

TIERONE CORP
Form DEF 14A
July 29, 2008

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

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

TierOne Corporation
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Edgar Filing: TIERONE CORP - Form DEF 14A

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

1235 N Street
Lincoln, Nebraska 68508

July 29, 2008

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of TierOne Corporation to be held in the Lancaster Room at the Cornhusker Marriott Hotel located at 333 South 13th Street, Lincoln, Nebraska, on Thursday, August 28, 2008 at 8:30 a.m., Central Daylight Time.

At the Annual Meeting, you will be asked to elect two (2) directors for three-year terms and ratify the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2008. Each of these matters is more fully described in the accompanying materials.

It is very important that you be represented at the Annual Meeting regardless of the number of shares you own or whether you are able to attend the meeting in person. We urge you to vote your shares today even if you plan to attend the Annual Meeting. This will not prevent you from voting in person, but will ensure that your vote is counted if you are unable to attend.

Your continued support of TierOne Corporation is sincerely appreciated.

Very truly yours,

Gilbert G. Lundstrom
Chairman of the Board and Chief Executive Officer

TierOne Corporation
1235 N Street
Lincoln, Nebraska 68508
(402) 475-0521

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on August 28, 2008

Our Annual Meeting of Shareholders will be held in the Lancaster Room at the Cornhusker Marriott Hotel located at 333 South 13th Street, Lincoln, Nebraska, on Thursday, August 28, 2008 at 8:30 a.m., Central Daylight Time, for the following purposes, all of which are more completely set forth in the accompanying Proxy Statement:

- (1) To elect two (2) directors for three-year terms or until their successors are elected and qualified;
- (2) To ratify the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2008; and
- (3) To transact such other business as may properly come before the meeting or at any adjournment or postponement thereof. We are not aware of any other such business.

You are entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement of the Annual Meeting if you are a shareholder of record as of the close of business on July 22, 2008, the record date for the Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Eugene B. Witkowicz
Corporate Secretary

Lincoln, Nebraska
July 29, 2008

YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER YOU OWN. EVEN IF YOU PLAN TO BE PRESENT YOU ARE URGED TO VOTE YOUR SHARES PROMPTLY. IF YOU ATTEND THE MEETING YOU MAY VOTE EITHER IN PERSON OR BY PROXY. ANY PROXY GIVEN MAY BE REVOKED BY GIVING NOTICE IN WRITING TO THE SECRETARY OF THE CORPORATION, BY SUBMITTING A DULY EXECUTED PROXY BEARING A LATER DATE OR BY GIVING NOTICE IN OPEN MEETING.

Table of Contents

	<u>Page</u>
About The Annual Meeting of Shareholders	1
Information With Respect to Nominees for Director, Continuing Directors and Executive Officers	3
Election of Directors	3
Directors Whose Terms are Continuing	4
Executive Officers Who Are Not Directors	5
Meetings and Committees of the Board of Directors	5
Attendance of Directors at Annual Meetings	6
Director Nominations	6
Transactions With Certain Related Persons	7
Management Compensation	8
Compensation Discussion and Analysis	8
Summary Compensation Table	15
Grants of Plan Based Awards in 2007	16
Outstanding Equity Awards at Year End	17
Pension Benefits	18
Non-Qualified Deferred Compensation	19
Potential Payments Upon Termination or Change in Control	22
Director Compensation	28
Compensation Committee Report	29
Compensation Committee Interlocks and Insider Participation	29
Beneficial Ownership of Common Stock by Certain Beneficial Owners and Management	29
Security Ownership	29
Section 16(a) Beneficial Ownership Reporting Compliance	32
Ratification of Appointment of Auditors	32
Appointment of Auditors	32
Audit Fees	33
Report of the Audit Committee	33
Shareholder Proposals, Nominations and Communications with the Board of Directors	34
Shareholder Proposals	34
Shareholder Nominations	34
Other Shareholder Communications	35
Annual Reports	35
Other Matters	35

TierOne Corporation
PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

This Proxy Statement is furnished to holders of common stock of TierOne Corporation (Company), the parent holding company of TierOne Bank. Our Board of Directors is soliciting proxies to be used at the Annual Meeting of Shareholders to be held in the Lancaster Room at the Cornhusker Marriott Hotel located at 333 South 13th Street, Lincoln, Nebraska, on Thursday, August 28, 2008 at 8:30 a.m., Central Daylight Time, and at any adjournment or postponement of the Annual Meeting for the purposes set forth in the Notice of Annual Meeting of Shareholders. Our Annual Report on Form 10-K and this Proxy Statement are first being mailed to shareholders on or about July 29, 2008.

ABOUT THE ANNUAL MEETING OF SHAREHOLDERS

What is the purpose of the Annual Meeting?

At our Annual Meeting, shareholders will act upon the matters outlined in the Notice of Meeting on the cover page of this Proxy Statement, including the election of directors and the ratification of the appointment of our independent auditors. In addition, management will report on the performance of TierOne Corporation and respond to questions from shareholders.

Who is entitled to vote?

Only our shareholders of record as of the close of business on the record date for the Annual Meeting, July 22, 2008, are entitled to vote at the meeting. On the record date, we had 18,036,134 shares of common stock issued and outstanding and no other class of equity securities outstanding. For each issued and outstanding share of common stock you own on the record date, you will be entitled to one vote on each matter to be voted on at the meeting, in person or by proxy.

How do I submit my proxy?

After you have carefully read this Proxy Statement, indicate on your proxy card how you want your shares to be voted. Then sign, date and mail your proxy card in the enclosed prepaid return envelope as soon as possible or, if you are the record holder, you may appoint a proxy by utilizing our toll-free telephone voting option by calling 1-800-PROXIES (our telephone voting option is not available if your shares are held in street name, but you may be able to vote by telephone or Internet if provided for by your broker or other nominee). This will enable your shares to be represented and voted at the Annual Meeting. If your shares are held in street name by a broker or other nominee, follow the directions given by the broker or other nominee regarding how to instruct it to vote your shares.

If my shares are held in street name by my broker, could my broker automatically vote my shares for me?

Yes. Your broker may vote in his or her discretion on the election of directors and the ratification of the appointment of our independent auditors if you do not furnish instructions.

Can I attend the meeting and vote my shares in person?

Yes. All shareholders are invited to attend the Annual Meeting. Shareholders of record can vote in person at the Annual Meeting. If your shares are held in street name by a broker, nominee, fiduciary or other custodian and you wish to vote in person at the Annual Meeting, you must obtain from the record holder a proxy issued in your name.

Can I change my vote after I return my proxy card?

Yes. If you have not voted through your broker or other nominee, there are three ways you can change your vote or revoke your proxy after you have sent in your proxy card.

First, you may send a written notice to our Corporate Secretary, Mr. Eugene B. Witkowicz, TierOne Corporation, 1235 N Street, Lincoln, Nebraska 68508, stating that you would like to revoke your proxy.

Second, you may submit a duly executed proxy bearing a later date. Any earlier proxies will be revoked automatically.

Third, you may attend the Annual Meeting and vote in person. Any earlier proxy will be revoked. However, attending the Annual Meeting without voting in person will not revoke your proxy.

If you have instructed a broker or other nominee to vote your shares, you must follow directions you receive from your broker or other nominee to change your vote.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum. Proxies received but marked as abstentions and shares subject to broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

What are the Board of Directors' recommendations?

The recommendations of the Board of Directors are set forth under the description of each proposal in this Proxy Statement. In summary, the Board of Directors recommends that you vote FOR the Board's nominees as directors and FOR the ratification of the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2008.

The proxy solicited hereby, if properly submitted to us and not revoked prior to its use, will be voted in accordance with your instructions. If no contrary instructions are given, each properly submitted proxy will be voted in the manner recommended by the Board of Directors and, in the event of the transaction of such other business as may properly come before the Annual Meeting, in accordance with the best judgment of the persons appointed as proxies. Proxies solicited hereby may be exercised only at the Annual Meeting and any adjournment or postponement of the Annual Meeting and will not be used for any other meeting.

What vote is required to approve the proposals?

The election of directors will be determined by a plurality of the votes cast at the Annual Meeting. The two nominees for director receiving the most for votes will be elected. Approval of the ratification of the appointment of our independent auditors will require the affirmative vote of a majority of the votes cast on the proposal.

