STATE STREET Corp
Form 424B5
May 19, 2009
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The information contained in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and are not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)
Registration No. 333-157882

SUBJECT TO COMPLETION, DATED MAY 19, 2009

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus Dated March 12, 2009)

State Street Corporation

$ % Senior Notes due

The senior notes in the aggregate principal amount of $ will mature on and bear interest at % per annum. Interest on the senior notes is payable semi-annually in arrears on and of each year, commencing , 2009. State Street Corporation may not redeem the senior notes prior to their maturity. There is no sinking fund for the senior notes. The senior notes will rank equally with all other existing and future senior unsecured indebtedness of State Street Corporation.

This debt is not guaranteed under the Federal Deposit Insurance Corporation s Temporary Liquidity Guarantee Program.

Investing in the senior notes involves risks. See *Risk Factors beginning on page S-11.*

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial public offering price(1)	%	$
Underwriting discount	%	$
Proceeds, before expenses, to State Street Corporation(1)	%	$

(1) Plus accrued interest, if any, from May , 2009, if settlement occurs after that date.

On May 18, 2009, we agreed to sell approximately 51.3 million shares of our common stock in a public offering at a price per share of $39.00 (or $37.83 per share after underwriting discounts and commissions). We granted the underwriters of that offering an option to purchase up to approximately 7.7 million additional shares of our common stock. The sale of our common stock is expected to close on May 22, 2009, subject to customary closing conditions. The completion of this offering is not conditioned upon the closing of the sale of the common stock, and the closing of the sale of the common stock is not conditioned upon the completion of this offering.

The senior notes will not be listed on any securities exchange. Currently, there is no public trading market for the senior notes. The underwriters expect to deliver the senior notes to purchasers in book-entry form only through the facilities of The Depository Trust Company and its direct participants, including the Euroclear System and Clearstream Banking S.A., on or about May , 2009.

Joint Book-Running Managers

Goldman, Sachs & Co. **Morgan Stanley**

The date of this prospectus supplement is , 2009.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described under the heading Where You Can Find More Information on page S-44.

In this prospectus supplement, State Street, we, our, ours and us refer to State Street Corporation, which is a financial holding company headquartered in Boston, Massachusetts, and its subsidiaries on a consolidated basis, unless the context otherwise requires. References to State Street Bank mean State Street Bank and Trust Company. If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

Currency amounts in this prospectus supplement are stated in U.S. dollars.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus or information contained in a free writing prospectus that we authorize to be delivered to you. This prospectus supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this prospectus supplement and in the documents referred to in this prospectus supplement. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement or any document incorporated by reference is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase any of the securities and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference contain statements that are considered forward-looking statements within the meaning of the United States securities laws. In addition, State Street and its management may make other written or oral communications from time to time that contain forward-looking statements. Forward-looking statements, including statements about industry trends, management s future expectations and other matters that do not relate strictly to historical facts, are based on assumptions by management, and are often identified by such forward-looking terminology as expect, look, believe, anticipate, estimate, se may, will, trend, target and goal, or similar statements or variations of such terms. Forward-looking statements may include, among other thi statements about our confidence in our strategies and our expectations about financial performance, market growth, acquisitions and divestitures, new technologies, services and opportunities and earnings.

Forward-looking statements are subject to various risks and uncertainties, which change over time, are based on management s expectations and assumptions at the time the statements are made, and are not guarantees of future results. Management s expectations and assumptions, and the continued validity of the forward-looking statements, are subject to change due to a broad range of factors affecting the national and global economies, the equity, debt, currency and other financial markets, as well as factors specific to State Street and its subsidiaries, including State Street Bank. Factors that could cause changes in the expectations or assumptions on which forward-looking statements are based include, but are not limited to:

global financial market disruptions and the current worldwide economic recession, and monetary and other governmental actions designed to address such disruptions and recession in the U.S. and internationally;

the impact of our consolidation for financial reporting purposes, effective as of May 15, 2009, of the asset-backed commercial paper conduits that we administer, including the possible increase in the volatility of our net interest revenue, changes in the composition of the assets on our consolidated balance sheet and the possibility that we may be required to change the manner in which we fund those assets;

the financial strength and continuing viability of the counterparties with which we or our clients do business and with which we have investment or financial exposure;

the liquidity of the U.S. and international securities markets, particularly the markets for fixed-income securities, and the liquidity requirements of our customers;

the credit quality and credit agency ratings of the securities in our investment securities portfolio, a deterioration or downgrade of which could lead to other-than-temporary impairment of the respective securities and the recognition of an impairment loss;

the maintenance of credit agency ratings for our debt obligations as well as the level of credibility of credit agency ratings;

the possibility of our customers incurring substantial losses in investment pools where we act as agent, and the possibility of further general reductions in the valuation of assets;

our ability to attract deposits and other low-cost, short-term funding;

potential changes to the competitive environment, including changes due to the effects of consolidation, extensive and changing government regulation and perceptions of State Street as a suitable service provider or counterparty;

the level and volatility of interest rates and the performance and volatility of securities, credit, currency and other markets in the U.S. and internationally;

our ability to measure the fair value of the investment securities on our consolidated balance sheet;

- the results of litigation, government investigations and similar disputes and, in particular, the effect of current or potential proceedings concerning State Street Global Advisors , or SSgA s, active fixed-income strategies and other investment products, and the enactment of legislation and changes in regulation and enforcement that impact us and our customers;
- adverse publicity or other reputational harm;
- our ability to pursue acquisitions, strategic alliances and divestures, finance future business acquisitions and obtain regulatory approvals and consents for acquisitions;
- the performance and demand for the products and services we offer, including the level and timing of withdrawals from our collective investment products;
- our ability to continue to grow revenue, attract highly skilled people, control expenses and attract the capital necessary to achieve our business goals and comply with regulatory requirements;
- our ability to control operating risks, information technology systems risks and outsourcing risks, the possibility of errors in the quantitative models we use to manage our business and the possibility that our controls will fail or be circumvented;
- the potential for new products and services to impose additional costs on us and expose us to increased operational risk, and our ability to protect our intellectual property rights;
- changes in government regulation or new legislation, which may increase our costs, expose us to risk related to compliance or impact our customers;
- restrictions and limitations associated with our participation in the U.S. Treasury s Troubled Asset Relief Program, or TARP, capital purchase program and our ability to repurchase the preferred stock and warrants issued by us under that program;
- changes in accounting standards and practices; and
- changes in tax legislation and in the interpretation of existing tax laws by U.S. and non-U.S. tax authorities that impact the amount of taxes due.

Therefore, actual outcomes and results may differ materially from what is expressed in our forward-looking statements and from our historical financial results due to the factors discussed above and elsewhere in this prospectus supplement, the accompanying prospectus or in our other Securities and Exchange Commission, or SEC, filings. Forward-looking statements should not be relied upon as representing our expectations or beliefs as of any date subsequent to the date of this prospectus supplement. We undertake no obligation to revise the forward-looking statements contained in this prospectus supplement to reflect events after the date of this prospectus supplement. The factors discussed above and elsewhere in this prospectus supplement, the accompanying prospectus or in our other SEC filings are not intended to be a complete summary of all risks and uncertainties that may affect our businesses. We cannot anticipate all potential economic, operational and financial developments that may adversely impact our operations and our financial results.

Forward-looking statements should not be viewed as predictions and should not be the primary basis upon which investors evaluate State Street. Any investor in State Street should consider all risks and uncertainties disclosed in our SEC filings described under the Section entitled Where You Can Find More Information on page S-44, all of which are accessible on the SEC s website at www.sec.gov.

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SUMMARY

This summary highlights information contained elsewhere in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. As a result, it does not contain all of the information that may be important to you or that you should consider before investing in the senior notes. You should read this entire prospectus supplement and accompanying prospectus, including the Risk Factors section and the documents incorporated by reference, which are described under Where You Can Find More Information on page S-44.

State Street Corporation

State Street Corporation is a financial holding company organized under the laws of The Commonwealth of Massachusetts. Through our subsidiaries, we provide a full range of products and services for institutional investors worldwide.

We were organized in 1969 and conduct our business primarily through our principal bank subsidiary, State Street Bank. State Street Bank traces its beginnings to the founding of the Union Bank in 1792. The charter under which State Street Bank now operates was authorized by a special act of the Massachusetts Legislature in 1891, and its present name was adopted in 1960.

With $11.34 trillion of assets under custody and $1.40 trillion of assets under management at March 31, 2009, we are a leading specialist in meeting the needs of institutional investors worldwide. Our customers include mutual funds, collective investment funds and other investment pools, corporate and public retirement plans, insurance companies, foundations, endowments and investment managers. Including the United States, we operate in 27 countries and more than 100 geographic markets worldwide.

Our common stock is listed on the New York Stock Exchange under the ticker symbol STT . Our executive offices are located at One Lincoln Street, Boston, Massachusetts 02111, and our telephone number is (617) 786-3000.

Risk Factors

An investment in the senior notes involves certain risks. You should carefully consider the risks described in the Risk Factors section beginning on page S-11 of this prospectus supplement, as well as other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our consolidated financial statements and the notes thereto, before making an investment decision.

Recent Developments

Common Stock Offering

On May 18, 2009, we agreed to sell approximately 51.3 million shares of our common stock in a public offering at a price per share of $39.00 (or $37.83 per share after underwriting discounts and commissions), with Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated acting as joint book-running managers. We granted the underwriters of that offering an option to purchase up to approximately 7.7 million additional shares of our common stock. The sale of our common stock is expected to close on May 22, 2009, subject to customary closing conditions. The completion of this offering is not conditioned upon the closing of the sale of the common stock, and the closing of the sale of the common stock is not conditioned upon the completion of this offering.

Conduit Consolidation

Effective May 15, 2009, we elected to take action that resulted in the consolidation onto our consolidated balance sheet of all of the assets and liabilities of the four third-party-owned, special-purpose, multi-seller asset-backed commercial paper programs that we administer, referred to as conduits. The consolidation of the conduits was completed pursuant to the provisions of Financial Accounting Standards Board Interpretation No. 46(R)

following the voluntary redemption of the conduits outstanding subordinated debt. We consolidated the conduits only for accounting purposes and have not legally acquired the conduits assets and liabilities. The conduits remain separate and distinct legal entities, and their commercial paper programs continue to operate substantially in accordance with past practice.

In connection with the consolidation of the conduits, (1) we recorded a pre-tax extraordinary loss of approximately $6.1 billion, or approximately $3.7 billion after-tax, in our consolidated statement of income, (2) we added conduit assets, primarily mortgage- and asset-backed securities, which as of May 15, 2009 had an aggregate par value of approximately $22.7 billion and an aggregate fair value of approximately $16.6 billion, to our consolidated balance sheet and (3) we increased our third-party liabilities, primarily short-term commercial paper, on our consolidated balance sheet to a new total of $20.9 billion as of May 15, 2009. Upon consolidation, the aggregate fair value of the conduit assets was established as their book value, resulting in a discount to par value. To the extent that the assets cash flows exceed their book value, the discounts will accrete as interest revenue over the lives of the assets in accordance with U.S. generally accepted accounting principles, or GAAP.

Following consolidation, our aggregate investment securities portfolio continues to be concentrated in securities with high credit quality, with approximately 81% of the carrying value of the portfolio rated AAA or AA as of May 15, 2009, compared to 83% for the investment securities portfolio immediately prior to consolidation. Because of our recognition upon consolidation of the unrealized loss on the conduit assets, the consolidation of the conduits did not affect the net unrealized loss on our investment portfolio. The net pre-tax unrealized loss on the investment portfolio as of May 15, 2009 was $8.6 billion, or $5.3 billion after-tax, compared to $9.5 billion, or $5.9 billion after-tax, at March 31, 2009.

