitude, and perpetrated against State Street's largest custody clients, was not a plan devised and kept hidden by low-level employees. According to the California Attorney General source, while State Street went to great lengths to avoid documenting its custody foreign exchange trading practice in writing, the practice was well known within the Company.

124. According to the *Qui Tam* Complaint, senior management at State Street was "aware of and actively promote[d] the fraudulent F/X scheme," issuing "verbal instructions to F/X traders to utilize market volatility to manipulate the rate charged as much as possible without causing the client to notice." Senior management also "issued a written document setting forth the amount by which the rate charged to each indirect trading client may be manipulated."

125. According to the *Qui Tam* complaint, the fraudulent foreign exchange trading practices were "promoted and institutionalized at annual off-site conferences for high-ranking executives." This fact was corroborated by a confidential witness contacted by Lead Plaintiff in *Hill v. State Street* (the "Securities Action"). As alleged in the Consolidated Class Action Complaint in the Securities Action, the confidential witness (CW1) (who worked at State Street from June 1991 until December 2008, and held the position of Marketing Director of Global Markets from 2004 through 2006, and Senior Managing Director and Head of Global Business Integration from January 2007 through December 2008) confirmed that State Street held offsite executive-level conferences attended by the heads of the Company, including the Defendant Logue, and that these conferences would include a discussion of foreign exchange strategy.

126. According to the *Qui Tam* Complaint, State Street paid very high and consistent bonuses to its F/X traders in order to incentivize them to perpetuate the scheme and minimize turn-over. The average F/X trader's bonus at State Street is 100% to 300% of base salary. *Qui Tam* Complaint, ¶35. Defendants O'Leary and Quirk, who were in

charge of human resources and had oversight over compensation, would have been aware of these bonuses.

127. According to the *Qui Tam* Complaint, State Street senior management also designed the Money Order Management Systems ("MOMS"), and did so for the specific purpose of carrying out the foreign exchange trading scheme. *Qui Tam* Complaint, ¶36.

128. According to the *Qui Tam* Complaint, State Street's internal accounting (over which Defendants Donahue, Gormley and Malerba would have had principle accounting or auditing responsibility) will show that because of the scheme, State Street virtually never suffered a loss on an F/X transaction conducted for clients such as CalPERS or CalSTERS. *Qui Tam* Complaint, ¶27. State Street's foreign exchange scheme thrived in large part because the Company lacked adequate risk management policies or internal controls designed to prevent or uncover fraud.

129. Furthermore, internal documents produced to the California Attorney General from State Street's own files and quoted in the California Attorney General's complaint confirm that State Street executives knew that the Company's custody foreign exchange trading practices violated the agreements it had with its clients, and knew that they needed to conceal these practices from clients. For example, one State Street senior vice president said in an email to another State Street executive, that "[i]f providing execution costs will give [CalPERS] any insight into how much we make off of FX transactions, I will be shocked if [a State Street V.P.] or anyone would agree to reveal the information." Another State Street executive sought help in formulating a strategy to respond to a request from the California funds for more "transparency" into the Company's

foreign exchange practices, writing in an email obtained by the California Attorney General, "[a]ny help you can offer would be appreciated. The FX question is touchy and if we can't provide any further information, we have to somehow get [CalPERS] comfortable with that…."

130. On information and belief, many of the facts alleged in the California Attorney General Action and in the *Qui Tam* Complaint, have been confirmed by confidential witnesses interviewed by Lead Plaintiff in the Securities Action.

131. According to the Consolidated Complaint in the Securities Action, another confidential witness (CW2) (who worked at State Street's Quincy, Massachusetts office from 1998 -2003, and worked directly assisting CalPERS and CalSTRS with their trades and securities lending between 2001 and 2003) had knowledge of the foreign exchange fraud. CW2 confirmed that these practices commenced as early as 2000 and that State Street was "absolutely" overcharging clients for foreign exchange transactions because the overpricing of foreign exchange trades was "what they were doing to make money." CW2 further explained that managers instructed the witness to manually mark up or mark down foreign exchange trade rates on the system with a new rate so that it would financially benefit State Street. CW2 further stated that State Street handled all of its clients in this manner and that "everyone" at State Street knew of this practice. CW 2 questioned these rate changes (which always benefited State Street), and the practice of rebooking foreign exchange trades at different rates, at weekly meetings with superiors present, but was ignored when making these comments.