Abstentions, withholding of authority to vote or broker non-votes are not counted as votes cast. Accordingly, abstentions, withholding of authority to vote or broker non-votes will have no effect on the vote and will not be counted in determining whether the proposals at the Annual Meeting receive the required shareholder vote for approval.

Whom should I call with questions?

You should call our proxy solicitor, Laurel Hill Advisory Group, toll-free at 1-888-742-1305.

**INFORMATION WITH RESPECT TO NOMINEES FOR DIRECTOR,
CONTINUING DIRECTORS AND EXECUTIVE OFFICERS**

Election of Directors

Our Articles of Incorporation provide that the Board of Directors shall be divided into three classes as nearly equal in number as possible. The directors are elected by our shareholders for staggered three-year terms or until their successors are elected and qualified.

At the Annual Meeting, you will be asked to elect two (2) directors for three-year terms expiring in 2011 or until their successors are elected and qualified. Our Nominating and Corporate Governance Committee has nominated Mr. James A. Laphen and Mr. Campbell R. McConnell, Ph.D. to stand for re-election at the Annual Meeting. No nominee for director is related to any other director or executive officer by blood, marriage or adoption. Shareholders are not permitted to use cumulative voting for the election of directors. Our Board of Directors has determined that a majority of its members are independent directors as defined in the listing standards of The NASDAQ Stock Market, LLC (referred to as NASDAQ). The current independent members are Directors Spence, McConnell, Pocras, and Hoskins.

Unless otherwise directed, each proxy executed and returned by a shareholder will be voted for the election of the nominees for director listed below. If any person named as a nominee is unable or unwilling to stand for election at the time of the Annual Meeting, then the proxies will nominate and vote for any replacement nominee or nominees selected by our Board of Directors. At this time, the Board of Directors knows of no reason why either of the nominees listed below will not be able to serve as a director if elected.

The following tables present information concerning the nominees for director and directors whose terms continue, all of whom also serve as directors of TierOne Bank. Ages are reflected as of July 22, 2008.

Nominees for Director for Three-year Terms Expiring in 2011

Name	Age	Position with TierOne Corporation and TierOne Bank (if any) and Principal Occupation During the Past Five Years	Director of TierOne Bank Since
James A. Laphen	60	Director. President and Chief Operating Officer of TierOne Corporation since April 2002 and TierOne Bank since October 2001. Mr. Laphen joined TierOne Bank in September 2000 as Senior Executive Vice President and Chief Operating Officer. Prior thereto he served as President and Chief Operating Officer of Commercial Federal Bank, Omaha, Nebraska, from 1994 to July 2000.	2000
Campbell R. McConnell	80	Director. Retired; currently Professor Emeritus of Economics, University of Nebraska-Lincoln.	1974

The Board of Directors recommends that you vote FOR the election of each of these nominees for Director.

Directors Whose Terms are Continuing**Directors With Terms Expiring in 2009**

Name	Age	Position with TierOne Corporation and TierOne Bank (if any) Principal Occupation During the Past Five Years	Director of TierOne Bank Since
Gilbert G. Lundstrom, Esq.	66	Chairman of the Board and Chief Executive Officer of TierOne Corporation since April 2002 and TierOne Bank since October 2001; prior thereto Mr. Lundstrom served as Chairman of the Board, President and Chief Executive Officer from September 1999. From 1996 to 1999, he served as Director, President and Chief Executive Officer of TierOne Bank. He joined TierOne Bank in 1994. He was a director of the Federal Home Loan Bank of Topeka and serves on the Board of Directors of Sahara Enterprises, Inc., Chicago, Illinois. Prior to 1994, he was the managing partner of Woods & Aitken Law Firm, Lincoln, Nebraska, where he practiced law for 25 years. Woods & Aitken serves as general counsel to TierOne Bank.	1994
Joyce Person Pocras	66	Director. CPA (inactive), independent investor; retired in 1993 as the internal auditor of First Federal Lincoln Bank, now known as TierOne Bank.	1994

Directors With Terms Expiring in 2010

Name	Age	Position with TierOne Corporation and TierOne Bank (if any) and Principal Occupation During the Past Five Years	Director of TierOne Bank Since
Ann Lindley Spence	74	Director. Retired; previously, President of Spence Title Services, Inc., a title insurance company located in Omaha, Nebraska.	1989
Charles W. Hoskins	71	Director. Self-employed financial advisor; retired partner of Deloitte & Touche LLP having last served as National Director of Japanese Business Development, Los Angeles, California.	2004

With the exception of Mr. Hoskins who was elected as a director in 2004, all existing directors have served as directors of TierOne Corporation since 2002, the year our company was formed.

Executive Officers Who Are Not Directors

Set forth below is the information with respect to the principal occupations during the last five years for the six executive officers of TierOne Bank who do not serve as directors. Mr. Witkowicz also serves as an executive officer of TierOne Corporation. The other executive officers of TierOne Corporation are Messrs. Lundstrom and Laphen. Ages are reflected as of July 22, 2008.

Name	Age	Principal Occupation During the Past Five Years
Eugene B. Witkowicz	60	Executive Vice President, Chief Financial Officer, Corporate Secretary and Treasurer of TierOne Corporation since 2003 and Executive Vice President, Corporate Secretary, Treasurer and Director of Finance of TierOne Bank since 2001. Previously, Executive Vice President, Treasurer and Chief Financial Officer since 1992. Mr. Witkowicz joined TierOne Bank in 1972.
Gale R. Furnas	55	Executive Vice President and Director of Lending of TierOne Bank since 1998. Previously, Senior Vice President/Loan Sales Manager and Assistant Director of Lending since 1996. Mr. Furnas joined TierOne Bank in 1976.
Roger R. Ludemann	59	Executive Vice President and Director of Retail Banking of TierOne Bank since 2000. Previously, Executive Vice President and Director of Consumer Services since 1997. Mr. Ludemann joined TierOne Bank in 1995.
Larry L. Pfeil	65	Executive Vice President and Director of Administration of TierOne Bank since 2000. Previously, Executive Vice President and Director of Financial Services of TierOne Bank since 1982. Mr. Pfeil joined TierOne Bank in 1971.
David L. Kellogg	49	Senior Vice President and Controller of TierOne Bank since March 2004; prior thereto, Controller of TierOne Bank since September 2003; Client Relationship Manager, Fiserv, Inc., a banking software and services company, from 2001 to 2003; Assistant Corporate Controller, Commercial Federal Bank, Omaha, Nebraska, from 1982 to 2001.
Edward J. Swotek	47	Senior Vice President and Strategic Planning and Investor Relations Officer of TierOne Bank since August 2005; prior thereto, Senior Vice President and Strategic Planning Officer since 2000. Mr. Swotek joined TierOne Bank in 1987.

Meetings and Committees of the Board of Directors

During the year ended December 31, 2007, the Board of Directors of TierOne Corporation and TierOne Bank met 17 times. All directors of TierOne Corporation attended all of the Board meetings held during the year and all of the meetings held by all committees of the Board on which he/she served either in person or by telephone to accommodate scheduling conflicts. The Board of Directors of TierOne Corporation has standing Audit, Compensation and Nominating and Corporate Governance Committees.

Audit Committee. The Audit Committee's primary duties and responsibilities are to: appoint the independent auditors; monitor the integrity of the financial reporting process and systems of internal controls regarding finance, accounting, legal and regulatory compliance; monitor the qualifications, independence and performance of the independent auditors and internal auditing department; and provide an avenue of communication among the independent auditors, management, the internal auditing department and the Board of Directors. The Audit Committee is comprised of four

independent directors as defined in the listing standards of NASDAQ and rules of the Securities and Exchange Commission. The current members of the Audit Committee are Directors Hoskins, Spence, Pocras and McConnell (Chairman). The Board of Directors has determined that Ms. Pocras and Mr. Hoskins meet the Securities and Exchange Commission's definition of audit committee financial expert. The report of the Audit Committee is set forth on page 33. The Audit Committee of TierOne Corporation met six times in 2007.