Results of Stress Test

On May 7, 2009, the Board of Governors of the Federal Reserve System announced the results of its forward-looking capital assessment, referred to as the Supervisory Capital Assessment Program, or the SCAP, that was administered to the 19 largest U.S. bank holding companies, including State Street. The Federal Reserve determined that, under the stress test administered under the SCAP, we did not need additional capital.

The SCAP s stress test methodology assumed two scenarios: a baseline scenario reflecting a current market outlook and a more adverse scenario. The Federal Reserve concluded that we had a sufficient capital buffer to withstand even the stress test s more adverse scenario, which was applied assuming consolidation of the conduits onto our consolidated balance sheet during 2009. The information used to apply the stress test was prepared in accordance with the assumptions and methodologies required by the SCAP. The information utilized does not reflect our outlook and is not intended to be a representation of our expected future performance or financial condition.

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Selected Consolidated Financial Information(1)

	Quarters Ended		Years Ended	
	March 31, 2009(2)	March 31, 2008(2)	December 31, 2008	December 31, 2007(3)
	(Dollars in millions, except per share amounts or where otherwise noted)			
Fee Revenue:				
Servicing fees	$ 766	$ 960	$ 3,745	$ 3,388
Management fees	181	278	1,028	1,141
Trading services	245	366	1,467	1,152
Securities finance	181	303	1,230	681
Processing fees and other	49	54	277	271
Total fee revenue	1,422	1,961	7,747	6,633
Net Interest Revenue:				
Interest revenue	738	1,288	4,879	5,212
Interest expense	174	663	2,229	3,482
Net interest revenue	564	625	2,650	1,730
Gains (Losses) related to investment securities, net	16	(9)	(54)	(27)
Gain on sale of CitiStreet interest, net of exit and other associated costs			350	
Total revenue	2,002	2,577	10,693	8,336
Provision for loan losses	84			
Expenses:				
Salaries and employee benefits	731	1,062	3,842	3,256
Information systems and communications	161	155	633	546
Transaction processing services	131	162	644	619
Occupancy	121	110	465	408
Provision for legal exposure				600
Provision for investment account infusion			450	
Restructuring charges			306	
Merger and integration costs	17	26	115	198
Other	143	259	1,396	806
Total expenses	1,304	1,774	7,851	6,433
Income before income tax expense	614	803	2,842	1,903
Income tax expense	138	273	1,031	642
Net income	$ 476	$ 530	$ 1,811	$ 1,261
Net income available to common shareholders	$ 445	$ 530	$ 1,789	$ 1,261
Earnings Per Common Share:				
Basic(4)(5)	$ 1.03	$ 1.36	$ 4.32	$ 3.49
Diluted	1.02	1.35	4.30	3.45
Cash dividends declared per common share	0.01	0.23	0.95	0.88
Return on common equity	15.7%	18.7%	14.8%	13.4%
Average Common Shares Outstanding (in thousands):				
Basic	432,179	387,942	413,182	360,675
Diluted	435,299	393,647	416,100	365,488
Assets under custody (in trillions)	$ 11.34	$ 14.90	$ 12.04	$ 15.30
Assets under management (in trillions)	1.40	1.96	1.44	1.98

(1) Information has not been adjusted to reflect consolidation of the conduits onto our consolidated balance sheet or to give effect to the completion of this offering or the sale of our common stock described above under the heading Recent Developments Common Stock Offering.
(2) Information for the quarters ended March 31, 2009 and March 31, 2008 is unaudited.
(3) Year ended December 31, 2007 includes financial results of Investors Financial, acquired by State Street in July 2007, for the quarters ended September 30 and December 31, 2007.
(4) Basic earnings per common share related to distributed earnings were $0.24 and $0.23 for the quarters ended March 31, 2009 and 2008, respectively, and related to undistributed earnings were $0.79 and $1.13 for the quarters ended March 31, 2009 and 2008, respectively.
(5) Basic earnings per common share related to distributed earnings were $0.94 and $0.86 for the years ended December 31, 2008 and 2007, respectively, and related to undistributed earnings were $3.38 and $2.63 for the years ended December 31, 2008 and 2007, respectively.

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Consolidated Statement of Condition(1)

	March 31, 2009(2)	December 31, 2008
	(Dollars in millions, except per share amounts)	
Assets		
Cash and due from banks	$ 3,539	$ 3,181
Interest-bearing deposits with banks	34,906	55,733
Securities purchased under resale agreements	1,291	1,635
Trading account assets	4,872	815
Investment securities available for sale	54,295	54,163
Investment securities held to maturity purchased under money market liquidity facility (fair value of $740 and $6,100)	740	6,087
Investment securities held to maturity (fair value of $13,698 and $14,311)	15,439	15,767
Loans and leases (less allowance for losses of $94 and $18)	7,644	9,113
Premises and equipment (net of accumulated depreciation of $2,799 and $2,758)	2,029	2,011
Accrued income receivable	1,498	1,738
Goodwill	4,493	4,527
Other intangible assets	1,809	1,851
Other assets	9,589	17,010
Total assets	$ 142,144	$ 173,631
Liabilities		
Deposits:		
Non-interest-bearing	$ 13,247	$ 32,785
Interest-bearing U.S.	12,691	4,558
Interest-bearing Non-U.S.	57,978	74,882
Total deposits	83,916	112,225
Securities sold under repurchase agreements	10,388	11,154
Federal funds purchased	1,402	1,082
Short-term borrowings under money market liquidity facility	740	6,042
Other short-term borrowings	15,646	11,555
Accrued expenses and other liabilities	7,789	14,380
Long-term debt	8,405	4,419
Total liabilities	128,286	160,857
Shareholders equity		
Preferred stock, no par: 3,500,000 shares authorized; 20,000 shares issued and outstanding	1,889	1,883
Common stock, $1 par: 750,000,000 shares authorized; 434,798,034 and 431,976,032 shares issued	435	432
Surplus	6,964	6,992
Retained earnings	9,575	9,135
Accumulated other comprehensive loss	(4,987)	(5,650)
Treasury stock, at cost (421,803 and 418,354 shares)	(18)	(18)
Total shareholders equity	13,858	12,774
Total liabilities and shareholders equity	$ 142,144	$ 173,631

(1) Information has not been adjusted to reflect consolidation of the conduits onto our consolidated balance sheet or to give effect to the completion of this offering or the sale of our common stock described above under the heading Recent Developments Common Stock Offering.

(2) Unaudited.

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Capital Ratios

For illustrative purposes, the following table sets forth specified capital ratios as of March 31, 2009, (1) actual, (2) as adjusted to reflect the effect of consolidation of the conduits onto our consolidated balance sheet in accordance with Financial Accounting Standards Board Interpretation No. 46(R) and (3) as adjusted to reflect the effect of consolidation of the conduits onto our consolidated balance sheet and to give effect to the receipt of $1.94 billion of net proceeds from the sale of our common stock described above under the heading Recent Developments Common Stock Offering and to assume the successful completion of this offering. The tier 1 leverage, tier 1 risk-based capital and total risk-based capital ratios are calculated in accordance with applicable bank regulatory requirements. The calculation of the tier 1 common risk-based ratio is explained in note 4 below and the calculation of the ratio of tangible common equity to adjusted tangible assets is explained in note 5 below.

	As of March 31, 2009		
	Actual (Unaudited)	As Adjusted for Conduit Consolidation(1)(2)	As Adjusted for Conduit Consolidation and Receipt of Net Proceeds from the Sale of Common Stock and from this Offering(1)(2)(3)
Tier 1 leverage ratio	10.4%	7.4%	8.8%
Tier 1 risk-based capital ratio	19.1%	13.2%	15.7%
Total risk-based capital ratio	20.5%	14.6%	17.1%
Tier 1 common risk-based ratio(4)	14.8%	9.0%	11.4%
Tangible common equity to adjusted tangible assets(5)	5.9%	2.2%	3.8%

(1) Not adjusted for the repurchase of the preferred stock and the related common stock purchase warrants issued to the U.S. Treasury under the TARP capital purchase program as discussed below under the heading Use of Proceeds .

(2) Effective May 15, 2009, we elected to take action that resulted in the consolidation onto our consolidated balance sheet of all of the assets and liabilities of the conduits in accordance with Financial Accounting Standards Board Interpretation No. 46(R). For purposes of this table, we have assumed that all of the conduits, with total assets of approximately $22.5 billion as of March 31, 2009, were consolidated on March 31, 2009 and that the assets of the conduits were recorded at their fair value as of that date, that we incurred a loss in connection with such consolidation and that our marginal tax rate was 40%. Depending upon, among other things, the measurement date of the security, the subsequent sale price of the security may be different from its recorded fair value. These differences may be significant especially if the security is sold during a period of illiquidity or market disruption or as part of a large block of securities under a forced transaction.

(3) Gives effect to the receipt of $1.94 billion of net proceeds from the sale of our common stock described above under the heading Recent Developments Common Stock Offering and assumes the successful completion of this offering. This offering will not have a material effect on any of the ratios set forth in the table.

(4) The tier 1 common risk-based ratio is calculated by dividing (a) tier 1 capital less non-common elements including qualifying perpetual preferred stock, qualifying minority interest in subsidiaries and qualifying trust preferred securities, by (b) risk-weighted assets, which assets are calculated in accordance with applicable bank regulatory requirements. The tier 1 common risk-based ratio is not required by GAAP or on a recurring basis by applicable bank regulatory requirements. However, this ratio was used by the Federal Reserve in connection with its stress test administered to the 19 largest U.S. bank holding companies under the SCAP, the results of which were announced on May 7, 2009. Although we understand that the Federal Reserve does not intend to prospectively require calculation of the tier 1 common risk-based ratio, due to the

recent timing of the SCAP, management is currently monitoring this ratio, along with the other ratios set forth in the table above, in evaluating State Street s capital levels and believes that, at this time, the ratio may be of interest to investors. As used in the table above, actual unaudited tier 1 capital as of March 31, 2009 was $14.6 billion, which capital was calculated in accordance with applicable bank regulatory requirements. To calculate tier 1 common capital, tier 1 capital was reduced by non-common elements of capital, composed of $1.9 billion of preferred stock and $1.5 billion of trust preferred securities. These aggregate non-common capital elements of $3.4 billion were deducted from tier 1 capital of $14.6 billion, resulting in actual unaudited tier 1 common capital of $11.2 billion.

(5) The ratio of tangible common equity to adjusted tangible assets, or TCE ratio, is calculated by dividing total consolidated common shareholders equity by consolidated total assets, after reducing both amounts by goodwill and other intangible assets net of related deferred taxes. Consolidated total assets reflected in the TCE ratio also exclude commercial paper purchased under the Federal Reserve Bank of Boston s AMLF and cash balances on deposit at the Federal Reserve Bank and other central banks in excess of required reserves. Tangible common equity and adjusted tangible assets are considered to be non-GAAP financial measures and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. The TCE ratio is a metric used by management to evaluate the adequacy of State Street s capital levels. Since there is no authoritative requirement to calculate the TCE ratio, our TCE ratio is not necessarily comparable to similar capital measures disclosed or used by other companies in the financial services industry.