132. According to the Consolidated Amended Complaint in the Securities Action, other employees confirmed that the improper foreign exchange trading practices were widely known inside the Company. CW2 stated that the executives of the Company "have to have been aware of what was going on. How could they not? Everybody knew." By early 2005, within a year of being promoted to Managing Director of Global Markets, CW1 observed colleagues speaking openly about how it was easy to profit from those transactions because the custody clients did not need to approve the exchange rates and thus, the rates applied to their exchanges were less transparent. Another former employee contacted by Lead Plaintiff in the Securities Action (CW3) (who worked for State Street's Global Markets division in Boston from 2006 to 2008 in the Foreign Exchange Sales and Trading Division) first heard talk of shady practices in State Street's foreign exchange trading for CalPERS and CalSTRS in late 2006. According to CW3, CW3's managers tried to keep very "hushed" about the nature of the controversy to lower-level employees, but this could not stop the widespread practice from being fairly well-known inside the Company.

133. According to the Consolidated Amended Complaint in the Securities Action, another former State Street employee (CW4) noticed serious discrepancies between the actual foreign exchange trade rate and the rate recorded for clients, but was waived off by the former employee's managers. CW4 was employed by State Street between July 2007 and May 2010 as a Global Trade Settlements associate, and worked with mutual funds and pension funds, including CalPERS and CalSTRS. Beginning in February 2008, CW4 directly observed issues with State Street's foreign exchange trading practices. After a foreign exchange trade was executed, CW4's job was to check to see what amount of money was

being credited or deducted from the account through an accounting system called TLM (Transaction Life Management). CW4 frequently noticed discrepancies between the amount recorded in TLM and the rate that CW4 had been told by the portfolio manager. Such discrepancies "happened all of the time." However, when CW4 raised these discrepancies with CW4's managers, CW4 would be waived off. CW4 noted that these discrepancies appeared to be advantageous to State Street and that his managers "could hide whatever they wanted to hide" from the clients, and that "they had the controls."

134. Not only did State Street manipulate the foreign exchange rates charged to its custody clients, but according to the Consolidated Amended Complaint in the Securities Action, the Company also overcharged clients by "rounding up" foreign currency rates, even if the decimal was less than 0.5. According to the Consolidated Amended Complaint in the Securities Action, a confidential witness (CW5) (who worked as a manager in State Street's money markets division dealing with international transfers from 1999 through 2003) stated that employees were instructed by senior management to always round up foreign currency and other rates. For instance, if a number was 7.22, employees were instructed to round up to 8 when calculating rates and fees. Because State Street dealt with large volumes of trades at high dollar amounts, this practice resulted in enormous excess profits to the Company.

CLAIMS FOR RELIEF --THE LAW UNDER ERISA

135. ERISA § 502(a)(2), 29 U. S.C. § 1 132(a)(2), provides, in pertinent part, that a civil action may be brought by a participant for relief under ERISA § 409, 29 U. S.C. § 1109.

136. ERISA § 409(a), 29 U.S.C. § 1109(a), "Liability for Breach of Fiduciary Duty," provides, in pertinent part, that any person who is a fiduciary with respect to a plan who breaches any of the responsibilities, obligations, or duties imposed upon fiduciaries by ERISA shall be personally liable to make good to such plan any losses to the plan resulting from each such breach; and to restore to such plan any profits which have been made through use of assets of the plan by the fiduciary, and shall be subject to such other equitable or remedial relief as the court may deem appropriate, including removal of such fiduciary.

137. ERISA § 404(a)(1)(A) and (B), 29 U.S.C. § 1104(a)(1)(A) and (B), provides, in pertinent part, that a fiduciary shall discharge his duties with respect to a plan *solely in the interest of the participants* and beneficiaries, for the *exclusive purpose of providing benefits to participants* and their beneficiaries, and *with the care, skill, prudence, and diligence* under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

138. These fiduciary duties under ERISA § 404(a)(1)(A) and (B), are referred to as the *duties of loyalty, exclusive purpose, and prudence* and are the "highest known to the law." They entail, among other things,

a) the duty to conduct an independent and thorough investigation into, and continually to monitor, the merits of all the investment alternatives of a plan, including in this instance the Plan fund that invested in State Street stock, to ensure that each investment is a suitable option for the plan;

b) the duty to avoid conflicts of interest and to resolve them promptly when they occur. A fiduciary must always administer a plan with an "eye single" to the interests of the participants and beneficiaries, regardless of the interests of the fiduciaries themselves or the plan sponsor; and

c) the duty to disclose and inform, which encompasses: (1) a negative duty not to misinform; (2) an affirmative duty to inform when the fiduciary knows or should know that silence might be harmful; and (3) a duty to convey complete and accurate information material to the circumstances of participants and beneficiaries.