Compensation Committee. It is the responsibility of the Compensation Committee of the Board of Directors to institute a compensation program which effectively provides incentive for executive management to lead TierOne Corporation to its full potential. The current members of the Compensation Committee are Directors

Hoskins, McConnell, Spence and Pocras (Chairperson). No member of the Compensation Committee is a current officer or employee of TierOne Corporation, TierOne Bank or any subsidiary of us and all are independent directors under the listing standards of NASDAQ. The report of the Compensation Committee is set forth on page 29. The Compensation Committee met three times in fiscal 2007.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for recommending to the Board of Directors qualified individuals for election to serve on our Board of Directors. The current members of the Nominating and Corporate Governance Committee are Directors Hoskins and Pocras (Chairperson). The Nominating and Corporate Governance Committee met one time in 2007. The Nominating and Corporate Governance Committee members are independent directors as defined in the listing standards of NASDAQ.

Committee Charters. TierOne Corporation's Audit, Compensation and Nominating and Corporate Governance Committee charters are all available on our website at www.tieronebank.com. We are not incorporating any information from our website into this Proxy Statement.

Attendance of Directors at Annual Meetings

Although we do not have a formal policy regarding attendance by members of the Board of Directors at Annual Meetings of Shareholders, we typically schedule a Board meeting in conjunction with our Annual Meeting of Shareholders and expect that our directors will attend, absent a valid reason for not doing so. All of our directors attended our Annual Meeting of Shareholders held on May 15, 2007.

Director Nominations

In making recommendations to TierOne Corporation's Board of Directors of nominees to serve as directors, the Nominating and Corporate Governance Committee will examine each director nominee on a case-by-case basis regardless of who recommended the nominee and take into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills or financial acumen, diversity of viewpoint and industry knowledge. However, the Board of Directors believes the following minimum qualifications must be met by a director nominee to be recommended by the Nominating and Corporate Governance Committee:

Each director must display high personal and professional ethics, integrity and values;

Each director must have the ability to exercise sound business judgment;

Each director must be accomplished in his or her respective field, with broad experience at the administrative and/or policy-making level in business, government, education, technology or public interest;

Each director must have relevant expertise and experience, and be able to offer advice and guidance based on that expertise and experience;

Each director must be independent of any particular constituency, be able to represent all shareholders of TierOne Corporation and be committed to enhancing long-term shareholder value; and

Each director must have sufficient time available to devote to activities of the Board of Directors and to enhance his or her knowledge of our business.

The Board of Directors also believes the following qualities or skills are necessary for one or more directors to possess:

One or more directors generally should be an active or former chief executive officer of a public or private company, managing partner of a public accounting firm office, or a leader of a complex

organization, including a commercial, scientific, government, educational or other similar institution;

Directors should be selected so that the Board of Directors is a diverse body; and

One or more directors should possess the necessary qualifications to satisfy the audit committee financial expert requirements as defined in regulations of the Securities and Exchange Commission.

The Nominating and Corporate Governance Committee also may consider the extent to which the candidate would fill a present need on the Board of Directors. The Committee will also consider candidates for director suggested by other directors as well as our management and shareholders. A shareholder who desires to recommend a prospective nominee should notify our Corporate Secretary in writing providing any supporting material the shareholder considers appropriate. Procedures for shareholder nominations are described under Shareholder Proposals, Nominations and Communications with the Board of Directors.

Transactions With Certain Related Persons

Presently, TierOne Bank offers only educational, checking overdraft and loans on savings accounts to its senior executive officers and directors. In accordance with applicable federal laws and regulations, TierOne Bank offers mortgage loans to its other officers and employees as well as members of their immediate families for the financing of their primary residences and certain other loans. These loans are generally made on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons. It is the belief of management that these loans neither involve more than the normal risk of collectibility nor present other unfavorable features.

Section 22(h) of the Federal Reserve Act generally provides that any credit extended by a savings institution, such as TierOne Bank, to its executive officers, directors and, to the extent otherwise permitted, principal shareholder(s), or any related interest of the foregoing, must be on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions by the savings institution with non-affiliated parties; unless the loans are made pursuant to a benefit or compensation program that (a) is widely available to employees of the institution, and (b) does not give preference to any director, executive officer or principal shareholder, or certain affiliated interests of either, over other employees of the savings institution and does not involve more than the normal risk of repayment or present other unfavorable features. TierOne Bank's policy is in compliance with Section 22(h) of the Federal Reserve Act.

Our Board of Directors has adopted written policies and procedures regarding related person transactions. For purposes of these policies and procedures:

A related person means any (a) person who is, or was at some time since the beginning of the last fiscal year, an executive officer, director or nominee for election as a director, (b) greater than 5 percent beneficial owner of our common stock, or (c) immediate family member of the foregoing; and

A related person transaction means any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (a) the aggregate amount involved will or may be expected to exceed \$100,000 in any calendar year, (b) we are a participant, and (c) any related person has or will have a direct or indirect interest (other than solely as a result of being a director or a less than 10 percent beneficial owner of another entity).

Edgar Filing: TIERONE CORP - Form DEF 14A

Each of our executive officers, directors or nominees for director is required to disclose to the Audit Committee certain information relating to related person transactions for review and pre-approval by the Audit Committee, as required by NASDAQ listing standards. Disclosure to the Audit Committee should occur before, if possible, or as soon as practicable after the related person transaction is effected, but in any event as soon as practicable after the executive officer, director or nominee for director becomes aware of the related person

transaction. The Audit Committee's decision whether or not to approve or ratify a related person transaction is to be made in light of the Audit Committee's determination that consummation of the transaction is not or was not contrary to our best interests. Any related person transaction must be disclosed to the full Board of Directors. We had no related person transactions during 2007 and none are currently proposed.

MANAGEMENT COMPENSATION

Compensation Discussion and Analysis

Overview

The Compensation Committee of our Board of Directors, together with the administrators of the Company's 2003 Stock Option Plan and the 2003 Recognition and Retention Plan and Trust Agreement, set and administer the policies that govern our executive compensation, including:

Establishing and reviewing executive base salaries;

Overseeing our annual incentive compensation plan;

Overseeing our long-term equity-based compensation plans;

Approving all bonuses and awards under these plans; and

Annually approving and recommending to the Board all compensation decisions for executive officers, including those for the Chief Executive Officer, the Chief Operating Officer and the other officers named in the Summary Compensation Table on page 15 referred to as the named executive officers).

The Compensation Committee maintains overall responsibility for our executive compensation policies and seeks to assure that compensation paid to the named executive officers is fair, reasonable and competitive, and is linked to increasing long-term shareholder value. Additionally, compensation consideration for the named executive officers in 2007 was partially dictated pursuant to the terms and conditions of a proposed merger agreement. The merger agreement was subsequently terminated in early 2008.

As appropriate, references to the Compensation Committee herein may also include the administrators of the Company's 2003 Stock Option Plan and the 2003 Recognition and Retention Plan and Trust Agreement.

Executive Compensation Philosophy

We understand the importance of maintaining an effective executive compensation and benefits program to advance the long-term performance of TierOne Corporation and TierOne Bank. We adhere to the following core principles to guide our decisions regarding these programs:

The interests of our executives are aligned with those of our shareholders through existing and potential stock ownership and by linking management incentives to shareholder return;

Rewards are closely linked to company-wide and individual performance;

Incentives are provided to promote the achievement of successful annual results as a step toward fulfilling our long-term operating goals and strategic objectives;

The structure of executive officers' compensation aligns with short-term and long-term goals and objectives; and

We provide executive compensation that is comparable to other financial institutions of our relevant size to ensure that we are able to attract, retain and motivate top performing executive officers in a cost-effective manner for the long-term success of TierOne Corporation and TierOne Bank.

We believe that implementing an executive compensation and benefits program that is focused on achieving these core principles will benefit the Company, and ultimately our shareholders, over the long-term by attracting and retaining highly qualified and industry-experienced executives who are committed to our continued growth and long-term success.

To balance all these objectives, our executive compensation program uses the following elements:

Base salary, to provide a fixed compensation level competitive in the marketplace;

Annual incentive compensation plan, to reward short-term performance against specific financial targets;

Long-term equity incentive compensation, to link management incentives to shareholder return; and

Retirement, perquisites and other benefits, to attract and retain management and other employees over the longer term.