With respect to the calculation of the actual unaudited TCE ratio as of March 31, 2009, a reconciliation of tangible common equity to GAAP total common shareholders equity is set forth below (in millions):

Total Common Shareholders Equity	$ 11,969
Less:	
Goodwill	4,493
Intangible assets	1,809
Adjusted equity	5,667
Plus deferred tax liability	540
Total tangible common equity	$ 6,207

With respect to the calculation of the actual unaudited TCE ratio as of March 31, 2009, a reconciliation of adjusted tangible assets to GAAP total assets is set forth below (in millions):

Total Assets	$ 142,144
Less:	
Goodwill	4,493
Other intangible assets	1,809
AMLF investment securities	740
Excess reserves held at central banks	29,963
Adjusted assets	105,139
Plus:	
Deferred tax liability	540
Total adjusted tangible assets	$ 105,679

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The Offering

Securities Offered	% senior notes due
Issuer	State Street Corporation
No FDIC Guarantee	The senior notes are not guaranteed under the Federal Deposit Insurance Corporation s Temporary Liquidity Guarantee Program.
Initial Aggregate Principal Amount	$
Maturity Date	
Issue Date	May , 2009
Interest Rate	% annually
Interest Payment Dates	Each and , commencing , 2009
Record Dates	Each and preceding the respective interest payment dates
Sinking Fund	None
Redemption	We may not redeem the senior notes prior to their maturity.
Form	Fully-registered global notes in book-entry form
Minimum Denominations	$2,000 and integral multiples of $1,000 in excess thereof
CUSIP Number	
ISIN	
Trustee	U.S. Bank National Association
Use of Proceeds	

We estimate that the net proceeds of this offering will be approximately $, after deducting estimated expenses and underwriting discounts and commissions. Subject to consultation with our banking regulators, we plan to notify the U.S. Treasury of our intent to repurchase the shares of our Series B fixed-rate cumulative perpetual preferred stock, or Series B Preferred Stock, issued to the U.S. Treasury under the TARP capital purchase program and the related outstanding common stock purchase warrants, which together we refer to as the TARP securities. If permitted to effect such repurchase, we expect to use the net proceeds of this offering and the sale of our common stock described above under the heading Recent Developments Common Stock Offering to repurchase the TARP securities. If we are not permitted to repurchase the TARP securities or if any proceeds remain following such repurchase, we may also use the net proceeds of the offerings for general corporate purposes, which may include working capital, capital expenditures, funding potential future acquisitions, investments in or loans to our subsidiaries, refinancing of debt and satisfaction of other obligations.

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RISK FACTORS

An investment in the senior notes is subject to the risk factors described below. You should carefully consider the following risk factors and other information contained in this prospectus supplement, in the documents included or incorporated by reference in this prospectus supplement and in the accompanying prospectus before deciding whether this investment is suited to your particular circumstances.

The risk factors below restate those set forth in our Annual Report on Form 10-K for the year ended December 31, 2008, including, in particular: (1) to reflect the consolidation of the conduits onto our consolidated balance sheet and (2) to update the information in the other risk factors.

Risks Relating to State Street

Global financial market disruptions since mid-2007 have increased the uncertainty and unpredictability we face in managing our business, and continued or additional disruptions could have an adverse effect on our business, our results of operations and our financial condition.

Since mid-2007, global credit and other financial markets have suffered substantial volatility, illiquidity and disruption. Beginning in 2008, these factors resulted in the bankruptcy or acquisition of, or significant government assistance to, a number of major domestic and international financial institutions, some of which were significant counterparties with us. These events, and the potential for increased and continuing disruptions, have significantly diminished overall confidence in the financial markets and in financial institutions, have further exacerbated liquidity and pricing issues within the fixed-income markets, have increased the uncertainty and unpredictability we face in managing our business and have had an adverse effect on our business, our results of operations and our financial condition. The continuation of current disruptions or the occurrence of additional disruptions in the global markets could have an adverse effect on our business, our results of operations and our financial condition.

The current worldwide economic recession has adversely affected, and is likely to continue to adversely affect, our business and our results of operations.

Our business is affected by global economic conditions, including regional and international rates of economic growth and the impact that such economic conditions have on the financial markets. The current downturn in the U.S. and global economies has led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, decreased market valuations and liquidity, increased market volatility and a widespread reduction of business activity generally. The resulting economic pressure and lack of confidence in the financial markets has adversely affected our business, our financial condition and our results of operations, as well as the business of our customers. A worsening of economic conditions in the U.S. or globally would likely exacerbate the adverse effects of these difficult conditions on us and on the financial services industry in general.

The consolidation for financial reporting purposes of our asset-backed commercial paper conduits may increase the volatility of our net interest income, changes the composition of the assets on our consolidated balance sheet and may require that we change the manner in which we fund those assets.

Effective May 15, 2009, we elected to take action that resulted in the consolidation onto our consolidated balance sheet of all of the assets and liabilities of the conduits. Upon consolidation, the aggregate fair value of the conduit assets was established as their book value, resulting in a discount to par value. To the extent that the assets cash flows exceed their book value, the discounts will accrete as interest revenue over the lives of the assets in accordance with GAAP. The timing and ultimate recognition of this accretion of revenue depends on factors including future credit conditions and the timing of underlying collateral prepayment. Because the rate of revenue recognition is dependent in part on the rate of prepayments, which is beyond our control, the volatility of our net interest revenue may increase.

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Consolidating the conduits also altered the overall composition of the assets on our consolidated balance sheet. As of May 15, 2009, the percentage of the carrying value of our aggregate investment securities rated AAA was 69%, rated AA was 12%, rated A was 7% and rated BBB was 4% following consolidation, compared to 72%, 11%, 5% and 3%, respectively, immediately prior to consolidation. The percentage of the financial assets on our consolidated balance sheet that are classified as level 3 for purposes of SFAS No. 157 also increased as a result of the conduit consolidation. Although we anticipate that the actual economic loss on the assets consolidated from the conduits will be less than the after-tax extraordinary loss of approximately $3.7 billion that we recorded upon consolidation, we believe that the risk of economic loss associated with these assets is generally higher than the risk associated with the other securities on our consolidated balance sheet.

Going forward, we expect to fund the conduit assets through State Street Bank s normal funding sources, through the issuance by the conduits of asset-backed commercial paper or by drawing upon our other short-term liquidity sources. The amount and composition of this funding will vary depending on the availability and cost of the various funding sources. If the market for asset-backed commercial paper continues to be stressed, or if the conduits are unable to obtain third-party funding, we may be required to fund the conduits from State Street Bank s normal funding sources or our other liquidity sources. If conditions were to arise that strained our liquidity management, such increased reliance upon our balance sheet as a funding source would place additional pressure on our liquidity management.

The failure or instability of any of our significant counterparties, many of whom are financial institutions, could expose us to loss.

The financial markets are characterized by extensive interconnections among financial institutions, including banks, broker/dealers, collective investment funds and insurance companies. As a result of these interconnections, we and many of our customers have concentrated counterparty exposure to other financial institutions. Although we have procedures for monitoring both individual and aggregate counterparty risk, like other large financial institutions the nature of our business is such that large individual and aggregate counterparty exposure is inherent. At any given time, it is typical that we will have one or more counterparties to which our exposure exceeds 10% of our total shareholders equity exclusive of unrealized gains or losses. Concentration of counterparty exposure presents significant risks to us and to our customers because the failure or perceived weakness of any of our counterparties (or in some cases of our customers counterparties) has the potential to expose us to risk of loss. The current instability of the financial markets has resulted in many financial institutions becoming significantly less creditworthy, and as a result we are exposed to increased counterparty risks, both as principal and in our capacity as agent for our customers. Changes in market perception of the financial strength of particular financial institutions can occur rapidly, is often based upon a variety of factors and is difficult to predict. In addition, as U.S. and non-U.S. governments have addressed the financial crisis in an evolving manner, the criteria for and manner of governmental support of financial institutions and other economically important sectors remain uncertain. If a significant individual counterparty defaults on an obligation to us, we could incur financial losses that materially adversely affect our business, our financial condition and our results of operations.

Although our entire business is subject to these interconnections, several of our lines of business are particularly sensitive to them, including our Treasury operations, currency and other trading, securities lending and investment management. Given the limited number of strong counterparties in the current market, we are not able to mitigate all of our and our customers counterparty credit risk. The current consolidation of financial service firms that began in 2008, and which we believe is likely to continue in 2009, and the failures of other financial institutions have increased the concentration of our counterparty risk.

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In the normal course of business we assume significant credit and counterparty risk, and even when we hold collateral against this risk, we may incur a loss in the event of a default.

Our focus on large institutional investors and their businesses requires that we assume secured and unsecured credit and counterparty risk, both on-and off-balance sheet, in a variety of forms. We may experience significant intra- and inter-day credit exposure through settlement-related or redemption-related extensions of credit. The degree of the demand for such overdraft credit tends to increase during periods of market turbulence. For example, investors in collective investment vehicles for which we act as custodian may engage in significant redemption activity due to adverse market or economic news that was not anticipated by the fund s manager. Our relationship with our customers, the nature of the settlement process and our systems may limit our ability to decline to extend short-term credit in such circumstances. For some types of customers, we provide credit to allow them to leverage their portfolios, which increases our potential loss if the customer experiences credit difficulties. From time to time, we may assume concentrated credit risk at the individual obligor, counterparty or guarantor level. In addition, we may from time to time be exposed to concentrated credit risk at the industry or country level, potentially exposing us to a single market or political event or a correlated set of events. We are also generally not able to net exposures across counterparties that are affiliated entities and may not be able in all circumstances to net exposures across multiple products to the same legal entity. As a consequence, we may incur a loss in relation to one entity or product even though our exposure to one of its affiliates or across product types is over-collateralized. Moreover, not all of our counterparty exposure is secured, and when our exposure is secured, the realizable market value of the collateral may be less at the time we exercise rights against that collateral than the value of the secured obligations. This risk may be particularly acute if we are required to sell the collateral into an illiquid or temporarily impaired market. See, for example, We are exposed to the risk of losses as a result of certain customer relationships with Lehman Brothers. In some cases, we have indemnified customers against a shortfall in the value of collateral that secures certain repurchase obligations of third parties to such customers.

In addition, our customers often purchase securities or other financial instruments from a broker/dealer under repurchase arrangements, frequently as a method of reinvesting the cash collateral they receive from lending their securities. Under these arrangements, the broker/dealer is obligated to repurchase these securities or financial instruments from the customer at the same price at some point in the future. The anticipated value of the collateral is intended to exceed the broker/dealer s repayment obligation. In certain cases, we agree to indemnify our customers from any loss that would arise upon a default by the counterparty if the proceeds from the disposition of the securities or other financial assets is less than the amount of the repayment obligation by the customer s counterparty. In those instances, we, rather than our customer, are exposed to the risks associated with counterparty default and collateral value.

Certain assets on our consolidated balance sheet are entitled to the benefit of guarantees from monoline insurance companies. Certain of these insurance companies have experienced significant deterioration in their financial condition, including one that has suspended all payments on its contractual obligations, and may not continue to perform their guarantee obligations. To the extent assets require credit support from the guarantors to be able to pay principal and interest in full and the guarantor does not or is not able to make payments required under the guarantee, we are exposed to risk of loss.

We are exposed to the risk of losses as a result of certain customer relationships with Lehman Brothers.

We had indemnification obligations with respect to customer repurchase agreements with Lehman. In the case of some of our customers that entered into repurchase agreements with a U.S.-based Lehman affiliate, we indemnified obligations totaling $1 billion and, following the bankruptcy of Lehman, paid this amount to our customers. Upon such payments, we took possession of the collateral, consisting of commercial real estate obligations, that was subject to our customers repurchase agreements with Lehman. Based upon our assessment of the likely proceeds to be received from the disposition or maturity of this collateral in light of the then current market environment, during the third quarter of 2008, we established a reserve of $200 million to cover the

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difference between the estimated fair value of the collateral at the time and the payment we made to our customers. As we do with our investment portfolio, we continue to evaluate the value of the collateral. In the first quarter of 2009, we recorded a provision for loan losses of $84 million in connection with this collateral. Upon further evaluation or changes in market conditions, we may incur additional charges if the value of the collateral deteriorates. In addition, upon disposition or maturity of the collateral, the loss incurred may be greater.

In addition to the foregoing repurchase agreements, certain customers had entered into repurchase agreements with Lehman s U.K. affiliate. We have repaid those customers and taken possession of the related collateral; however, we believe that the proceeds from the disposition or maturity of the collateral will be at least equal to the amount we paid to such customers and, consequently, have not established a reserve related to those agreements. It is possible that we will incur losses relating to these agreements in the future.