139. ERISA § 405(a), 29 U.S.C. § 1105(A), "Liability for breach by co-fiduciary," provides, in pertinent part, that:

> . . . . [i]n addition to any liability which he may have under any other provision of this part, a fiduciary with respect to a plan shall be liable for a breach of fiduciary responsibility of another fiduciary with respect to the same plan in the following circumstances: (A) if he participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach; (B) if, by his failure to comply with section 404(a)(1), 29 U.S.C. § 1104(a)(1), in the administration of his specific responsibilities which give rise to his status as a fiduciary, he has enabled such other fiduciary to commit a breach; or (C) if he has knowledge of a breach by such other fiduciary, unless he makes reasonable efforts under the circumstances to remedy the breach.

140. Plaintiff therefore brings this action under the authority of ERISA § 502(a)(2) for, *inter alia,* Plan-wide relief under ERISA § 409(a) to recover losses sustained by the Plan

arising out of the breaches of fiduciary duties by the defendants for violations under ERISA §404(a)(1) and ERISA § 405(a).

REMEDY FOR BREACHES OF FIDUCIARY DUTY

141. Defendants breached their fiduciary duties in that they knew or should have known the facts as alleged above, and therefore knew or should have known that the Plan's assets should not have been invested in State Street equity.

142. As a consequence of the Defendants' breaches, the Plan suffered significant losses.

143. ERISA § 502(a)(2), 29 U.S.C. § 1132(a)(2) authorizes a plan participant to bring a civil action for appropriate relief under ERISA § 409, 29 U.S.C. § 1109. Section 409 requires "any person who is a fiduciary . . . who breaches any of the . . . duties imposed upon fiduciaries . . . to make good to such plan any losses to the plan. . . ." Section 409 also authorizes "such other equitable or remedial relief as the court may deem appropriate. . . ."

144. The Plan suffered millions of dollars in losses because the assets invested in Company stock were were imprudently invested in breach of Defendants' fiduciary duties and because the assets were purchased at inflated prices due to Defendants' material mispresentations and omissions in breach of their fiduciary duties. This loss was reflected in the diminished account balances of the Plan's participants who had investments in Company stock.

145. Had the Defendants properly discharged their fiduciary and/or co-fiduciary duties, including the provision of full and accurate disclosure of material facts concerning investment in State Street stock, eliminating State Street stock as an investment alternative

when it became imprudent, and/or divesting the Plan from its holdings of State Street stock when maintaining such an investment became imprudent, the Plan would have avoided a substantial portion of the losses that it suffered through its continued investment in State Street stock.

146. With respect to calculation of the losses to a plan, breaches of fiduciary duty result in a presumption that, but for the breaches of fiduciary duty, the Plan would not have made or maintained its investments in the challenged investment and, where alternative investments were available (as they were here, in the alternative investments offered to Plan participants), that the investments made or maintained in State Street stock would have instead been made in the most profitable alternative investment available. In this way, the remedy restores the values of the Plan's assets to what they would have been if the Plan had been properly administered.

147. Defendants' liability to the Plan, the Plaintiff and the Class arising out of the Plan's imprudent investments in State Street stock, is established upon proof that such investments were or became imprudent and resulted in losses in the value of the assets of the Plan, whether or not the participants relied upon the acts, statements or omissions of Defendants.