Role of the Compensation Committee

The Compensation Committee is responsible for, among other things, developing executive compensation policies for TierOne Corporation, TierOne Bank and subsidiaries. As part of its responsibilities, the Compensation Committee sets compensation for all of the executive officers of TierOne Corporation and TierOne Bank, including the named executive officers. The Compensation Committee ensures that executive officers of TierOne Corporation who hold similar positions with TierOne Bank do not receive any compensation for service as officers of TierOne Corporation. The Compensation Committee is governed by its charter, which is available on our website, www.tieronebank.com.

The Compensation Committee is comprised entirely of directors who meet the independence requirements as defined by NASDAQ Rule 4200(a)(15), are deemed a non-employee director under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and satisfy the requirements of an outside director for purposes of Section 162(m)(4)(C) of the Internal Revenue Code. The Compensation Committee is comprised of the following directors: Joyce Person Pocras (Chairperson); Ann Lindley Spence; Charles W. Hoskins; and Campbell R. McConnell.

The objective of the Compensation Committee is to further the core compensation principles described above through a compensation structure comprised of base salary and long-term and short-term incentive-based compensation. Since a substantial part of total compensation is incentive based, a direct link is established between executive compensation and the long-term performance of TierOne Corporation and TierOne Bank.

The Compensation Committee met three times during the year ended December 31, 2007. In fulfilling its above described objectives, the Compensation Committee has historically utilized outside consultants who have relied upon labor market studies and other relevant market data. The Compensation Committee has the authority to directly engage these outside consultants. The compensation survey information is drawn from both national and regional financial research organizations that report compensation practices and salary levels for executive positions at comparably sized financial institutions, specifically banks and thrifts (referred to as our peer group). The Compensation Committee's objective is to provide competitive base salaries as well as the appropriate mix of long-term and short-term incentive-based compensation that is comparable with total compensation paid by TierOne Corporation's peer group.

Our Chief Executive Officer serves in an advisory role to the Compensation Committee with respect to executive compensation for named executive officers other than himself, including with respect to executive performance. The Chief Executive Officer's recommendations are considered by the Compensation Committee, but the Compensation Committee remains responsible for all decisions on compensation levels for the named executive officers and on our executive compensation policies and executive compensation programs.

In evaluating our top two executive officers, the Compensation Committee conducts an evaluation of the Chief Executive Officer's individual performance. The Chief Executive Officer rates the President's individual

performance and advises the Compensation Committee of his assessment. Criteria that are considered in evaluating the individual performance of our two top executive officers include integrity, vision, leadership, ability to meet corporate objectives, succession planning, internal and external relations with customers, community and employees and board relations. In December of 2006, the Compensation Committee completed these evaluations for both the Chief Executive Officer and the President. These evaluations were reflective of performance for the time period of calendar year 2006.

Executive officers below the level of Chief Executive Officer and President receive a written performance evaluation by the President which is subsequently reviewed and approved by the Chief Executive Officer. These evaluations judge the individual officers' performance on a series of criteria which include technical and professional knowledge, leadership, management skills, interpersonal skills and compliance with ethical standards and reliability. These evaluations were completed in July of 2007 and were reflective of performance for the time period of July 1, 2006 to June 30, 2007.

Role of the Compensation Consultant

From time to time, the Compensation Committee has hired and engaged nationally recognized, independent, third party compensation consultants to evaluate executive compensation, to discuss general compensation trends, to provide competitive market data and to assist human resources management in developing compensation recommendations to present to the Compensation Committee. Generally on an annual basis, the compensation consultant provides the Compensation Committee with advice, consultation and market information. Although the compensation consultant provides market data for consideration by the Compensation Committee in setting senior executive (including named executive officers) compensation levels and programs, the compensation consultant does not make specific recommendations on individual compensation amounts for named executive officers, nor does the consultant determine the amount or form of executive compensation. All decisions on senior executive compensation levels and programs are made by the Compensation Committee.

While our Chief Executive Officer has the ability to meet with the compensation consultants on an individual basis, this would only be done in situations where the Chief Executive Officer believed there was a valid business reason, and the Compensation Committee would be made aware of the meeting. Only the Compensation Committee has the authority to continue or discontinue our relationship with a compensation consultant.

Total Compensation

The Compensation Committee strives to compensate our named executive officers at competitive levels, with an emphasis on the opportunity to earn above-market pay for above-market performance as compared to our peer group through the incentive compensation portion of our compensation program. To that end, total executive compensation is tied directly to our performance and is structured to ensure equal focus on financial performance, individual performance of our executive officers, and shareholder return. The Compensation Committee engaged Crowe Chizek, an independent, third party compensation consultant, for a total compensation review of the named executive officers for 2007. The compensation consultant's report was superseded by the execution of a proposed merger agreement which dictated terms of the salaries of the named executive officers while it was in effect. The Compensation Committee therefore approved the updating of existing salary ranges by a cost of living factor and followed the terms of the agreement. The proposed merger agreement was subsequently terminated in early 2008. We believe that the total compensation paid in 2007 was reasonable in its totality and is consistent with our compensation philosophies as described above.

To the extent that base salaries and equity grants vary by professional role in the market place, as demonstrated by the competitive market data supplied by our outside compensation consultant, the base salaries and equity grants of the

named executive officers will vary, sometimes significantly. For example, consistent with the level of responsibility and the executive compensation practices of the companies in the market data reviewed by the Compensation Committee in the past, chief executive officers typically earned significantly more in base salary and equity grants than other named executive officers. This resulted in our Chief Executive Officer being

eligible to receive a higher percentage of base salary in annual and long-term incentives than our other named executive officers.

In light of our compensation philosophy, we believe that the total compensation package for our named executive officers should continue to consist of base salary, annual cash incentive compensation, long-term equity-based incentive compensation, benefit plans and certain other perquisites.

Elements of Compensation

Base Salary

Base salaries for our executive officers are determined based on job responsibilities, level of experience, individual performance and comparisons to the salaries of executives in similar positions as compared to our peer group (and, in the case of executive officers other than the Chief Executive Officer, the Compensation Committee also considers the job performance evaluation and recommendation of the Chief Executive Officer before approving a salary adjustment for the executive officers). To determine a competitive base salary, the Compensation Committee reviews market data compiled by our outside national professional consulting firm with respect to our peer group, supplemented by general industry information, to assess the competitiveness of the base salary of the named executive officers as well as other senior officers. The Chief Executive Officer's and President's base salaries are determined by using a weighting of 50% applied to survey data and 50% to peer group data. The comparison used by the Compensation Committee for these top two positions is to provide a base salary at the 75th percentile of these results if merited by individual performance. Base salary levels for all other executive officers are determined by measurement to the 50th percentile of labor market industry survey data. Outside professional compensation consultant studies are typically ordered by the Compensation Committee on an annual basis for the Chief Executive Officer and President/Chief Operating Officer. Consultant studies are typically completed for the other named executive and senior officers on a bi-annual basis. Various outside consulting firms have been used by the Compensation Committee over a period of years in order to maintain a full range of objective information.

Merit pay adjustments to base salary are considered annually for each executive officer. When making adjustments to the base salary of the Chief Executive Officer, the Compensation Committee considers the job performance and contribution to the successful operation of TierOne Corporation and TierOne Bank by the Chief Executive Officer. When making adjustments to the base salaries of the other named executive officers, in addition to the above, the Compensation Committee also considers the recommendation of the Chief Executive Officer. Executive base salaries are intended to be at levels reasonably comparable to those of our peer group with the opportunity for compensation at above market levels resulting from the incentive compensation portion of the compensation program.

For 2007, Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann received increases in the range of 0.0% to 4.6% in their base salaries. The salary increases for the named executive officers were reflective of their individual performance and our objectives regarding the level of base salaries paid to our executives as described above. Base salaries paid to Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann represented 27.1%, 33.5%, 37.8%, 40.9% and 37.0%, respectively, of their total compensation.

Annual Incentive Compensation

We maintain an annual incentive compensation program for participation by certain of our employees, including each of the named executive officers. Eligibility for the annual incentive program, referred to as the Management Incentive Compensation Plan, is restricted to those individuals who, by way of their role in our Company, have significant opportunity to improve our profits and growth. Consistent with our overall compensation philosophy of linking incentive awards to company-wide and individual performance, the annual incentive compensation program is

designed to provide performance-based annual cash compensation based on the achievement of annual performance targets approved by the Compensation Committee. For 2007, five criteria were used to establish the performance targets, including: diluted earnings per share (with options expensed) of

TierOne Corporation, nonperforming assets to total assets, return on average assets, net interest margin and efficiency ratio of TierOne Bank. The performance measures are weighted as follows: diluted earning per share (with options expensed) of TierOne Corporation: 60.0%; nonperforming asset ratio: 10.0%; return on average assets: 10.0%; net interest margin: 10.0%; and efficiency ratio of TierOne Bank: 10.0%.