We appointed Lehman as sub-custodian or prime broker for some of our custody customers and some investment funds managed by SSgA. For custody customers, we made this appointment at their direction. In the case of investment funds managed by SSgA, we appointed Lehman in our capacity as manager of those funds. As of September 15, 2008, the date Lehman was placed in administration, our custody customers had claims against Lehman of approximately $325 million, and our investment funds had claims against Lehman of approximately $312 million, both in connection with Lehman s role as a sub-custodian or prime broker. Estimating the actual amount or timing of any recovery on our clients and funds claims against Lehman is currently not possible. While we believe that we acted appropriately in appointing Lehman as a sub-custodian and a prime-broker, some customers who invested in the funds managed by SSgA have commenced litigation against us seeking compensation for their losses. Resolution of these disputes could adversely affect our financial condition and results of operations.

If all or a significant portion of the unrealized losses in investment securities on our consolidated balance sheet were determined to be other-than-temporarily impaired, we would recognize a material charge to our earnings and our capital ratios would be adversely impacted.

The following table summarizes the amount of after-tax net unrealized losses associated with investment securities on our consolidated balance sheet, including the portfolio holdings of the asset-backed commercial paper conduits which we consolidated onto our consolidated balance sheet effective May 15, 2009. The securities reflected in the table under the column Asset-Backed Commercial Paper Conduits were consolidated onto our consolidated balance sheet at fair value at the date of consolidation, as a result of which we recorded a pre-tax extraordinary loss of approximately $6.1 billion (or approximately $3.7 billion after-tax):

	After-Tax Unrealized Losses on		
	Available-for-Sale Investment Securities On Consolidated Balance Sheet	**Held-to-Maturity Investment Securities On Consolidated Balance Sheet (dollars in billions)**	**Asset-Backed Commercial Paper Conduits**
May 15, 2009	$ 3.2	$ 2.1	(1)
March 31, 2009	3.6	2.3	$ 3.6
December 31, 2008	4.1	2.3	3.6

(1) Because these assets were consolidated on our consolidated balance sheet as of May 15, 2009 and a related loss was recorded in our income statement, no unrealized losses are attributable to such assets as of May 15, 2009. In future periods, any unrealized losses on the conduit assets would be reflected in amounts disclosed with respect to our investment securities portfolio.

Generally, the fair value of such securities is based upon information supplied by third-party sources. Market values for the securities in our portfolio declined significantly during 2008 as liquidity and pricing generally in the capital markets was disrupted. When the fair value of a security declines, management must

assess whether that decline is other-than-temporary. See We must apply significant judgment to assign fair values to our assets, and we may not be able to realize these values, or any value, if these assets were sold. When management reviews whether a decline in fair value is other than temporary, it considers numerous factors, many of which involve significant judgment. During 2008 and 2009, rating agencies imposed an increasing number of downgrades and credit watches on the securities in our investment portfolio, which contributed to the decline in market values. Any continued increase in downgrades and credit watches may contribute to a further decline in market values. More generally, market conditions continue to be volatile, and we can provide no assurance that the amount of the unrealized losses will not increase.

To the extent that any portion of the unrealized losses in these portfolios is determined to be other-than-temporarily impaired, we will recognize a charge to our earnings in the quarter during which such determination is made and our capital ratios will be adversely impacted. If any such charge is significant, a rating agency might downgrade our credit rating or put us on credit watch. Our credit rating was downgraded by each of the principal rating agencies during the first quarter of 2009. A further downgrade or a significant reduction in our capital ratios might adversely impact our ability to access the capital markets or might increase our cost of capital. Even if we do not determine that the unrealized losses associated with these portfolios require an impairment charge, increases in such unrealized losses adversely affect our tangible common equity ratio, which may adversely affect credit rating agency and investor sentiment toward us. Such negative perception also may adversely affect our ability to access the capital markets or might increase our cost of capital.

Our business activities expose us to liquidity and interest-rate risk.

In our business activities, we assume liquidity and interest-rate risk in our investment portfolio of longer-and intermediate-term assets, which is funded in large part by our customer deposit base. Similarly, after consolidation of our commercial paper conduits, we may fund the portfolio of intermediate term assets held by the conduits through our customer deposit base, by the conduits issuing commercial paper or by drawing upon other short-term liquidity sources. In addition, we may be exposed to liquidity or other risks in managing asset pools for third parties that are funded on a short-term basis, or where the customers participating in these products have a right to the return of cash or assets on limited notice. These business activities include, among others, securities finance collateral pools, money market and other short-term investment funds and liquidity facilities in connection with municipal bond programs.

We must apply significant judgment to assign fair values to our assets, and we may not be able to realize these values, or any value, if these assets were sold.

As of March 31, 2009, including the effect of master netting agreements, approximately 46% of our consolidated total assets and approximately 5% of our consolidated total liabilities were carried at fair value on a recurring basis. Current accounting standards require us to categorize these assets and liabilities according to a fair value valuation hierarchy. On the same basis, approximately 39% of our assets and approximately 5% of our liabilities were categorized in level 2 of the valuation hierarchy (meaning that their fair value was determined by reference to quoted prices for similar assets or liabilities or other observable inputs) or level 3 (meaning that their fair value was determined by reference to inputs that are unobservable in the market and therefore require a greater degree of management judgment). Effective May 15, 2009, as a result of the consolidation for financial reporting purposes onto our consolidated balance sheet of the conduits, the percentage of the assets on our consolidated balance sheet that are classified as level 3 for purposes of SFAS No. 157 has increased. See The consolidation for financial reporting purposes of our asset-backed commercial paper conduits may increase the volatility of our net interest income, changes the composition of the assets on our consolidated balance sheet and may require that we change the manner in which we fund those assets.

The determination of fair value for financial assets and liabilities categorized in level 2 or 3 involves significant judgment due to the complexity of factors contributing to the valuation, many of which are not readily observable in the market. The current market disruptions make valuation even more difficult and subjective. In addition, we have historically placed a high level of reliance on information obtained from third-party sources to

measure fair values. Third-party sources also use assumptions, judgments and estimates in determining securities values, and different third parties use different methodologies or provide different prices for securities.

In addition, the nature of the market participant that is valuing the securities at any given time could impact the valuation of the securities. For example, investment banks, such as the underwriters of our public offerings, may value our securities differently than securities pricing providers. Moreover, depending upon, among other things, the measurement date of the security, the subsequent sale price of the security may be different from its recorded fair value. These differences may be significant, especially if the security is sold during a period of illiquidity or market disruption or as part of a large block of securities under a forced transaction.

Adverse conditions in the economy or financial markets may simultaneously trigger adverse events affecting multiple aspects of our business.

Adverse economic or financial market conditions could simultaneously adversely affect several aspects of our business. For example, decreases in equity market valuations adversely impact the fee revenue we receive from both asset servicing and asset management, since both business lines employ fee structures that are determined in significant part by the percentage of assets under custody, administration or management. If multiple aspects of our business are simultaneously impacted by economic or financial market conditions or other events, the demands on our liquidity may exceed our resources.

We may need to raise additional capital in the future, which may not be available to us or may only be available on unfavorable terms.

As a result of continued disruption in the financial markets or other developments having an adverse effect on our capital ratios, we may need to raise additional capital in order to maintain our credit ratings or for other purposes. However, our ability to access the capital markets, if needed, will depend on a number of factors, including the state of the financial markets. Accordingly, we cannot assure you of our ability to raise additional capital, if needed, on terms acceptable to us.

If our custody customers experience high levels of redemption requests from their investors, or if high volumes in the securities markets disrupt normal settlements, we may provide significant and unanticipated overdraft availability, exposing us to risk of loss.

We provide custody and related services for mutual funds and other collective investment vehicles managed by unaffiliated managers. Generally, these affiliated and unaffiliated collective investment pools offer investors liquidity on a daily basis or with notice periods of a month or less. During periods of disruption in the financial markets, failures in the settlement process tend to increase, and investor demand for liquidity from these investment pools can be extremely high relative to normal cash levels maintained by those funds. In such circumstances, we may, but generally are not required to, provide short-term extensions of credit. For example, during the second half of 2008, we funded higher-than-normal levels of overdrafts by unaffiliated mutual funds and other collective investment vehicles, with particular liquidity requirements by money market funds. The provision of such overdraft availability may affect the size of our balance sheet, which, in the absence of additional capital, could adversely affect our capital ratios. In addition, if these overdrafts are substantial relative to the net assets of the investment pool, we may be subject to the risk that the investment pool is unable to liquidate assets to pay down the overdraft or that a decline in the value of the investment pool s assets may result in the fund not having sufficient assets to satisfy its obligation to repay the overdrafts, exposing us to risk of loss.

Our reputation and business prospects may be damaged if our customers incur substantial losses in investment pools where we act as agent.

Our management of collective investment pools on behalf of customers exposes us to reputational risk. The incurrence by our customers of substantial losses in these pools, particularly in money market funds (where there is a general market expectation that net asset value will not drop below $1.00 per share), in situations where we

make distributions in-kind to satisfy redemption requests or in circumstances where one of our investment strategies significantly underperforms the market or our competitors products, could result in significant harm to our reputation and significantly and adversely affect the prospects of our associated business units. In some very limited circumstances, and consistent with applicable regulatory requirements, we may compensate investment pools for all or a portion of the pool s losses even though we are not statutorily or contractually obligated to do so. Because we often implement investment and operational decisions and actions over multiple investment pools to achieve scale, we face increased risk that losses, even small losses, may have a significant effect in the aggregate.

A failure or inability to provide support to investment pools could damage our reputation among current or prospective customers. For example, during the first and fourth quarters of 2008, we elected to provide support to stable value accounts managed by SSgA. These accounts, offered to retirement plans, allow participants to purchase and redeem units at a constant net asset value regardless of volatility in the underlying value of the assets held by the account. The accounts enter into contractual arrangements with third-party financial institutions that agree to make up any shortfall in the account if all the units are redeemed at the constant net asset value. These financial institutions have the right, under certain circumstances, to terminate this guarantee with respect to future investments in the account. During 2008, the liquidity and pricing issues in the fixed-income markets adversely impacted the market value of the securities in these accounts to the point that the third-party guarantors considered terminating their financial guarantees with the accounts.

During the first quarter of 2008, although we were not statutorily or contractually obligated to do so, we contributed $160 million to these accounts. In addition, during the fourth quarter of 2008, although we were not statutorily or contractually obligated to do so, we elected to purchase approximately $2.49 billion of debt securities from these accounts that had been identified as presenting increased risk in the current market environment, and to contribute an aggregate of $450 million to the accounts, to improve the ratio of the market value of the accounts portfolio holdings to the book value of the accounts. This election to contribute $450 million to the accounts resulted in a fourth quarter 2008 charge of $450 million. Any future decision by us to provide financial support to our investment pools would potentially result in the recognition of significant losses and could in certain situations require us to consolidate the investment pools onto our balance sheet. A failure or inability to provide such support could damage our reputation among current and prospective customers. Any termination by a third-party guarantor of its guarantee could, if we were unable to replace the guarantee, adversely affect our business or result in litigation.

We may be exposed to customer claims, financial loss, reputational damage and regulatory scrutiny as a result of transacting purchases and redemptions relating to the unregistered cash collateral pools underlying our securities lending program at a net asset value of $1.00 per unit rather than a lower net asset value based upon market value of the underlying portfolios.