148. Plaintiff and the Class, therefore, are entitled to relief from Defendants in the form of (1) a monetary payment to the Plan to make good to the Plan the losses to the Plan resulting from the breaches of fiduciary duties alleged above in an amount to be proven at trial based on the principles described above, as provided by ERISA § 409(a), 29 U.S.C. § 1109(a); (2) injunctive and other appropriate equitable relief to remedy the breaches

alleged above, as provided by ERISA §§ 409(a) and 502(a)(2-3), 29 U.S.C. §§ 1109(a) and 1132(a)(2-3); (3) reasonable attorneys' fees and expenses, as provided by ERISA § 502(g), 29 U.S.C. § 1132(g), the common fund doctrine, and other applicable law; (4) taxable costs and (5) interest on these amounts, as provided by law; and (6) such other legal or equitable relief as may be just and proper.

149. Each Defendant is jointly liable for the acts of the other defendants as a co-fiduciary.

CLASS ACTION ALLEGATIONS

150. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all participants in or beneficiaries of the Plan who allocated any portion of their Plan account to the Company Stock Fund as of October 20, 2009.

151. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time, and can only be ascertained through appropriate discovery, Plaintiff believes there are, at a minimum, thousands of members of the Class who participated in, or were beneficiaries of, the Plan as of October 20, 2009. As of December 31, 2008, the Company Stock Fund held approximately 5 million shares of State Street stock.

152. Common questions of law and fact exist as to all members of the Class and predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

a) whether Defendants each owed a fiduciary duty to Plaintiff and members of the Class;

b) whether Defendants breached their fiduciary duties to Plaintiff and members of the Class by failing to act prudently and solely in the interests of the Plan's participants and beneficiaries;

c) whether Defendants breached their fiduciary duties to Plaintiff and members of the Class by making material misrepresentations to Plan participants or by failing to provide participants with complete and accurate information regarding State Street stock sufficient to advise participants of the true risks of investing their retirement savings in State Street stock;

d) whether Defendant Logue breached his fiduciary duty to monitor other plan fiduciaries;

e) whether Defendants are liable as co-fiduciaries;

f) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

153. Plaintiff’s claims are typical of the claims of the members of the Class because Plaintiff and the other members of the Class each sustained damages arising out of Defendants' wrongful conduct in violation of federal law as complained of herein.

154. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action, complex, and ERISA litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

155. Class action status in this ERISA action is warranted under Rule 23(b)(1)(B) because prosecution of separate actions by the members of the Class would create a risk of adjudications with respect to individual members of the Class which would, as a practical matter, be dispositive of the interests of the other members not parties to the actions, or substantially impair or impede their ability to protect their interests.

156. Class action status is also warranted under the other subsections of Rule 23(b) because: (i) prosecution of separate actions by the members of the Class would create a risk of establishing incompatible standards of conduct for Defendants; (ii) Defendants have acted or refused to act on grounds generally applicable to the Class, thereby making appropriate final injunctive, or other equitable relief with respect to the Class as a whole; and (iii) common questions predominate over any questions affecting only individual members of the Class, and a class action is superior to the other available methods for the fair and efficient adjudication of this controversy.

COUNT I

Breach of Fiduciary Duty – Failure to Manage Plan Assets Prudently and Loyally (All Defendants)

157. Plaintiff incorporates the allegations contained in the previous paragraphs of this Complaint as if fully set forth herein.

158. At all relevant times, as alleged above, Defendants were fiduciaries within the meaning of ERISA § 3(21)(A), 29 U.S.C. § 1002(21)(A).

159. As alleged above, Defendants were all responsible, in different ways and to differing extents, for the selection and monitoring of State Street stock as an investment option of the Plan.

160. Under ERISA, fiduciaries who exercise discretionary authority or control over management of a plan or disposition of a plan's assets are responsible for ensuring that investment options made available to participants under a plan are prudent. Furthermore, such fiduciaries are responsible for ensuring that assets within the plan are prudently invested. Defendants were responsible for ensuring that investments in State Street stock under the Plan were prudent, and are liable for losses incurred as a result of such investments being imprudent.

161. A fiduciary's duty of loyalty and prudence requires it to disregard plan documents or directives that it knows or reasonably should know would lead to an imprudent result or would otherwise harm plan participants or beneficiaries. ERISA § 404(a)(1)(D)), 29 U.S.C. § 1104(a)(1)(D). Thus, a fiduciary may not blindly follow plan documents or directives that would lead to an imprudent result or that would harm plan participants or beneficiaries, nor allow others, including those whom they direct or who are directed by the plan, including plan trustees, to do so.