Other than earnings per share and the nonperforming asset ratio, each of the remaining criteria were measured against a peer group set forth in the plan consisting of eleven comparably sized financial institutions. The plan sets forth the minimum, target and maximum levels of organizational performance, measured against a percentage of the peer group average, needed for payment of an incentive award based on Company or individual performance. For earnings per share performance below the minimum level, no incentive award is made; however, a discretionary award may still be granted.

The amount of the individual award for the Chief Executive Officer and President/Chief Operating Officer is generally a function of the performance of TierOne Corporation and TierOne Bank in relation to the organizational performance targets, as measured by the criteria set forth above. The individual participant's award for other executive and senior officers also included the participant's performance compared to a series of individual goals. In addition to setting performance targets, the Compensation Committee also sets each named executive officer's target bonus percentage amount. This amount is based on a percentage of each named executive officer's base salary. In determining the target bonus percentage amount, the Compensation Committee considered a comprehensive compensation study conducted by our third party compensation consultant. The study indicated we were below or at market levels in our cash incentive target levels for the named executive officers. No action was taken by the Compensation Committee on these study results due to the then-proposed merger agreement. In addition, the Compensation Committee may also consider the impact an executive can have on meeting the stated organizational performance targets.

Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann had a target bonus percentage amount of 50%, 45%, 35%, 35% and 30%, respectively, of base salary for the 2007 plan year. Due to the extensive commitment that each of the named executive officers made in working toward integrating TierOne Corporation into a third-party company under a proposed merger agreement which was ultimately terminated in early 2008, Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann received primarily discretionary cash awards of \$220,000, \$130,000, \$40,000, \$40,000 and \$35,883, respectively. Other than achievement of individual goals for bank deposit growth, no corporate performance-based bonuses were awarded to the named executive officers for 2007. These amounts represent bonuses earned under the Management Incentive Compensation Plan for 2007 that were paid to the named executive officers in 2008. The annual incentive compensation paid to the named executive officers for 2007 comprised 9.7%, 10.4%, 8.1%, 7.7% and 7.6%, respectively, of total compensation.

Long-Term Incentives

In the past, executive officers have been granted awards by the administrators of the 2003 Stock Option Plan and the 2003 Recognition and Retention Plan and Trust. Stock option awards made to date have had an exercise price equal to the fair market value of a share of stock on the grant date of the award. Stock option awards and restricted stock awards vest pro rata over a five-year period at the rate of 20% per year. The year 2007 represented the fourth vesting period of these awards. No additional stock option or restricted stock awards were granted to the named executive officers in 2007. For 2007, the vested value of long-term incentive awards for Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann represented 55.9%, 50.7%, 45.2%, 42.8% and 47.6%, respectively, of total compensation.

The Compensation Committee believes that these type of long-term incentive awards help align the interests of our executives with those of our shareholders through potential stock ownership. Although there are no definitive plans for future awards to the named executive officers, the Compensation Committee considers stock awards to be a key

piece of executive compensation and will continue to monitor industry trends and our peer groups' equity awards. We will react appropriately to maintain the competitiveness of our total compensation program and ensure that the interests of our executives are aligned with those of our shareholders.

Employment and Change in Control Agreements

The Company has entered into employment agreements with Messrs. Lundstrom and Laphen as well as three-year change in control agreements with the remaining named executive officers. The purpose of these agreements is to allow us to retain executives that significantly contribute to our long-term success by providing those executives with certain benefits upon the termination of their employment with us or upon a change in control, as applicable. For more information on each of these agreements, see the discussion under the heading **Termination and Change in Control Provisions**.

Perquisites

In 2007, we provided a modest level of perquisites to certain executive and senior officers. Perquisites are given to executive and senior officers based upon their role in the company and the business advantage gained by the use of perquisites. In 2007, we provided the following perquisites to the named executive officers:

Messrs. Lundstrom, Laphen, Furnas and Ludemann were provided memberships to various country clubs located in Lincoln and Omaha, Nebraska. The cost to us of these memberships was \$4,600, \$4,140, \$3,480 and \$4,600, respectively.

Mr. Lundstrom received a cash allowance of \$12,000 as compensation for automobile usage.

Retirement Benefits

In addition to the above, we maintain the following plans that provide, or may provide, compensation to the named executive officers. Our Compensation Committee considers all of these plans and benefits when reviewing total compensation for our executive officers.

Retirement Plans

Through 2003, we maintained the TierOne Bank Retirement Plan, a defined benefit plan which generally provided for a monthly benefit upon a participant's retirement. This plan was available to all of our employees and was offered to the named executive officers under the same terms and conditions as all other employees. Effective December 31, 2002, there was a plan curtailment resulting in a freeze of future accrual of benefits under the plan. Effective January 1, 2004, we merged our defined benefit plan with an unrelated multiple employer retirement plan. All participants are fully vested in their benefits under the retirement plan. The participant's benefits under the multiple employer retirement plan are identical to those under our former plan. This retirement plan is described in detail in the discussion under the heading **Pension Benefits**.

In addition, we currently maintain a separate supplemental executive retirement plan for Mr. Lundstrom, which provides an annual benefit to Mr. Lundstrom during the 15 years following his retirement. The supplemental executive retirement plan is described in detail in the discussion under the heading **Pension Benefits**.

Employee Stock Ownership Plan

We have established an employee stock ownership plan (ESOP) for the benefit of our employees. Our employees, other than those paid solely on a retainer or fee basis, who have been credited with at least 1,000 hours of service during a 12-month period are eligible to participate in the ESOP. The named executive officers participate in the ESOP on the same terms and conditions as all other employees. Upon formation, the ESOP purchased 1,806,006 shares of common stock with the proceeds of a loan from the Company. These shares are held in a suspense

account and are released to participants on a pro rata basis as debt service payments are made on the loan. Compensation for purposes of the ESOP excludes bonuses and other special compensation in excess of \$6,000. Dividend payments were used as a portion of the debt service on the loan in 2007. The shares released from the suspense account as a result of dividend payments on previously awarded shares are allocated to each participant's ESOP account based on the ratio of each such participant's account balance to all

participant's account balances. All other shares released from the suspense account as a result of dividend payments or other debt service payments are allocated based on the ratio of each such participant's eligible compensation to the total eligible compensation of all ESOP participants.

401(k) Plan

We sponsor a defined contribution 401(k) profit sharing plan. Employees, other than employees paid solely on a retainer or fee basis, become eligible to participate in the 401(k) plan upon the completion of six months of service. The named executive officers participate in the 401(k) profit sharing plan on the same terms and conditions as all other employees. Under the 401(k) plan, we make matching contributions to the 401(k) plan equal to 50% of the first 6% of compensation deferred by a participant. Compensation for purposes of the 401(k) plan excludes bonuses and other special compensation in excess of \$6,000. Our Board of Directors periodically reviews the level of matching contributions under the 401(k) plan and has the discretion to change the amount of the match from time to time.

Non-Qualified Deferred Compensation

We maintain a deferred compensation plan. The plan generally allows a select group of management (including certain of the named executive officers), highly compensated employees and members of our Board of Directors and the Board of Directors of TierOne Bank to defer certain elements of compensation until a date determined in accordance with the plan or pursuant to an election by the participant. This plan represents only a promise on our part to pay amounts in the future and is subject to the claims of our creditors. For more information on the deferred compensation plan, see the discussion under the heading *Non-Qualified Deferred Compensation*.

We also maintain a supplemental executive retirement plan to provide supplemental benefits to those executives whose benefits under the ESOP and the 401(k) profit sharing plan are reduced by limitations imposed by the Internal Revenue Code. The purpose of the plan is to extend full retirement benefits to participants without regard to statutory limitations under tax-qualified plans. Supplemental benefits awarded under the plan equal the amount of additional benefits the participants would receive if there were no income limitations imposed by the Internal Revenue Code. From time to time, our Board of Directors may designate those employees eligible for participation in this plan. For more information on these plans, see the discussion under the heading *Non-Qualified Deferred Compensation*.