A portion of the cash collateral received by customers under our securities lending program is invested in cash collateral pools that we manage. Interests in these cash collateral pools are held by unaffiliated customers and by registered and unregistered investment funds that we manage. Our cash collateral pools that are money market funds registered under the Investment Company Act of 1940 are required to maintain, and have maintained, a constant net asset value of $1.00 per unit. The remainder of our cash collateral pools are bank collective investment funds that are not required to be registered under the Investment Company Act. These unregistered cash collateral pools seek, but are not required, to maintain, and transact purchases and redemptions at, a constant net asset value of $1.00 per unit. At March 31, 2009, December 31, 2008 and December 31, 2007, the aggregate net asset value of these unregistered cash collateral pools (based on a constant net asset value of $1.00) was approximately $122 billion, $122 billion and $194 billion, respectively.

Throughout 2008 and currently, these unregistered cash collateral pools have continued to transact purchases and redemptions at a constant net asset value of $1.00 per unit even though the market value of the unregistered cash collateral pools portfolio holdings, determined using pricing from third-party pricing sources,

has been below $1.00 per unit. At March 31, 2009, the net asset value, based on the market value of our unregistered cash collateral pools, ranged from $0.904 to $1.00, with the weighted-average net asset value on that date equal to $0.947. A substantial portion of the decline in the market value of these assets occurred in the fourth quarter of 2008. We believe that our practice of continuing to effect purchases and redemptions at $1.00 per unit at the unregistered cash collateral pools, notwithstanding the underlying portfolios having a market value of less than $1.00 per unit, is consistent with the practices of other securities lending agents and in compliance with the terms of our unregistered cash collateral pools. We have continued this practice for a number of reasons, including the fact that none of the securities in the cash collateral pools is currently in default or considered to be impaired, and that there are restrictions on withdrawals from the collective investment funds. Currently, we require direct participants in the collateral pools who wish to redeem their interests in the pools, other than in connection with the operation of the securities lending program, to accept redemption proceeds in the form of in-kind distributions. Moreover, the cash collateral pools have adequate sources of liquidity, from normal lending activity under the securities lending program, in order not to be required for liquidity purposes to sell securities the values of which have been adversely impacted by the lack of liquidity in the fixed-income markets. If we continue to transact purchases and redemptions from the unregistered cash collateral pools based upon a constant $1.00 per unit net asset value and the liquid assets of these pools turn out to be insufficient to support redemption activity at such value or the pools suffer material credit losses on their underlying portfolio holdings, investors in the unregistered cash collateral pools may seek to hold us responsible for any shortfall due to prior redemptions at a value above the market value of the underlying portfolio or as a result of any such portfolio defaults.

Moreover, a broad range of unregistered collective investment pools that SSgA manages, referred to as lending funds, participate in our securities lending program and as a result hold interests in certain of the unregistered cash collateral pools described above. The lending funds continue to purchase and redeem units of the lending funds at prices that assign a $1.00 value to units of the collateral pools held by such funds. If it was determined that the historical or prospective transaction valuation for purchase or redemption of units of the lending funds should reflect a valuation of the units of the collateral pools of less than $1.00, lending fund investors may claim that they overpaid for their investment, or that investors who redeemed their units at prices that reflect a valuation of units of the collateral pools of $1.00 were overcompensated, and seek to hold us responsible for their alleged investment loss. For financial reporting purposes, the lending funds financial statements for the period ended December 31, 2008 reflected net asset values for the lending funds based upon a valuation of the units of the collateral pools at market value rather than at the $1.00 transaction value. If we continue to transact purchases and redemptions of units of the lending funds based upon the $1.00 transaction value of the collateral pools rather than their financial statement reported value, such potential exposure would likely increase over time. Since the percentage of a lending fund s assets on loan varies based on the fund s investment focus and with changes in market demand, the potential impact of this issue on the net asset value of the lending fund will vary significantly, but in some cases may be material.

In an effort to provide investors in the lending funds equal access to liquidity in the collateral pools and limit the need to sell portfolio securities into an illiquid market in order to meet redemption requests, in March 2009 we established restrictions on the percentage of an investor s interest in a lending fund that may be redeemed in any month. These restrictions, which do not apply to participant level activity in defined contribution plans, are more definitive and potentially more restrictive than those we initially implemented in October 2008. Investors in the lending funds have objected to, and may claim to have been harmed by, such limitations on liquidity of their investment, notwithstanding our right to implement such restrictions under the governing documents for such funds. As a result, our reputation as an asset manager and the marketability of these lending funds may be adversely affected and participants in our lending funds may seek to be compensated for any loss they incurred or allege to have incurred resulting from either the valuation of the units of the lending funds or restrictions on the liquidity of such units. An indirect participant in certain of the lending funds has commenced a putative class action on behalf of all investors in the lending funds that are benefit plans subject to the Employee Retirement Income Security Act. The class action claim alleges, among other things, failure to exercise prudence in the management of the collateral pools and seeks both damages and injunctive relief. Claims asserted in the purported class action or by other investors in the unregistered cash collateral pools or our

lending funds could have a material impact on our consolidated financial condition and results of operations and may result in regulatory scrutiny of our securities lending program.

Our plan to reduce operating costs and support long-term growth may not achieve its intended objectives.

During the fourth quarter of 2008, we recorded charges of $306 million in connection with a restructuring plan. The plan is intended to reduce our future operating costs, including through global workforce reductions that we substantially completed in the first quarter of 2009, in order to support our long-term growth while aligning the organization to meet the challenges and opportunities presented by the current market environment. Our restructuring plan and other workforce management issues may impair our ability to achieve anticipated operating cost reductions or may otherwise harm our business.

If we are unable to continuously attract deposits and other short-term funding, our consolidated financial condition, including our capital ratios, our results of operations and our business prospects could be harmed.

Liquidity management is critical to the management of our consolidated balance sheet and to our ability to service our customer base. We generally use our sources of funds to:

- extend credit to our customers in connection with our custody business;
- meet demands for return of funds on deposit by customers; and
- manage the pool of intermediate-and longer-term assets that are included in the investment securities on our consolidated balance sheet.

Because the demand for credit by our customers is difficult to forecast and control, and may be at its peak at times of disruption in the securities markets, and because the average maturity of our investment portfolio is significantly longer than the contractual maturity of our deposit base, we need to continuously attract, and are dependent upon, access to various sources of short-term funding.

In managing our liquidity, our primary source of short-term funding is customer deposits, which are predominantly transaction-based deposits by institutional investors. Our ability to continue to attract these deposits, and other short-term funding sources such as certificates of deposit and commercial paper, is subject to variability based upon a number of factors, including volume and volatility in the global securities markets, the relative interest rates that we are prepared to pay for these liabilities and the perception of safety of those deposits or short-term obligations relative to alternative short-term investments available to our customers, including in the capital markets. For example, the disruption in the global fixed-income securities markets, which began in the third quarter of 2007 and is continuing, had a substantially greater impact upon liquidity and valuations in those markets than has historically been experienced. In addition, liquidity in the inter-bank market, as well as the markets for commercial paper, certificates of deposit and other short-term instruments, significantly contracted starting in 2008. The availability and cost of credit in short-term markets is highly dependent upon the markets perception of our liquidity and creditworthiness. Our efforts to monitor and manage liquidity risk may not be successful or sufficient to deal with dramatic or unanticipated changes in the global securities markets or other event-driven reductions in liquidity. In such events, our cost of funds may increase, thereby reducing our net interest revenue, or we may need to dispose of a portion of our investment portfolio, which, depending upon market conditions, could result in our realizing a loss.

If we are unable to successfully invest customer deposits our business may be adversely affected.

During the current market disruptions, we have experienced substantial inflows of liquid assets, particularly customer deposits, as short-term deposits with us became more attractive relative to other short-term investment options. However, the contraction in the number of counterparties for which we had a favorable credit assessment has made it difficult to invest, even on an overnight basis, all of our available liquidity, which has adversely impacted the rate of return that we earned on these assets. As a result of this contraction of

counterparties during the current market disruptions, we have frequently placed deposits with government central banks, resulting in a minimal rate of return. If we continue to face difficulty investing these assets, our ability to attract customer deposits may be harmed, which would in turn harm our business and our results of operations.

Any downgrades in our credit ratings could adversely affect our borrowing costs, capital costs and liquidity and cause reputational harm.

Various independent rating agencies publish credit ratings for our debt obligations based on their evaluation of a number of factors, some of which relate to our performance and other corporate developments, including financings, acquisitions and joint ventures, and some of which relate to general industry conditions. We anticipate that the rating agencies will review our ratings regularly based on our results of operations and developments in our business. We cannot assure you that we will continue to maintain our current ratings. The current market environment and exposure to other financial institution counterparties increases the risk that we may not maintain our current ratings. Downgrades in our credit ratings may adversely affect our borrowing costs, our capital costs and our ability to raise capital and, in turn, our liquidity. A failure to maintain an acceptable credit rating may also preclude us from being competitive in certain products, may be negatively perceived by our customers or counterparties or may have other adverse reputational effects.

An actual or perceived reduction in our financial strength may cause others to reduce or cease doing business with us.

Our counterparties, as well as our customers, rely upon our financial strength and stability and evaluate the risks of doing business with us. If we experience diminished financial strength or stability, actual or perceived, including due to market or regulatory developments, our announced or rumored business developments or results of operations, a decline in our stock price or a reduced credit rating, our counterparties may become less willing to enter into transactions, secured or unsecured, with us, our customers may reduce or place limits upon the level of services we provide them or seek other service providers and our prospective customers may select other service providers. The risk that we may be perceived as less creditworthy relative to other market participants is increased in the current market environment, where the consolidation of financial institutions, including major global financial institutions, is resulting in a smaller number of much larger counterparties and competitors. If our counterparties perceive us to be a less viable counterparty, our ability to enter into financial transactions on terms acceptable to us or our customers, on our or our customers behalf, will be materially compromised. If our customers reduce their deposits with us or select other service providers for all or a portion of the services we provide them, our net interest revenue and fee revenue will decrease accordingly.

Our businesses may be negatively affected by adverse publicity or other reputational harm.

Our relationship with many of our customers is predicated upon our reputation as a fiduciary and a service provider that adheres to the highest standards of ethics, service quality and regulatory compliance. Adverse publicity, regulatory actions, litigation, operational failures, the failure to meet customer expectations and other issues could materially and adversely affect our reputation, our ability to attract and retain customers or our sources of funding. Preserving and enhancing our reputation also depends on maintaining systems and procedures that address known risks and regulatory requirements, as well as our ability to identify and mitigate additional risks that arise due to changes in our businesses and the marketplaces in which we operate, the regulatory environment and customer expectations. If any of these developments has a material effect on our reputation, our business will suffer.

Governmental responses to current market disruptions may be inadequate, may have unintended consequences and may increase our costs.

In response to current market disruptions, legislators and financial regulators have taken a number of steps to stabilize the financial markets. These steps included the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009, the provision of other direct and indirect assistance to

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distressed financial institutions, assistance by the banking authorities in arranging acquisitions of weakened banks and broker/dealers, implementation of programs by the Federal Reserve to provide liquidity to the commercial paper markets and temporary prohibitions on short sales of certain financial institution securities. The overall effects of these and other legislative and regulatory efforts on the financial markets are uncertain, and may not have the intended stabilization effects. In addition to these actions in the U.S., other governments have taken regulatory and other steps to support financial institutions, to guarantee deposits and to seek to stabilize the financial markets. Should these or other legislative or regulatory initiatives fail to stabilize the financial markets, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Political bodies have also increasingly scrutinized the financial services industry. Additional legislative and regulatory measures are under consideration that could substantially increase regulation of the financial services industry and impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices, including with respect to compensation, interest rates and the impact of bankruptcy proceedings on consumer real property mortgages. In addition, state governmental authorities have also become increasingly active in conducting investigations on matters impacting the financial markets.

These measures may have unintended consequences on the global financial system or our businesses, including increasing competition, reducing our competitive position, increasing the general level of uncertainty in the markets or favoring or disfavoring certain lines of business, institutions or depositors. We may need to modify our strategies, businesses or operations, and we may incur increased capital requirements and constraints or additional costs in order to satisfy new regulatory requirements or to compete in a changed business environment.