162. Defendants breached their duties to prudently and loyally manage the Plan's assets. Defendants knew or should have known that State Street stock was not a suitable and appropriate investment for the Plan as described herein. Nonetheless, these fiduciaries continued to permit investment of Plan assets in State Street stock, instead of in cash or other, more suitable, investments. Moreover, despite their knowledge of the imprudence of the investment, Defendants failed to take adequate steps to prevent the Plan, and indirectly the Plan participants and beneficiaries, from suffering losses as a result of the Plan's investment in State Street stock.

163. The fiduciary duty of loyalty also entails a duty to avoid conflicts of interest and to resolve them promptly when they occur. A fiduciary must always administer a plan with singleminded devotion to the interests of the participants and beneficiaries, regardless of the interests of the fiduciaries themselves or the plan sponsor.

164. Defendants also breached their co-fiduciary obligations by, among other failures, knowingly participating in, or knowingly undertaking to conceal, the failure of their fellow fiduciaries to manage investment of Plan assets prudently and loyally.

165. As a direct and proximate result of the breaches of fiduciary duties alleged herein, the Plan, and indirectly Plaintiff and the Plan's other participants and beneficiaries, lost a significant portion of their retirement investment.

166. Pursuant to ERISA § 502(a), 29 U.S.C. § 1132(a) and ERISA § 409, 29 U.S.C. § 1109(a), Defendants are liable to restore the losses to the Plan caused by their breaches of fiduciary duties alleged in this Count.

COUNT II

Breach of Fiduciary Duty – Failure to Monitor Other Individual Defendants, and Provide Them with Accurate Information (State Street and Logue)

167. Plaintiff incorporates the allegations contained in the previous paragraphs of this Complaint as if fully set forth herein.

168. At all relevant times, as alleged above, State Street and Logue were fiduciaries within the meaning of ERISA § 3(21)(A), 29 U.S.C. § 1002(21)(A).

169. At all relevant times, as alleged above, the scope of the fiduciary responsibility of State Street and Logue included the responsibility to monitor other fiduciaries.

170. The duty to monitor entails both giving information to and reviewing the actions of the monitored fiduciaries (the members of the Benefit Committee and the Investment Committee). In this case, that meant that the monitoring fiduciaries had the duty to:

a) Ensure that the monitored defendants possessed the requisite credentials and experience, or use qualified advisors and service providers to fulfill their duties. They must be knowledgeable about the operations of the Plan, the goals of the Plan, and the behavior of Plan participants;

b) Ensure that the monitored defendants are provided with adequate financial resources to do their job;

c) Ensure that the monitored defendants have adequate information to do their job of overseeing the Plan investments;

d) Ensure that the monitored defendants have ready access to outside, impartial advisors when needed;

e) Ensure that the monitored defendants maintain adequate records of the information on which they base their decisions and analysis with respect to Plan investment options; and

f) Ensure that the monitored defendants report regularly to the monitoring fiduciaries.

171. The monitoring fiduciaries must then review, understand, and approve the conduct of the hands-on fiduciaries.

172. Under ERISA, a monitoring fiduciary must ensure that the monitored fiduciaries are performing their fiduciary obligations, including those with respect to the investment of plan assets, and must take prompt and effective action to protect the Plan and participants when they are not. In addition, a monitoring fiduciary must provide the monitored fiduciaries with complete and accurate information in their possession that they know or reasonably should know that the monitored fiduciaries must have in order to prudently manage the plan and the plan assets.

173. State Street and Logue breached their fiduciary monitoring duties by, among other things, (a) failing to ensure that the monitored fiduciaries acted on, or had access to, knowledge about the Company's business problems alleged above, which made Company stock an imprudent retirement investment, and (b) failing to ensure that the monitored fiduciaries appreciated the huge and unjustified risk of significant investment loss by rank and file employees in their Plan retirement accounts.

174. In addition, State Street and Logue, in connection with their monitoring and oversight duties, were required to disclose to those they monitored accurate information about the financial condition and practices of State Street that they knew or should have known that these Defendant-fiduciaries needed to make sufficiently informed Plan asset investment decisions. To the extent that State Street and Logue remained silent and concealed such information from the other fiduciaries, these Defendants breached their monitoring duties under the Plan and ERISA.