Tax Deductibility of Pay

Section 162(m) of the Internal Revenue Code places a limit of \$1,000,000 on the amount of compensation that we may deduct in any one year with respect to each of our five most highly paid executive officers. There is an exception to the \$1,000,000 limitation for performance-based compensation meeting certain requirements. Annual cash incentive compensation and equity awards generally are performance-based compensation meeting those requirements and, as such, are fully deductible. To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Compensation Committee has not adopted a policy requiring all compensation to be deductible.

Summary Compensation Table

The following table sets forth for each of the named executive officers: (1) the dollar value of base salary and bonus earned during the past two fiscal years; (2) the dollar value of the compensation cost of all stock and option awards recognized over the requisite service period, computed in accordance with Statement of Financial Accounting Standards No. 123 (Revised 2004) (SFAS 123(R)); (3) the dollar value of earnings for services pursuant to awards granted during those years under non-equity incentive plans; (4) the change in pension value and non-qualified deferred compensation earnings during those years; (5) all other compensation for those years; and (6) the dollar value of total compensation for those years. The named executive officers are our principal executive officer, principal financial officer, and each of our three other most highly compensated executive officers as of December 31, 2007 (each of whose total cash compensation exceeded \$100,000 for fiscal year 2007).

2007 Summary Compensation Table

Name and Principal Position:	Year	Salary (1)	Bonus	Stock Awards	Option Awards (2)	Non-Equity Incentive Comp. (3)	Change in Pension and Non Qualified Deferred Comp. Earnings (4)	All Other Comp. (5)	Total
G. Principal Executive Officer	2007	\$ 616,538	\$ -	\$ 784,520	\$ 488,884	\$ 220,000	\$ 50,536	\$ 118,001	\$ 2,277,879
	2006	581,715	-	784,520	488,884	412,500	26,209	161,413	2,455,241
A. Laphen, Principal Financial Officer	2007	419,519	-	392,260	243,540	130,000	-	68,368	1,253,687
	2006	396,923	-	392,260	243,540	246,375	10,036	108,782	1,397,916
B. Principal Executive Officer, Secretary/Treasurer	2007	187,177	-	142,640	81,180	40,000	12,800	31,669	494,666
	2006	183,068	-	142,640	81,180	91,905	-	45,894	543,687
C. Furnas, Principal Executive Officer	2007	213,877	-	142,640	81,180	40,000	6,300	38,975	522,672
	2006	200,883	-	142,640	81,180	89,198	-	53,041	566,902

Director	2007	2006	2005	2004	2003	2002	2001	2000	1999
Mr. Lundstrom	173,939	167,037	-	142,640	81,180	35,883	2,700	34,288	47,000
Mr. Laphen	-	-	-	142,640	81,180	64,383	-	46,681	50,000

- (1) Includes with respect to Messrs. Lundstrom and Laphen director's fees totaling \$42,500 each in 2007.
- (2) These amounts reflect the dollar value of the compensation cost of all outstanding stock awards or option awards recognized over the requisite service period, computed in accordance with SFAS 123(R). The assumptions made in valuing the stock awards are included under the caption "Stock Based Benefit Plans" in Note 18 of Notes to Consolidated Financial Statements in the Annual Report on Form 10-K, as amended,.
- (3) Represents cash incentives earned under the Management Incentive Compensation Plan for 2007 that were paid in 2008.
- (4) For Messrs. Lundstrom and Laphen in 2007, reflects their aggregate increase of \$146,210 and \$800, respectively, in the actuarial present value of their accumulated benefit under our defined benefit pension plan and supplemental retirement plan, less their earnings of \$(90,969) and \$(37,506), respectively, in the supplemental executive retirement plan for the ESOP and their earnings of \$(4,705) and \$3,463, respectively, in the supplemental executive retirement plan for the 401(k) plan. For the other named executive officers in 2007, reflects the aggregate increase in the actuarial present value of their accumulated benefit under our defined benefit pension plan. For 2006, reflects Messrs. Lundstrom's and Laphen's aggregate positive earnings in the supplemental executive retirement plan for the ESOP and the supplemental retirement plan for the 401(k) plan.
- (5) All Other Compensation includes the following items:
 - a. Car allowance for Mr. Lundstrom of \$12,000.

- b. 401(k) matching contribution for Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann of \$6,750, \$6,750, \$5,795, \$6,596 and \$5,398, respectively.
- c. Club dues for Messrs. Lundstrom, Laphen, Furnas and Ludemann of \$4,600, \$4,140, \$3,480 and \$4,600, respectively.
- d. Net ESOP allocation to Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann of \$26,613, \$26,613, \$22,834, \$25,859 and \$21,250, respectively.
- e. Dividend payment on nonvested restricted stock awards to Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann of \$16,720, \$8,360, \$3,040, \$3,040 and \$3,040, respectively.
- f. Supplemental Executive Retirement Plan (SERP) for ESOP and 401(k) contributions for Messrs. Lundstrom and Laphen of \$51,318 and \$22,505, respectively.

Grants of Plan Based Awards in 2007

We strive to compensate our named executive officers at competitive levels, with an emphasis on the opportunity to earn above-market pay for above-market performance as compared to our peer group through the incentive compensation portion of our compensation program. We believe that the total compensation paid in 2007 was reasonable in its totality and is consistent with our compensation philosophies as previously described.

The following table sets forth information regarding equity and non-equity awards granted to the named executive officers in 2007. As shown in the table, during 2007, no stock options or restricted stock awards were made to the named executive officers. The table below also highlights the estimated future payouts under the Management Incentive Compensation Plan at the time the awards were granted under the plan. As of the date of this Proxy Statement, these non-equity incentive plan awards have been earned and paid out, as discussed in more detail in the Compensation Discussion and Analysis.

Grants of Plan-Based Awards in 2007

Estimated Future Payouts Under
Non-Equity

Name	Grant Date	Award Date	Units/ Right	Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards		
				(\$) Threshold	(\$) Target	(\$) Maximum	(\$) Threshold	(\$) Target	(\$) Maximum
Gilbert G. Lundstrom				\$ 143,750	\$ 287,500	\$ 431,250			
James A. Laphen				84,938	169,875	254,813			
Eugene B. Witkowicz				32,756	65,512	98,268			

Edgar Filing: TIERONE CORP - Form DEF 14A

Gale R. Furnas	36,750	73,500	110,250
Roger R. Ludemann	25,618	51,236	76,854

As previously described in *Elements of Compensation*, we maintain an annual incentive compensation program for participation by certain of our employees, including each of the named executive officers. Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann had a target bonus percentage amount of 50%, 45%, 35%, 35% and 30%, respectively, of base salary for the 2007 plan year. Due to the extensive commitment each of the named executive officers made in working toward integrating TierOne Corporation into a third-party company under a proposed merger agreement which was ultimately terminated in early 2008, Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann received primarily discretionary cash awards of \$220,000, \$130,000, \$40,000, \$40,000 and \$35,883, respectively. These amounts represent bonuses earned under the Management Incentive Compensation Plan for 2007 that were paid in 2008.

In the past, executive officers have been granted awards in the form of restricted stock or stock options pursuant to the 2003 Stock Option Plan and the 2003 Recognition and Retention Plan and Trust. Stock option awards made to date have had an exercise price equal to the fair market value of a share of stock on the date of the award. Stock option awards and restricted stock awards vest pro rata over a five-year period at the rate of 20% per year. The year 2007 represented the fourth vesting period of these awards. No additional stock option or restricted stock awards were made to the named executive officers in 2007.

Outstanding Equity Awards at Year End

The following table sets forth information on outstanding option and stock awards held by the named executive officers at December 31, 2007, including the number of shares underlying both exercisable and unexercisable portions of each stock option, as well as the exercise price and expiration date of each outstanding option.