Our participation in the U.S. Treasury s TARP capital purchase program restricts our ability to increase dividends on our common stock, undertake stock repurchase programs and compensate our employees.

In October 2008, the U.S. Treasury invested $2 billion in State Street pursuant to the TARP capital purchase program. The terms of the TARP capital purchase program require us to pay cumulative preferred dividends to Treasury and restrict our ability to increase dividends on our common stock, redeem Treasury s investment without receiving high-quality replacement capital, undertake common stock repurchase programs and compensate our employees. In February 2009, the American Recovery and Reinvestment Act, among other things, retroactively imposed additional compensation and governance restrictions on participants in the program. Additional restrictions may be imposed by Treasury or Congress on us at a later date, and these restrictions may also apply to us retroactively. These restrictions may have a material adverse effect on our operations, revenue and financial condition, on our ability to pay dividends or on our ability to retain or attract talented executives and other employees.

We cannot assure you that we will be permitted to repurchase the Series B Preferred Stock issued to the U.S. Treasury and the related outstanding warrants with the proceeds of this offering.

While we intend to repurchase the Series B Preferred Stock issued to the U.S. Treasury and the related outstanding warrants, as described in Use of Proceeds, we cannot assure you that we will be permitted to do so with the proceeds of this offering or of the offering of common stock described above under the heading Summary Recent Developments—,CP="COWEN GROUP, INC.",DN="1",CHK=809564,FOLIO='27',FILE='DISK135:[11ZAG3.11ZAG40203]DI40203A.;31',USER='SRIOSA',CD=';2-AUG-2011;12:18' -->

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RAPP Program. Pursuant to the terms of his employment agreement, Mr. Strauss is eligible to participate in the employee profit participation plan of Ramius Alternative Solutions, LLC, a subsidiary of Ramius, known as the RAPP Program, which is offered to certain key employees. The RAPP Program provides for the granting of equity interests in related entities with initial grant values based on a certain percentage of profits of Ramius Alternative Solutions LLC. One half of the amount granted represents equity units in one of the consolidated fund-of-funds products managed by Ramius Alternative Solutions LLC chosen by senior management. The other half of the amount granted represent equity units of the Company. No amounts were earned by Mr. Strauss under the RAPP Program in respect of 2010 performance.

2010 Equity and Incentive Plan

Effective as of June 7, 2010, the Company adopted the 2010 Equity and Incentive Plan (the "2010 Plan").

The 2010 Plan initially reserved 7,500,000 shares of Class A common stock for delivery to participants and their beneficiaries under the 2010 Plan, subject to adjustment in the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off, or other similar change in capitalization or event. Additionally, commencing on January 1, 2011 and on the

first day of each fiscal year of the Company thereafter during the term of the 2010 Plan, additional shares of common stock representing seven and one-half percent (7.5%) of our shares of common stock outstanding on such date, less shares then available for issuance under the 2010 Plan, will automatically become available for grant or settlement of awards. Shares delivered under the 2010 Plan may be either treasury shares or newly issued shares. For purposes of determining the remaining ordinary shares available for grant under the 2010 Plan, if any shares subject to an award are forfeited, cancelled, exchanged, or surrendered, or if an award terminates or expires without a distribution of shares, those shares will again be available for issuance under the 2010 Plan. However, shares of stock that are exchanged by a grantee or withheld by us as full or partial payment in connection with any award under the 2010 Plan, as well as any shares of stock exchanged by a grantee or withheld by us to satisfy the tax withholding obligations related to any award under the 2010 Plan, will not be available for subsequent awards under the 2010 Plan.

The 2010 Plan provides that generally, unless otherwise determined by the Compensation Committee or as set forth in an award or employment agreement, in the event of a change in control (as defined in the 2010 Plan), all outstanding awards shall become fully vested and exercisable and all restrictions, forfeiture conditions or deferral periods on any outstanding awards shall immediately lapse, and payment under any awards shall become due.

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Outstanding Equity Awards at 2010 Fiscal Year End

The following table contains certain information regarding equity awards held by the named executive officers as of December 31, 2010.

	Option Awards			Stock Awards	
	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares that have Not Vested (#)	Market Value of Shares that have Not Vested ($)(1)
Peter A. Cohen					
Transaction Award(2)				425,392	1,995,088
2009 Award(3)				45,668	214,183
Stephen A. Lasota					
Transaction Award(2)				34,491	161,763
2009 Award(3)				32,931	154,446
2009 Retention Award(4)				8,961	42,027
David M. Malcolm					
Transaction Award(2)				288,832	1,354,622
2006 Option Award(5)	103,390	16.00	7/12/2013		
2006 Initial Award(6)				51,147	239,879
2007 Award(7)				11,663	54,699
2008 Award(8)				34,884	163,606
2009 Award(3)				19,905	93,354
Jeffrey M. Solomon					
Transaction Award(2)				218,444	1,024,502
2009 Award(3)				31,943	149,813
Morgan B. Stark					
Transaction Award(2)				425,392	1,995,088
2009 Award(3)				39,074	183,257
Thomas W. Strauss					
Transaction Award(2)				264,432	1,240,186
2009 Award(3)				27,291	127,995

(1) The values in the column are based on the $4.69 closing price of our Class A common stock on the Nasdaq Global Market on December 31, 2010.

(2) In connection with the Transactions, RCG granted interests which represent the right to receive a number of shares of Class A common stock of the Company to Messrs. Cohen, Solomon, Stark, Strauss, and Lasota, which we refer to as the REOP awards. Additionally, in connection with the Transactions, Mr. Malcolm, received restricted stock awards which were granted under the Amended 2007 Cowen Group, Inc. Equity and Incentive Plan. Shares underlying the REOP Awards for Messrs. Cohen, Lasota, Solomon, Stark and Strauss and restricted stock awards for Mr. Malcolm in connection with the Transactions will vest in two equal installments on each of November 2, 2011 and November 2, 2012, in each case as long as the award recipient remains employed by the Company and otherwise complies with the terms and conditions of the applicable award agreements, subject to earlier vesting in the event of certain qualifying terminations of employment.

(3) Restricted stock units awarded on June 7, 2010 commenced vesting with respect to 10% on June 7, 2010, 15% on August 15, 2010, 10% on May 15, 2011, 15% on August 15, 2011, 25% on May 15, 2012 and 25% on May 15, 2013.

(4) Restricted stock units awarded on June 7, 2010 will vest on May 15, 2013.

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(5) Options awarded in 2006 by Cowen that were converted into options on the Company's Class A common stock in connection with the Transactions vested in connection with the Transactions.

(6) Restricted stock awarded to Mr. Malcolm on July 12, 2006 that were converted into the Company's Class A common stock in connection with the Transactions commenced vesting with respect to 25% of the shares on July 12, 2009, an additional 25% will vest on July 12, 2010, and the remaining 50% will vest on July 12, 2011. Mr. Malcolm will continue to vest in these awards pursuant to the terms of the Letter Agreement described above.

(7) Restricted stock awarded to Mr. Malcolm on January 25, 2008 for 2007 performance that were converted into the Company's Class A common stock in connection with the Transactions will vest with respect to 25% of the shares on each of May 15, 2009 and May 15, 2010, respectively and the remaining 50% on May 15, 2011. Mr. Malcolm will continue to vest in these awards pursuant to the terms of the Letter Agreement described above.

(8) Restricted stock awarded to Mr. Malcolm on February 2, 2009 for 2008 performance that were converted into the Company's Class A common stock in connection with the Transactions will vest with respect 50% of the shares on each of May 15, 2011 and May 15, 2012. Mr. Malcolm will continue to vest in these awards pursuant to the terms of the Letter Agreement described above.

Option Exercises and Stock Vested

The following table sets forth certain information concerning stock vested during the year ended December 31, 2010. No stock options were exercised by any of the named executive officers in 2010.

Name	Number of Shares Acquired on Vesting	Value Realized on Vesting	
Peter A. Cohen	15,221	$	61,219(1)
Stephen A. Lasota	10,976	$	44,145(1)
David M. Malcolm	59,437	$	273,314(2)
Jeffrey M. Solomon	10,647	$	42,822(1)
Morgan B. Stark	13,023	$	52,378(1)
Thomas W. Strauss	9,095	$	36,580(1)

(1) The value realized upon vesting of the stock awards is based on the $4.22 closing sale price of our common stock on June 7, 2010 and the $3.89 closing sale price of our common stock on August 15, 2010, the vesting date of the awards.

(2) The value realized upon vesting of the stock awards is based on the $5.41 closing sale price of our common stock on January 16, 2010, the $4.90 sale price of our common stock on May 15, 2010, the $4.22 closing sale price of our common stock on June 7, 2010, the $4.00 closing sale price of our common stock on July 12, 2010 and the $3.89 closing sale price of our common stock on August 15, 2010, the vesting date of the awards.

Pension Benefits

The following table sets forth information relating to the accumulated pension benefits for Messrs. Cohen, Lasota, Solomon, Stark, and Strauss in the Ramius LLC Cash Balance Plan as of

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December 31, 2010. Mr. Stark elected to receive the entire amount of his accumulated pension benefits in 2009 when he reached the age of 70.

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Peter A. Cohen	Ramius LLC Cash Balance Plan	5	$ 580,504	
Stephen A. Lasota	Ramius LLC Cash Balance Plan	5	$ 78,539	
Jeffrey M. Solomon	Ramius LLC Cash Balance Plan	5	$ 239,032	
Morgan B. Stark	Ramius LLC Cash Balance Plan	5	$ 0	
Thomas W. Strauss	Ramius LLC Cash Balance Plan	5	$ 648,799	

Ramius maintains the Ramius LLC Cash Balance Plan, pursuant to which, prior to the Transactions, employees of Ramius contributed cash to fund the plan and participants received an annual contribution credit (based on age and "tier" of participation). Participants also receive an annual interest credit (based on 30-Year Treasury Bills) on the balances in their respective accounts. Participants were able to elect payments in the form of a lump sum distribution or among several annuity options. All participants were 100% vested in their account balances at all times. Each participant in the plan is entitled to receive his accumulated benefits upon any separation from service or upon reaching the age of 70. The Trustees of the Cash Balance Plan decided to temporarily suspend plan contributions effective from January 1, 2009.

For information on the valuation method and material assumptions applied in quantifying the present value of the current accrued benefit, refer to the Company's Defined Benefit Plans Note in its financial statements included in its Form 10-K for 2010, as filed with the SEC.

Potential Payments Upon Termination or Change in Control

Pursuant to the employment agreements with our named executive officers, upon certain terminations of employment or a change in control of the Company, our named executive officers are entitled to certain payments of compensation and benefits as described above under "Narrative Disclosure to Summary Compensation Table and Grant of Plan-Based Awards Table Employment Arrangements." The table below reflects the amount of compensation and benefits that would have been payable to each named executive officer in the event that the named executive officer had experienced the following events as of December 31, 2010: (i) a termination for cause or resignation, or voluntary termination, (ii) involuntary termination, (iii) a change in control, (iv) termination by reason of an executive's death, or (v) termination by reason of an executive's disability. Mr. Malcolm is not

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included in the table below because his employment agreement, which terminated on December 15, 2010, was not in effect as of December 31, 2010.