175. State Street and Logue are liable as co-fiduciaries because they knowingly participated in the fiduciary breaches by the monitored Defendants, they enabled the breaches by these defendants and they had had knowledge of these breaches yet did not make any effort to remedy the breaches.

176. As a direct and proximate result of the breaches of fiduciary duties alleged herein, the Plan, and indirectly Plaintiff and the Plan's other participants and beneficiaries, lost a significant portion of their retirement investment.

177. Pursuant to ERISA § 502(a), 29 U.S.C. § 1132(a) and ERISA § 409, 29 U.S.C. § 1109(a), Defendants State Street and Logue are liable to restore the losses to the Plan caused by their breaches of fiduciary duties alleged in this Count.

COUNT III

Breach of Fiduciary Duty – Failure to Provide Complete and Accurate Information to Plan Participants and Beneficiaries (All Defendants)

178. Plaintiff incorporates the allegations contained in the previous paragraphs of this Complaint as if fully set forth herein.

179. At all relevant times, as alleged above, Defendants were fiduciaries within the meaning of ERISA § 3(21)(A), 29 U.S.C. § 1002(21)(A).

180. At all relevant times, the scope of the fiduciary responsibility of all Defendants, to differing extents, included Plan communications.

181. The duty of loyalty under ERISA requires fiduciaries to speak truthfully to participants, not to mislead them regarding the Plan or Plan assets, and to disclose

information that participants need in order to exercise their rights and interests under the Plan.

182. This duty to inform participants includes an obligation to provide participants and beneficiaries of the Plan with complete and accurate information, and to refrain from providing false information or concealing material information regarding the prudence of maintaining investment in the Plan such that participants can make informed decisions with regard to investment options available under the Plan, especially where, as here, the Plan offers Company stock as one of the investment options.

183. Defendants breached their duty to inform participants by conveying inaccurate information regarding States Street's revenues and by failing to provide complete and accurate information regarding State Street, the soundness of State Street stock and the prudence of investing retirement contributions in the stock.

184. Had Defendants not reinforced the safety, stability and prudence of investment in State Street stock, Plan participants could have divested their holdings of Company stock in the Plan or at least diversified such holdings, thereby mitigating the Plan's losses to that extent.

185. Defendants are also liable as co-fiduciaries because they knowingly participated in and knowingly undertook to conceal the failure of the other fiduciaries to provide complete and accurate information regarding State Street, despite knowing of their breaches. Further, they enabled such conduct as a result of their own failure to satisfy their fiduciary duties and as a result of having knowledge of the other fiduciaries' failures to

satisfy their duty to provide only complete and accurate information to participants, yet not making any effort to remedy the breaches.

186. Where a breach of fiduciary duty consists of, or includes, misrepresentations and omissions material to a decision by a reasonable Plan participant that results in harm to the participant, the participant is presumed as a matter of law to have relied upon such misrepresentations and omissions to his or her detriment. Here, the above-described statements, acts and omissions of Defendants constituted misrepresentations and omissions that were fundamentally deceptive concerning the prudence of investments in State Street stock in the Plan, and were material to any reasonable person's decision about whether or not to invest or maintain any part of their retirement assets in State Street. Plaintiff and the other Class members are therefore presumed to have relied to their detriment on the misleading statements, acts, and omissions of Defendants.

187. The Plan suffered a loss, and Plaintiff and the other Class members suffered losses, by the above-described conduct of Defendants because that conduct fundamentally deceived Plaintiff and the other Class members about the prudence of making and maintaining retirement investments in State Street stock, and that, in making and maintaining investments in State Street stock, Plaintiff and the other Class members relied to their detriment upon the materially deceptive and misleading statements, acts and omissions of Defendants.

188. As a direct and proximate result of the breaches of fiduciary duties alleged herein, the Plan, and indirectly Plaintiff and the Plan's other participants and beneficiaries, lost a portion of their retirement investment.

189. Pursuant to ERISA § 502(a)(2), 29 U.S.C. § 1132(a)(2) and ERISA § 409, 29 U.S.C. § 1109(a), Defendants are liable to restore the losses to the Plan caused by their breaches of fiduciary duties alleged in this Count.

COUNT IV

Breach of Fiduciary Duty – Breach of Duty to Avoid Conflicts of Interest (All Individual Defendants)

190. Plaintiff incorporates the allegations contained in the previous paragraphs of this Complaint as if fully set forth herein.