Outstanding Equity Awards at December 31, 2007(1)
Option Awards

Stock Awards

Name	Option Awards			Exercise Price (\$)	Expiration Date	Number of Shares of Units of Stock That Have Vested	Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercisable Options (#)				Market Value of Shared or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares or, Units or, Other Rights That Have Not Vested
Gilbert G. Lundstrom	433,600	108,400		\$ 17.83	4/23/2013	44,000	\$ 974,600	
James A. Laphen	216,000	54,000		17.83	4/23/2013	22,000	487,300	
Eugene B. Witkowicz	72,000	18,000		17.83	4/23/2013	8,000	177,200	
Gale R. Furnas	72,000	18,000		17.83	4/23/2013	8,000	177,200	
Roger R. Ludemann	72,000	18,000		17.83	4/23/2013	8,000	177,200	

(1) All of the stock option awards and stock awards were granted April 23, 2003 and vest pro rata over a five year period at the rate of 20% per year. The year 2007 represented the fourth vesting period of these awards.

Option Exercises and Stock Vested

The following table sets forth information regarding each exercise of stock options and vesting of restricted stock that occurred during 2007 for each of our named executive officers on an aggregated basis.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Gilbert G. Lundstrom	-	\$ -	44,000	\$ 1,080,640
James A. Laphen	-	-	22,000	540,320
Eugene B. Witkowicz	-	-	8,000	196,480
Gale R. Furnas	-	-	8,000	196,480
Roger R. Ludemann	-	-	8,000	196,480

Pension Benefits

The following table sets forth the actuarial present value of each named executive officer's accumulated benefit under each defined benefit plan, assuming benefits are paid at normal retirement age based on current levels of compensation. The valuation method and all material assumptions applied in quantifying the present value of the current accumulated benefit for each of the named executive officers are included under the caption "Employee Benefit Plans" in Note 17 of Notes to Consolidated Financial Statements in the Annual Report on Form 10-K, as amended. The table also shows the number of years of credited service under each such plan, computed as of the same pension plan measurement date used in our audited financial statements for the year ended December 31, 2007. The table also reports any pension benefits paid to each named executive officer during the year.

Pension Benefits As Of December 31, 2007					
Name	Plan Name	Number of Years	Present Value of	Payments	During
		Credited			
		Service	Benefit (\$)		
Gilbert G. Lundstrom	Pension Plan	8	\$ 117,800	\$	-
	Supplemental Retirement Plan(1)	14	2,641,000		-
James A. Laphen	Pension Plan	1	13,000		-
Eugene B. Witkowicz	Pension Plan	27	226,300		-
Gale R. Furnas	Pension Plan	22	111,000		-
Roger R. Ludemann	Pension Plan	7	46,300		-

(1) Supplemental Retirement Plan payments are reduced by the Pension Plan or any disability insurance benefits.

Retirement Plan

Through 2003, we maintained the TierOne Bank Retirement Plan, a defined benefit plan intended to satisfy the tax-qualification requirements of Section 401(a) of the Internal Revenue Code. Employees, other than employees paid solely on a retainer or fee basis, became eligible to participate in the retirement plan upon the attainment of age 21 and the completion of one year of eligibility service. Effective December 31, 2002, there was a plan curtailment resulting in a freeze of future accrual of benefits under the plan. Effective January 1, 2004, we merged our defined benefit plan with an unrelated multiple employer retirement plan.

The retirement plan provided for a monthly benefit upon a participant's retirement at the age of 65, or if later, adjusted accordingly to reflect the actual retirement date. A participant may also receive a benefit on his early retirement date, which is the date on which he attains age 60 and completes ten years of vesting service. Benefits received prior to a participant's normal retirement date are reduced by certain factors set forth in the retirement plan. All participants are now fully vested in their benefits under the retirement plan. The participants' benefits under the new multiple employer

retirement plan are identical to those under our former plan.

In general, the benefit formula was 1% of the five highest years of base salary (determined as of December 31, 2002) for each year of service (determined as of December 31, 2002). The frozen annual benefits of the named executive officers are as follows, as if they commenced at normal retirement age in the normal form of payment of a ten-year certain and life annuity: Mr. Lundstrom, \$16,000; Mr. Laphen, \$2,500; Mr. Witkowicz \$41,155; Mr. Furnas \$28,621; and Mr. Ludemann \$8,916. The benefits are not subject to reduction for Social Security benefits or other offset. Under the terms of the retirement plan, Mr. Lundstrom was eligible for retirement benefits at December 31, 2007.

Supplemental Executive Retirement Plan

We currently maintain a supplemental executive retirement plan for Mr. Lundstrom. The plan originated in 1993 in consideration of his remaining in our employ until age 65. As Mr. Lundstrom has attained age 65, he was eligible to receive a supplemental benefit for a period of 15 years if he had retired on December 31, 2007.

Mr. Lundstrom's annual supplemental benefit will equal his average annual compensation (excluding bonuses and incentive compensation) during the three years of employment affording the highest average compensation, reduced by amounts paid under the retirement plan or any disability benefits paid by us, multiplied by 50%. Assuming that Mr. Lundstrom had retired on December 31, 2007 with average annual compensation calculated based on his last three years of compensation, he would be entitled to an annual benefit of \$267,473 for 15 years under the supplemental executive retirement plan. If Mr. Lundstrom dies after he retires but before the supplemental benefits are paid for 15 years, the remaining supplemental benefits will be paid to his beneficiary or estate. In the event he dies before retirement, supplemental benefit payments for a 15-year period will be paid to his beneficiary or estate. In the event of the disability of Mr. Lundstrom while in the employ of the Bank, the Bank shall pay an annual benefit for up to ten years, payable in equal monthly installments commencing with the first day of the month following the lapse of six months after the date he is replaced, or until the discontinuance of the disability and employment is fully restored to Mr. Lundstrom. The supplemental executive retirement plan requires Mr. Lundstrom to continue his services with us and not to compete with us in order to receive the benefits thereunder. The unfunded plan represents only a promise on our part to pay the benefits thereunder and is subject to the claims of our creditors.

Non-Qualified Deferred Compensation

The following table sets forth annual executive and Company contributions under non-qualified defined contribution and other deferred compensation plans, as well each named executive officer's withdrawals, earnings and fiscal-year end balances in those plans.

Name	Non-Qualified Deferred Compensation for 2007			Aggregate	
	Executive Contributions in Last FY	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (2)(\$)	Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$)
Gilbert G. Lundstrom					
SERP for ESOP ⁽¹⁾	\$ -	\$ 40,667	\$ (90,969)	\$ -	\$ 268,078
SERP for 401(k) ⁽¹⁾	-	10,651	(4,705)	-	82,069
Deferred Director Comp. Plan	-	-	49,563	-	532,030
Deferred Restricted Stock Awards	-	-	(218,973)	-	554,640
James A. Laphen					
SERP for ESOP ⁽¹⁾	\$ -	\$ 17,764	\$ (37,506)	\$ -	\$ 111,461
SERP for 401(k) ⁽¹⁾	-	4,741	3,463	-	37,475
Deferred Director Comp. Plan	-	17,000	21,902	-	245,472
Deferred Restricted Stock Awards	-	-	(18,248)	-	46,220
Eugene B. Witkowicz					
Deferred Restricted Stock Awards	\$ -	\$ -	\$ (146,036)	\$ -	\$ 368,160
Gale R. Furnas					
Deferred Restricted Stock Awards	\$ -	\$ -	\$ (146,036)	\$ -	\$ 368,160

Roger R. Ludemann
 Deferred Restricted Stock
 Awards

\$ -	\$ -	\$ (146,036)	\$ -	\$ 368,160
------	------	--------------	------	------------

- (1) The registrant contributions to the SERP for ESOP and 401(k) are included in the Summary Compensation Table under All Other Compensation . The aggregate earnings from the SERP for ESOP and 401(k) are included in the Change in Pension and Nonqualified Deferred Compensation Earnings of the Summary Compensation Table.
- (2) Represents the aggregate increase (decrease) in market value earnings for selected non-qualified deferred compensation plans.

Deferred Compensation Plan

We currently maintain a deferred compensation plan for a select group of management, highly compensated employees and members of our Board of Directors or the Board of Directors of TierOne Bank. Among those who participate in the plan are Messrs. Lundstrom and Laphen and the non-employee directors identified in the Director Compensation section below.

Under the plan, participants may defer amounts of base salary, incentive compensation (including that which qualifies as performance-based compensation under Section 409A of the Internal Revenue Code), or director fees, as applicable. Employees who participate may also receive phantom employer contributions that would otherwise have been made to the participant's ESOP or 401(k) account if they had not deferred eligible compensation as defined by those plans. Until 2006, restricted stock awards were also eligible for deferral. Participant's non-equity deferred compensation accounts are maintained under a Company Owned Life Insurance (COLI) administrative agreement. Restricted stock awards that were deferred prior to 2006 are maintained under a Rabbi Trust. However, these arrangements represent only promises on our part to pay amounts in the future and are subject to the claims of our general creditors.

Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann as well as non-employee directors have participated in deferring restricted stock awards in the past. The number of shares deferred by Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann are 24,000, 2,000, 16,000, 16,000 and 16,000, respectively.

Payments commence under the plan upon the earlier of separation of service, as defined in Section 409A of the Internal Revenue Code, death, disability, change in control, or in-service distribution as specified in the participant's deferral election form. Participants are also allowed to make a withdrawal from their deferred compensation account upon the happening of an unforeseeable emergency. An unforeseeable emergency is defined as a severe financial hardship to the participant resulting from (1) an illness or accident of the participant, the participant's spouse, or a dependent of the participant (within the meaning of Section 152(a) of the Code), (2) loss of the participant's property due to casualty, or (3) other extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant. Payment in the event of an unforeseeable emergency may not be made in the event that such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise; by liquidation of the participant's assets, to the extent that liquidation of such assets would not itself cause severe financial hardship; or by cessation of deferrals under the plan. Participants other than directors may elect to receive benefits in the form of a single lump sum payment or monthly installments paid over a period not to exceed 120 months. A participant who is a director may elect to receive payment in the following forms: (i) a lump sum payment, (ii) a life annuity, (iii) a joint survivor annuity, or (iv) a monthly payment of a fixed amount over a period of 240 months. If a participant fails to elect a form of payment, the deferred compensation will be paid to him/her in monthly cash payments over a period of 120 months if the participant is not a director and over 240 months if the participant is a director.

Under the plan, change in control means a change in the ownership of TierOne Bank or TierOne Corporation, a change in the effective control of TierOne Bank or TierOne Corporation or a change in the ownership of a substantial portion of the assets of TierOne Bank or TierOne Corporation as provided under Section 409A of the Internal Revenue Code and the regulations thereunder.

Supplemental Executive Retirement Plans for ESOP and 401(k)

We have also implemented two supplemental executive retirement plans to provide supplemental benefits to certain employees (initially, Messrs. Lundstrom and Laphen) whose benefits under the ESOP and the 401(k) profit sharing plan are reduced by limitations imposed by the Internal Revenue Code. The supplemental benefits equal the amount of

additional benefits the participants would receive if there were no income limitations imposed by the Internal Revenue Code. Amounts credited under the supplemental plans are treated as if they were invested in the ESOP or 401(k) account of the participant. The vested portion of a participant's account under the supplemental plan is determined on the basis of the participant's number of years of service. Participants with less than five years of service have a 0% vesting percentage and participants with five or more

years of service are 100% vested in the supplemental benefits. Notwithstanding the above vesting schedule, participants are 100% vested upon the attainment of age 65, becoming disabled or the occurrence of a change in control. The vested portion of amounts credited to a participant's account may not be distributed prior to the earlier of (i) the participant's disability or death, (ii) the first day of the month following the lapse of six months after the participant's separation from service for reasons other than disability or death, (iii) the specific post-retirement date set forth in the participant's payment election form, or (iv) a change in control. The vested portion of amounts credited to a participant's account shall be distributed to a participant at the time and in the manner indicated on the participant's payment election. Payment options available to participants include installments up to a ten-year period or a single lump sum. From time to time, our Board of Directors will designate which employees may participate in these additional supplemental executive retirement plans.

Under the supplemental plans, a change in control means a change in the ownership of TierOne Bank or TierOne Corporation, a change in the effective control of TierOne Bank or TierOne Corporation or a change in the ownership of a substantial portion of the assets of TierOne Bank or TierOne Corporation as provided under Section 409A of the Internal Revenue Code and the regulations thereunder.

The supplemental executive retirement plans for the ESOP and the 401(k) are maintained under a Rabbi Trust; however, this trust represents only promises on our part to pay amounts in the future and are subject to the claims of our general creditors.

Potential Payments Upon Termination or Change in Control

The Company has entered into employment and change in control agreements with certain of the named executive officers. The following tables describe the potential payments upon termination or a change in control, including payments under any applicable employment agreement or change in control agreements. These tables assume the named executive officer's employment was terminated on December 31, 2007, the last business day of our fiscal year, and the price per share was \$22.15, the closing price of our common stock on December 31, 2007, the last trading day of the year. Descriptions of the circumstances that would trigger payments or the provision of benefits to the named executive officers, how such payments and benefits are determined under the circumstances, material conditions and obligations applicable to the receipt of payments or benefits and other material factors regarding such agreements and plans, as well as other material assumptions that we have made in calculating the estimated compensation, follow the tables.

Potential Payments Upon Termination or Change in Control ⁽¹⁾

	Termination by the Company for Cause or by the Executive for other than Good	Termination Due to Death or Disability	Termination by the Company without Cause or by the Executive for Good	Termination after a Change of Control by the Company without Cause or by the Executive for Good
	Reason		Reason	Reason
Gilbert G. Lundstrom ⁽²⁾				
Base Salary	\$ -	\$ -	\$ 1,601,400	\$ 1,601,400
Incentives	-	-	1,147,300	1,147,300
Stock Options (Strike Price = \$17.83) Accelerated	-	468,300	468,300	468,300
Restricted Stock Unvested Accelerated	-	974,600	974,600	974,600
Change of Control Payment	-	-	-	4,331,700
Pension and Benefit Enhancements	-	-	221,500	221,500
Insurance Benefits	-	26,000	26,000	26,000
Tax Gross-Up	-	-	-	3,097,900
Total	-	\$ 1,468,900	\$ 4,439,100	\$ 11,868,700
James A. Laphen ⁽²⁾				
Base Salary	\$ -	\$ 377,500	\$ 1,051,400	\$ -
Incentives	-	-	685,300	-
Severance	-	-	-	2,575,700

Edgar Filing: TIERONE CORP - Form DEF 14A

Stock Options (Strike Price = \$17.83) Accelerated	-	233,300	233,300	233,300
Restricted Stock Unvested Accelerated	-	487,300	487,300	487,300
Pension and Benefit Enhancements	-	-	146,200	-
Insurance Benefits	-	-	25,900	-
Tax Gross-Up	-	-	-	911,000.
Total	-	\$ 1,098,100	\$ 2,629,400	\$ 4,207,300.

- (1) The amounts in this table do not include the cash incentives earned under the Management Incentive Compensation Plan for 2007 that were paid in 2008, which are set forth in the Summary Compensation Table, or the non-enhanced payments and benefits to which the named executive officer would be entitled under our retirement plans and non-qualified deferred compensation plans, as set forth under Pension Benefits and Non-Qualified Deferred Compensation above.
- (2) Under the agreement, the Company shall indemnify, hold harmless and defend Messrs. Lundstrom and Laphen against reasonable costs, including legal fees and expenses, incurred in connection with or arising out of any action, suit or proceeding to defend or enforce the terms of this agreement. The value or cost to enforce this clause in the agreement is not included in the above table as the amount is of a nature that is undeterminable at this time.

Potential Payments Upon Termination or Change in Control ⁽¹⁾

	Termination by the Company for Cause or by the Executive for other than Good	Termination Due to Death or Disability	Termination by the Company without Cause or by the Executive for Good	Termination after a Change of Control by the Company without Cause or by the Executive for Good
	Reason		Reason	Reason
Eugene B. Witkowicz				
Base Compensation	\$ -	\$ -	\$ -	\$ 837,200
Unvested Stock Options	-	77,800	-	77,800
Restricted Stock	-	177,200	-	177,200
401(k) Matching	-	-	-	27,300
Insurance Benefits	-	-	-	22,800
Section 280G Limit	-	-	-	(67,000)
Total	-	\$ 255,000	-	\$ 1,075,300
Gale. R. Furnas				
Base Compensation	\$ -	\$ -	\$ -	\$ 922,800
Unvested Stock Options	-	77,800	-	77,800
Restricted Stock	-	177,200	-	177,200
401(k) Matching	-	-	-	31,700
Insurance Benefits	-	-	-	28,800
Section 280G Limit	-	-	-	(111,800)
Total	-	\$ 255,000	-	\$ 1,126,500