		Triggering Events				
Name	**Type of Payment**	**Voluntary Termination ($)**	**Involuntary Termination ($)**	**Change in Control ($)**	**Death ($)**	**Disability ($)**
Peter A. Cohen	*Cash Severance*	0	1,338,272	0	0	0
	Equity Acceleration(1)	0	2,209,271	0	2,209,271	2,209,271
	Total	0	3,547,543	0	2,505,314	2,505,314
Stephen A. Lasota	*Cash Severance*	0	0	0	0	0
	Equity Acceleration	0	358,236	0	358,236	358,236
	Total	0	358,236	0	358,236	358,236
Jeffrey M. Solomon	*Cash Severance*	0	1,325,060	0	0	0
	Equity Acceleration	0	1,174,315	0	1,174,315	1,174,315
	Total	0	2,499,375	0	2,474,671	2,474,671
Morgan B. Stark	*Cash Severance*	0	1,323,800	0	0	0
	Equity Acceleration	0	2,178,346	0	2,178,346	2,178,346
	Total	0	3,502,146	0	3,502,146	3,502,146
Thomas W. Strauss	*Cash Severance*	0	1,265,988	0	0	0
	Equity Acceleration	0	1,368,181	0	1,368,181	1,368,181
	Total	0	2,634,169	0	2,634,169	2,634,169

(1) Includes the value of acceleration of all unvested shares of restricted stock, based on a per share price of $4.69 per share, which was the closing price of our Class A common stock on the Nasdaq Global Market on December 31, 2010.

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SECURITY OWNERSHIP

Beneficial Ownership of Directors, Nominees and Executive Officers

The following table shows how many shares of our Class A common stock were beneficially owned as of July 25, 2011, by each of our directors and named executive officers, and by all of our directors and named executive officers as a group. Unless otherwise noted, the stockholders listed in the table have sole voting and investment power with respect to the shares owned by them.

	Amount and Nature of Beneficial Ownership	Percent of Class
Executive Officers and Directors:		
Peter A. Cohen(1)(2)	32,631,515	28.07%
Katherine Elizabeth Dietze	48,030	*
Stephen Kotler	10,000	*
Gerorge M.L. LaBranche, IV(3)	2,995,091	2.58%
Jerome S. Markowitz(4)	150,177	*
Jack H. Nusbaum	48,818	*
John E. Toffolon, Jr.(5)	50,000	*
Joseph R. Wright	67,922	*
Jeffrey M. Solomon(1)(6)	32,626,941	28.07%
Morgan B. Stark(1)(7)	32,629,317	28.07%
Thomas W. Strauss(1)(8)	32,625,389	28.07%
Stephen A. Lasota(9)	40,377	*
All directors and named executive officers as a group (12 persons)	36,041,930	31.00%

* corresponds to less than 1% of Cowen Group Class A common stock.

(1) The number of shares of Class A common stock beneficially owned by Mr. Cohen, Mr. Solomon, Mr. Stark and Mr. Strauss consists of the 32,616,294 shares of Class A common stock held by RCG Holdings LLC. C4S & Co., L.L.C. ("C4S") is the managing member of RCG and may be considered to be the beneficial owner of any securities deemed to be beneficially owned by RCG. C4S disclaims beneficial ownership of these securities. Mr. Cohen, Mr. Solomon, Mr. Stark and Mr. Strauss are the sole managing members of C4S and may be considered beneficial owners of any securities deemed to be beneficially owned by C4S. Messrs. Cohen, Solomon, Stark and Strauss disclaim beneficial ownership of these securities, except as otherwise expressly described below.

(2) Mr. Cohen does not disclaim beneficial ownership with respect to the 3,011,504 shares of Class A common stock that are held by RCG and allocated to Mr. Cohen in connection with his ownership interest in RCG (including shares attributed to unvested REOP interests in RCG granted to Mr. Cohen in connection with the Transactions). However, the distribution by RCG of those shares to Mr. Cohen is subject to certain restrictions.

(3) Includes 1,297,400 shares of Class A common stock held by Mr. LaBranche's wife.

(4) Mr. Markowitz has a pecuniary interest in 214,695 shares of Class A common stock that are held by RCG and allocated to Mr. Markowitz in connection with his ownership interest in RCG, but is not deemed to be the beneficial owner of these shares. The distribution by RCG of those shares to Mr. Markowitz is subject to certain restrictions.

(5) Includes 10,000 shares of Class A common stock held by family trusts.

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(6)
Mr. Solomon does not disclaim beneficial ownership with respect to the 590,553 shares of Class A common stock that are held by RCG and allocated to Mr. Solomon in connection with his ownership interest in RCG (including shares attributed to unvested REOP interests in RCG granted to Mr. Cohen in connection with the Transactions). However, the distribution by RCG of those shares to Mr. Cohen is subject to certain restrictions.

(7)
Mr. Stark does not disclaim beneficial ownership with respect to the 2,387,771 shares of Class A common stock that are held by RCG and allocated to Mr. Stark in connection with his ownership interest in RCG (including shares attributed to unvested REOP interests in RCG granted to Mr. Stark in connection with the Transactions) and the 58,475 shares of Class A common stock that are held by RCG and allocated to Sidney Stark, Mr. Stark's wife, in connection with her ownership interest in RCG. However, the distribution by RCG of those shares to Mr. and Mrs. Stark is subject to certain restrictions.

(8)
Mr. Strauss does not disclaim beneficial ownership with respect to the 1,826,101 shares of Class A common stock that are held by RCG and allocated to Mr. Strauss in connection with his ownership interest in RCG (including shares attributed to unvested REOP interests in RCG granted to Mr. Strauss in connection with the Transactions) and the 1,061,041 shares of our Class A common stock that are held by RCG and allocated to an entity controlled by Mr. Strauss, in connection with its ownership interest in RCG. However, the distribution by RCG of those shares to Mr. Strauss and the entity is subject to certain restrictions.

(9)
Mr. Lasota has a pecuniary interest in the 53,566 shares of Class A common stock that are held by RCG and allocated to Mr. Lasota in connection with his ownership interest in RCG (including shares attributed to unvested REOP interests in RCG granted to Mr. Lasota in connection with the Transactions), but is not deemed to be the beneficial owner of these shares. The distribution by RCG of those shares to Mr. Lasota is subject to certain restrictions.

Beneficial Owners of More than Five Percent of Our Class A common stock

Based on filings made under Section 13(d) and Section 13(g) of the Securities Exchange Act of 1934, as of July 25, 2011, the persons known by us to be beneficial owners of more than 5% of our Class A common stock were as follows:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
RCG Holdings LLC(1) 599 Lexington Avenue New York, NY 10022	32,616,294	28.06%
UniCredit S.p.A.(2) c/o Bayerische Hypo- und Vereinsbank AG 150 East 42nd Street New York, New York 10017	11,232,567	9.66%

(1)
This information is based on a Schedule 13D filed with the SEC on March 16, 2011 by RCG Holdings LLC.

(2)
This information is based on a Schedule 13D filed with the SEC on May 13, 2010 by UniCredit S.p.A. The beneficial ownership indicated above represents the aggregate beneficial ownership of UniCredit S.p.A., and its subsidiaries, BA Alpine Holdings, Inc., UniCredit Bank Austria AG and HVB Alternative Advisors LLC. BA Alpine Holdings, Inc. and UniCredit Bank Austria AG reported that they have sole voting and dispositive power with respect to 8,518,685 shares. UniCredit S.p.A. reported that it has sole voting and dispositive power with respect to 11,232,567 shares of which, 2,713,882 shares are held by HVB Alternative Advisors LLC.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors and persons holding 10% or more of our Class A common stock to file initial reports of ownership of our securities and reports of changes in ownership of our securities with the SEC. Based on a review of copies of such reports provided to us and on written representations from our executive officers and directors, we believe that all Section 16(a) filing and disclosure requirements applicable to our executive officers and directors for 2010 have been satisfied.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised entirely of non-employee directors, none of whom has ever been an officer or employee of the Company and none of whom had any related person transaction involving the Company. None of our executive officers (1) served as a member of the board of directors or compensation committee of any other entity that had one or more of its executive officers serving as a member of our Compensation Committee or (2) served as a member of the compensation committee of any other entity that had one or more of its executive officers serving as a member of our Board during 2010.

Transactions with Related Persons

Related Transactions Involving Our Executive Officers

Side-by-Side Investments

To the extent permissible by applicable law, our principals and certain eligible employees, as well as such individuals' immediate family members and other investors they refer to us, have historically been permitted to invest their own capital either directly in, or in side-by-side investments with, our alternative investment management funds. Side-by-side investments are investments in assets substantially similar to the investments of the applicable fund. Direct investment in, or side-by-side investments with, our funds by such individuals are generally made on the same terms and conditions as the investments made by other third party investors in the funds, except that such investments are subject to discounted management and performance fees. Certain Company employees who are eligible to make such investments will be permitted to invest their own capital either directly in, or in side-by-side investments with, our funds on the same terms currently available to our employees.

Employment Arrangements

Andrew Cohen, the son of Peter A. Cohen, is a Managing Director of Ramius, and earned approximately $1,000,000 in 2010.

Services Agreement with RCG

The Company and RCG are parties to a services agreement, under which the Company provides certain services (including accounting services, distribution of annual statements to members of RCG, maintenance and storage of RCG books and records, and coordination services relating to the sale and distribution of restricted shares of our Class A common stock held by RCG), to RCG for a total annual cost to RCG not to exceed $12,000, for a term not to exceed four years from the closing of the Transactions and terminable upon the mutual agreement of both parties.

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Review and Approval of Transactions with Related Persons

To minimize actual and perceived conflicts of interests, our board of directors has adopted a written policy governing transactions in which the Company is a participant, the aggregate amount involved is reasonably expected to exceed $120,000, and any of the following persons has or may have a direct or indirect material interest in the transaction: (a) our executive officers, directors (including nominees) and certain other highly compensated employees, (b) stockholders who own more than 5% of our common stock, and (c) any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law or person (other than a tenant or employee) sharing the same household of any person described in (a) or (b) above. These transactions will be considered "related person transactions."

Unless exempted from such policy as described below, the policy requires that related person transactions must be reported to our General Counsel or Chief Compliance Officer who will then submit the related person transaction for review by our Audit Committee. The Audit Committee will review all relevant information available to it and will approve or ratify only those related person transactions that it determines are not inconsistent with the best interests of the Company. If our General Counsel or Chief Compliance Officer determines that advance approval of a related person transaction is not practicable under the circumstances, the Audit Committee will review, and, in its discretion, may ratify the related person transaction at its next meeting, or at the next meeting following the date that the related person transaction comes to the attention of our General Counsel, Deputy General Counsel or Chief Compliance Officer. However, the General Counsel or Chief Compliance Officer may present a related person transaction that arises between Audit Committee meetings to the Chair of the Audit Committee, who will review and may approve the related person transaction, subject to the Audit Committee's ratification at its next meeting.

It is anticipated that any related person transaction previously approved by the Audit Committee or otherwise already existing that is ongoing will be reviewed annually by the Audit Committee to ensure that such transaction has been conducted in accordance with the previous approval granted by the Audit Committee, if any, and that all required disclosures regarding the related person transaction are made.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, the board anticipates it will determine that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of the policy:

- interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, (c) the amount involved in the transaction equals less than the greater of $200,000 or 5% of the annual gross revenues of the company receiving payment under the transaction;

- a transaction with a significant stockholder, or such stockholder's immediate family members, who has a current Schedule 13G filed with the SEC with respect to such stockholder's ownership of our securities; and

- a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Compensation Committee in the manner specified in its charter.

AUDIT COMMITTEE REPORT AND PAYMENT OF FEES TO OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee Report

The primary function of our Audit Committee is oversight of our financial reporting process, publicly filed financial reports, internal accounting and financial and operational controls, and the independent audit of the consolidated financial statements. The consolidated financial statements of Cowen Group, Inc. for the year ended December 31, 2010, were audited by PricewaterhouseCoopers LLP, independent registered public accounting firm for the Company.

As part of its activities, the Committee has:

1. Reviewed and discussed with management and the independent registered public accounting firm the company's audited financial statements;

2. Discussed with the independent registered public accounting firm the matters required to be communicated under *Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended*;

3. Received the written disclosures and letter from the independent registered public accounting firm required by *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees)*; and

4. Discussed with PricewaterhouseCoopers LLP their independence.

Management is responsible for the Company's system of internal controls and the financial reporting process. PricewaterhouseCoopers LLP is responsible for performing an independent audit of the consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and issuing a report thereon. Our Committee's responsibility is to monitor and oversee these processes.