191. At all relevant times, as alleged above, the Individual Defendants were all fiduciaries within the meaning of ERISA § 3(21)(A), 29 U.S.C. § 1002(21)(A).

192. ERISA § 404(a)(1)(A), 29 U. S.C. § 1104(a)(l)(A), imposes on a plan fiduciary a duty of loyalty, that is, a duty to discharge his or her duties with respect to a plan solely in the interest of the participants and beneficiaries and for the exclusive purpose of providing benefits to participants and beneficiaries.

193. The fiduciary duty of loyalty entails a duty to avoid conflicts of interest and to resolve them promptly when they occur. A fiduciary must always administer a plan with an "eye single" to the interests of the participants and beneficiaries, regardless of the interests of the fiduciaries themselves or the plan sponsor.

194. The Individual Defendants breached their duty to avoid conflicts of interest and to resolve them promptly when they occurred by continuing to allow Company stock as an investment, by failing to engage independent fiduciaries and/or advisors who could make independent judgments concerning the Plan's investment in Company stock and the information provided to participants and beneficiaries concerning it, and generally failing

to take whatever steps were necessary to ensure that the Plan fiduciaries did not suffer from a conflict of interest, including notifying the Department of Labor about the information which made employer stock an unsuitable investment for the Plan.

195. Upon information and belief, the Individual Defendants breached their duty to avoid conflicts of interest and to promptly resolve them by, *inter* alia: failing to engage independent fiduciaries who could make independent judgments concerning the Plan's investment in State Street stock; failing to notify appropriate federal agencies, including the United States Department of Labor, of the facts and transactions which made State Street stock an unsuitable investment for the Plan; failing to take such other steps as were necessary to ensure that participants' interests were loyally and prudently served; with respect to each of these above failures, doing so in order to prevent drawing attention to the Company's inappropriate practices; and by otherwise placing the interests of the Company and themselves above the interests of the participants with respect to the Plan's investment in Company Stock.

196. As a direct and proximate result of the breaches of fiduciary duties alleged herein, the Plan, and indirectly Plaintiff and the Plan's other participants and beneficiaries, lost a significant portion of their retirement investment.

197. Pursuant to ERISA § 502(a)(2), 29 U.S.C. § 1132(a)(2) and ERISA § 409, 29 U. S.C. § 1109(a), Defendants in this Count are liable to restore the losses to the Plan caused by their breaches of fiduciary duties alleged in this Count.

PRAYERS FOR RELIEF

WHEREFORE, Plaintiff prays for the following relief:

A. A Declaration that Defendants, and each of them, have breached their ERISA fiduciary duties to the participants;

B. An Order compelling Defendants to make good to the Plan all losses to the Plan resulting from Defendants' breaches of their fiduciary duties, including losses to the Plan resulting from imprudent investment of the Plan's assets, and to restore to the Plan all profits Defendants made through use of the Plan's assets, and to restore to the Plan all profits which the participants would have made if Defendants had fulfilled their fiduciary obligations;

C. An Order enjoining Defendants, and each of them, from any further violations of their ERISA fiduciary obligations;

D. Actual damages in the amount of any losses the Plan suffered, to be allocated among the participants' individual accounts in proportion to their losses;

E. An Order that Defendants allocate the Plan's recoveries to the accounts of all participants who had investments in the common stock of State Street maintained by the Plan in proportion to the accounts' losses attributable to the decline in the stock price of State Street stock;

F. An Order awarding costs pursuant to 29 U.S.C. § 1132(g);

G. An Order awarding attorneys' fees pursuant to 29 U.S.C. § 1132(g) and the common fund doctrine;

H. An Order for equitable restitution and other appropriate equitable monetary relief against Defendants; and

I. Other appropriate injunctive relief, including appropriate modifications to the Plan to ensure against further violations of ERISA.

Dated: June 28, 2010

Respectfully submitted,

SHAPIRO HABER & URMY LLP

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CERTIFICATE OF SERVICE

I, Michelle H. Blauner, hereby certify that on the 28th day of June, 2010, the foregoing document was filed through the ECF system and will be sent electronically to the registered participants as identified on the Notice of Electronic Filing (NEF).

/s/Michelle H. Blauner