Based on the foregoing review and discussions and a review of the report of PricewaterhouseCoopers LLP with respect to the consolidated financial statements, we have recommended to the Board of Directors of Cowen Group, Inc. the inclusion of the audited consolidated financial statements in Cowen Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010, for filing with the SEC.

Audit Committee of the Board of Directors of Cowen Group, Inc.

John E. Toffolon, Jr., *Chairperson*
Steven Kotler
Joseph R. Wright

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Independent Registered Public Accounting Firm Fees and Other Matters

The following table presents the aggregate fees billed for services rendered by PricewaterhouseCoopers LLP, our independent registered public accounting firm, for the fiscal years ended December 31, 2010 and December 31, 2009.

	2010	2009
Audit Fees(1)	$ 4,174,911	$ 2,319,408
Audit-Related Fees(2)	496,545	
Tax Fees(3)	567,820	
All Other Fees(4)		702,000
Total	$ 5,239,276	$ 3,021,408

(1) Audit fees for the year ended December 31, 2010, consisted of fees billed for the integrated audit of our financial statements, statutory audits of certain consolidating entities and subsidiaries, including audits of acquisitions by the Company during the year, and quarterly reviews of our financial statements. The audit fees for the year ended December 31, 2009 consisted of fees billed for the audit of our financial statements and statutory audits of certain consolidating entities and subsidiaries. Audit fees do not include work done on behalf of RCG Holdings LLC in connection with the Transaction.

(2) Audit-Related Fees consisted of fees for services that are reasonably related to the performance of the audit and the review of our financial statements and that are not reported under "Audit Fees." Audit related fees consisted primarily of fees billed for due diligence services and control attestations.

(3) Tax fees consisted of fees for tax compliance services related to the Company and certain consolidating entities and subsidiaries, including tax advice related to acquisitions by the Company during the year.

(4) All Other Fees consist of one-time fees incurred in November and December 2009 in connection with the Transactions and the December 2009 offering.

Auditor Services Pre-Approval Policy

The Audit Committee has adopted an Audit Committee Policy Regarding Outside Auditor Services which includes a pre-approval policy that applies to services performed for the Company by our independent registered public accounting firm. In accordance with this policy, we may not engage our independent registered public accounting firm to render any audit or non-audit service unless the service was approved in advance by the Audit Committee or the engagement is entered into pursuant to the pre-approval policies and procedures described below. However, no pre-approval is required with respect to services (other than audit, review or attest services) if (i) the aggregate amount of all such services is no more than 5% of the total amount paid by us to the independent registered public accounting firm during the fiscal year in which the services are provided, (ii) such services were not recognized at the time of engagement to be non-audit services and (iii) such services are promptly brought to the attention of the Audit Committee and approved by either the Audit Committee or the Chairperson of the Audit Committee prior to completion of the audit. During fiscal 2009, no fees were approved by the Audit Committee pursuant to this exemption.

The pre-approval policy delegates to the Chairperson of the Audit Committee the authority to pre-approve any audit or non-audit services, provided that any approval by the Chairperson is reported to the Audit Committee at the Audit Committee's next regularly scheduled meeting. The Audit Committee may also pre-approve services that are expected to be provided to the Company by the

independent registered public accounting firm during the next 12 months and at each regularly scheduled meeting of the Audit Committee, management or the independent registered public accounting firm must report to the Audit Committee each service actually provided to the Company pursuant to the pre-approval.

Our Audit Committee has determined that the provision of the non-audit services described in the table above was compatible with maintaining the independence of our independent registered public accounting firm. The Audit Committee reviews each non-audit service to be provided and assesses the impact of the service on the registered public accounting firm's independence.

ITEM 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board of Directors has selected PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the year ending December 31, 2011. While it is not required to do so, our Board of Directors is submitting the selection of PricewaterhouseCoopers LLP for ratification in order to ascertain the views of our stockholders with respect to the choice of audit firm. If the selection is not ratified, the Audit Committee will reconsider its selection. Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting, will be available to answer stockholder questions and will have the opportunity to make a statement if they desire to do so. PricewaterhouseCoopers LLP served as our independent registered public accounting firm for the year ended December 31, 2010.

The Board of Directors recommends that you vote FOR ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of Cowen Group, Inc. and our subsidiaries for the year ending December 31, 2011. The affirmative vote of the holders of a majority of our outstanding shares of Class A common stock voting on the proposal is required to ratify this selection. Proxies will be voted FOR ratification of this selection unless otherwise specified.

ITEM 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION

Under the rules promulgated by the SEC, the Company is required to provide its stockholders with the opportunity to cast an advisory vote on the compensation program for the Company's named executive officers. This proposal is frequently referred to as a "say-on-pay" vote. The Company is presenting the following proposal, which gives stockholders of the Company the opportunity to cast an advisory vote with respect to the compensation program for our named executive officers as described herein. Accordingly, we ask our stockholders to vote, on an advisory basis, on the following resolution.

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the "Compensation Discussion and Analysis," compensation tables and narrative discussion and any related material contained in this Proxy Statement, is hereby APPROVED.

Our stockholders are urged to read the "Compensation Discussion and Analysis" section of this Proxy Statement which discusses our compensation practices and methodologies.

Because this vote is only advisory in nature, it will not be binding on the Company. Our Board will consider the results of this stockholder vote in determining future compensation programs for our named executive officers. However, these programs may not change even if stockholders vote against this proposal.

The Board unanimously recommends that you vote "FOR" advisory approval of the resolution set forth above.

Unless you specify otherwise, the Board intends the accompanying Proxy to be voted for this item.

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ITEM 4 ADVISORY VOTE ON THE FREQUENCY OF ADVISORY VOTES TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Under the rules promulgated by the SEC, we are required to hold an advisory stockholder vote to determine the frequency of the advisory stockholder vote on the compensation of the Company's named executive officers, such as Item 3 of this proxy statement, for future annual stockholder meetings (or special stockholder meetings) for which the Company must include executive compensation information in the proxy statement for that meeting at least once every six years. By voting on this proposal, stockholders may indicate whether they would prefer an advisory vote on the compensation program for our named executive officers once every one, two or three years, or they may abstain from voting.

After careful consideration of this Proposal, our Board of Directors has determined that an advisory vote on executive compensation that occurs every three years is currently the most appropriate alternative for the Company so that stockholders may express their views on the Company's executive compensation program. Therefore, our Board recommends that you vote to recommend that future advisory votes regarding the compensation program for our named executive officers be held every three years. The proxy card provides stockholders with four choices (every one, two or three years, or abstain).

This vote will not be binding on us and is only advisory in nature, and our Board may decide that it is in the best interests of our stockholders and the Company to hold future advisory votes on our compensation programs less frequently than the option recommended. However, our Board will carefully consider the results from our stockholder vote regarding the frequency of advisory votes with respect to the compensation program for our named executive officers in determining whether future votes will be held annually, biennially or triennially.

The Board unanimously recommends that you vote for the frequency of "THREE YEARS" with respect to the frequency of holding future advisory votes regarding the compensation of our named executive officers.

Unless you specify otherwise, the Board intends the accompanying Proxy to be voted for the frequency of "THREE YEARS" for this item.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes, as of December 31, 2010, the number of shares of our common stock to be issued upon exercise of outstanding options granted under our 2010, 2007 and 2006 Equity and Incentive Plans, the weighted-average exercise price of such options, and the number of shares remaining available for future issuance under the plans for all awards as of December 31, 2010.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under the Equity Compensation Plans (Excluding Shares in First Column)
Equity compensation plans approved by security holders	893,432	$ 13.04	5,492,383(1)
Equity compensation plans not approved by security holders	None	N/A	None

(1) This number is based on the 4,725,000 shares currently authorized for issuance under the 2006 Equity and Incentive Plan and 5,500,000 shares authorized for issuance under our Amended 2007

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Equity and Incentive Plan. In addition to the 893,432 shares to be issued upon the exercise of outstanding options to purchase our common stock, 5,788,021 shares of restricted stock, common stock and restricted stock units were issued under the plans and were outstanding as of December 31, 2010. All of the 5,492,383 shares available for future issuance under the plan as of December 31, 2010, may be granted in the form of restricted stock, restricted stock units, options or another equity-based award authorized under the plan. As of July 25, 2011, we had 708,984 shares remaining under the equity plans, which exclude shares reserved for issuance based on certain performance criteria in existing agreements.

STOCKHOLDER PROPOSALS FOR THE 2012 ANNUAL MEETING

In order for a stockholder proposal, including a director nomination, to be considered for inclusion in our proxy statement for the 2012 annual meeting of stockholders, the written proposal must be received at our principal executive offices on or before December 2, 2011. However, in the event that the next annual meeting of stockholders is called for a date that is not within 30 days before or after the first anniversary of the date of this year's annual meeting, the proposal must be received no later than a reasonable time before the Company begins to print and mail its proxy materials.

The proposal should be addressed to Cowen Group, Inc., Attention: Corporate Secretary, 599 Lexington Avenue, New York, New York, 10022. The proposal must comply with SEC regulations regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

In accordance with our bylaws, a stockholder who wishes to present a proposal for consideration at the 2012 annual meeting must deliver a notice of the matter the stockholder wishes to present to our principal executive offices in New York, New York, at the address identified in the preceding paragraph, not less than 90 nor more than 120 days prior to the first anniversary of the date of this year's annual meeting. Accordingly, any notice given by or on behalf of a stockholder pursuant to these provisions of our bylaws (and not pursuant to Rule 14a-8 of the SEC) must be received no earlier than May 3, 2012, and no later than June 2, 2012. However, in the event that the next annual meeting of stockholders is called for a date that is not within 30 days before or after the first anniversary of the date of this year's annual meeting, the notice must be received no later than the close of business on the tenth day following the day on which notice of the 2012 annual meeting was mailed or public disclosure of the date of the 2012 annual meeting was made, whichever occurs first. The notice should include (i) a brief description of the business desired to be brought before the 2011 annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder, (iii) the class or series and number of shares of capital stock of the Company beneficially owned or owned of record by the stockholder, (iv) a description of all arrangements or understandings between the stockholder and any other person or persons (including their names) in connection with the proposal and any material interest of the stockholder in such business and (v) a representation that the stockholder intends to appear in person or by proxy at the 2012 annual meeting to bring such business before the meeting.

ANNUAL REPORT TO STOCKHOLDERS AND FORM 10-K

Our 2010 Annual Report to Stockholders, including financial statements for the year ended December 31, 2010, accompanies this proxy statement. **Stockholders may obtain an additional copy of our Annual Report and/or a copy of our Form 10-K filed with the SEC for the year ended December 31, 2010, without charge by viewing these documents on our Web site at www.cowen.com or by writing to Cowen Group, Inc., Attention: Investor Relations, 599 Lexington Avenue, New York, New York, 10022.**

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HOUSEHOLDING

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement or annual report, as applicable, addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. Currently, only brokers household our proxy materials and annual reports, delivering a single proxy statement and annual report to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement or annual report, or if you are receiving multiple copies of either document and wish to receive only one, please contact your broker. Any householded stockholder may request a copy of the proxy statement and/or annual report by contacting us in writing or by telephone at Cowen Group, Inc., Attention: Investor Relations, 599 Lexington Avenue, New York, New York, 10022, (646) 562-1983. We will deliver promptly upon written or oral request a separate copy of our annual report and/or proxy statement to a stockholder at a shared address to which a single copy of either document was delivered.

OTHER MATTERS

We do not know of any other matters that may be presented for consideration at the annual meeting. If any other business does properly come before the meeting, the persons named as proxies on the enclosed proxy card will vote as they deem in the best interests of Cowen Group, Inc.