

TIERONE CORP  
Form DEF 14A  
April 06, 2009

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**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:
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(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

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1235 N Street  
Lincoln, Nebraska 68508

April 6, 2009

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of TierOne Corporation to be held in the Regents D Room at the Embassy Suites Hotel located at 1040 P Street, Lincoln, Nebraska, on Thursday, May 21, 2009 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, 2009. 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*

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**TIERONE CORPORATION**  
**1235 N Street**  
**Lincoln, Nebraska 68508**  
**(402) 475-0521**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**To Be Held on May 21, 2009**

Our Annual Meeting of Shareholders will be held in the Regents D Room at the Embassy Suites Hotel located at 1040 P Street, Lincoln, Nebraska, on Thursday, May 21, 2009 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, 2009; 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.

Our Board of Directors recommends a vote **FOR** each nominee named in the Proxy Statement and a vote **FOR** ratification of KPMG LLP as our independent auditors.

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 March 24, 2009, the record date for the Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Eugene B. Witkowicz  
*Corporate Secretary*

Lincoln, Nebraska  
April 6, 2009

**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.**

**Important Notice Regarding the Availability of Proxy Materials for the  
Shareholder Meeting to be held on May 21, 2009**

**The Proxy Statement and our 2008 Annual Report on Form 10-K are available at [www.tieronebank.com](http://www.tieronebank.com)**

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**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 Regents D Room at the Embassy Suites Hotel located at 1040 P Street, Lincoln, Nebraska, on Thursday, May 21, 2009 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 to Shareholders and this Proxy Statement and accompanying form of proxy are first being mailed to shareholders on or about April 6, 2009.

**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, March 24, 2009, are entitled to attend and vote at the meeting. On the record date, we had 18,034,878 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

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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, 2009.

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.

**Table of Contents****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 2012 or until their successors are elected and qualified. Our Nominating and Corporate Governance Committee has nominated Gilbert G. Lundstrom, Esq. and Ms. Joyce Person Pocras 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. To fill a vacancy created by the retirement of Ann Lindley Spence in September 2008, our Nominating and Corporate Governance Committee considered nominees from a group of individuals developed by the Committee in consultation with our Chief Executive Officer. Mr. Samuel P. Baird, whose name was submitted for consideration by the Chief Executive Officer, was deemed by the Committee as the most qualified among the potential nominees presented. Mr. Baird will serve the remainder of Ms. Spence's term which expires at the 2010 annual meeting of shareholders. 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 Baird, 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 March 24, 2009.

**Nominees for Director for Three-year Terms Expiring in 2012**

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.	67	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	1994

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Joyce Person Pocras	67	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. Director. CPA (inactive), independent investor; retired in 1993 as the internal auditor of First Federal Lincoln Bank, now known as TierOne Bank.	1994
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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 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
Samuel P. Baird	64	Director. Retired; previously, Director, Nebraska Department of Banking and Finance.	2008
Charles W. Hoskins	72	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

**Directors With 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

With the exception of Mr. Hoskins and Mr. Baird who became directors in 2004 and 2008, respectively, all existing directors have served as directors of TierOne Corporation since 2002, the year our Company was formed.

**Table of Contents****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 March 24, 2009.

Name	Age	Principal Occupation During the Past Five Years
Eugene B. Witkowicz	61	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 of TierOne Bank 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	60	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	66	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	50	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, 2008, the Board of Directors of TierOne Corporation and TierOne Bank met 17 times. With the exception of one director who missed one meeting in 2008, all directors of TierOne Corporation attended all of the meetings of the full board and meetings of the committees held in 2008 on which they served during the period. Additionally, the independent directors of the Board met twice in 2008 in executive session. 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, internal audit department and internal asset review department; and provide an avenue of communication

among the independent auditors, management, the internal audit department, the internal asset review 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 Baird, McConnell, Pocras and Hoskins (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 32. The Audit Committee of TierOne Corporation met four times in 2008.

**Compensation Committee.** The Compensation Committee maintains overall responsibility for our executive compensation policies and seeks to assure that compensation paid to our executive officers is fair,



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reasonable and competitive and is linked to increasing long-term shareholder value. The current members of the Compensation Committee are Directors Baird, Hoskins, McConnell 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 28. The Compensation Committee met four times in fiscal 2008.

**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 McConnell (Chairperson). The Nominating and Corporate Governance Committee met three times in 2008. 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](http://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. With the exception of Ms. Pocras, all of our directors attended our 2008 Annual Meeting of Shareholders.

## **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

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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

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

One or more of the 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.

**Compensation Committee Interlocks and Insider Participation**

Determinations regarding compensation of our Chief Executive Officer, Chief Operating Officer and other named executive officers are made by the Compensation Committee of the Board of Directors. Ms. Pocras, Ms. Spence (retired), Mr. Baird, Mr. Hoskins and Dr. McConnell served as members of the Compensation Committee during 2008.

No person who served as a member of the Compensation Committee during 2008 was a current or former officer or employee of TierOne Corporation or TierOne Bank, other than Ms. Pocras who served as TierOne Bank's Internal Auditor until 1993. None of the members engaged in certain transactions with TierOne Corporation or TierOne Bank which were required to be disclosed by regulations of the Securities and Exchange Commission. Additionally, there were no compensation committee interlocks during 2008, which means that no executive officer of TierOne Corporation served as a director or member of the compensation committee of another entity, one of whose executive officers served as a director or member of our Compensation Committee.

**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 annual incentive compensation plans;

Overseeing 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 14 (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,

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and is linked to increasing long-term shareholder value. Additionally, compensation consideration for the named executive officers in 2008 was partially dictated pursuant to the terms and conditions of a proposed merger agreement. The merger agreement was subsequently terminated in early 2008. As a result of the current economic environment and recent Company performance, the Compensation Committee has suspended the annual incentive compensation plan for 2009.

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

Executive compensation paid by us should be comparable to other financial institutions of our 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 has utilized 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 its 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 additional 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](http://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

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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 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 four times during the year ended December 31, 2008. 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. 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.

### ***Executive Performance***

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 2008 and January of 2009, the Compensation Committee conducted these evaluations for both the Chief Executive Officer and the President. These evaluations were reflective of Company performance for the time period of calendar year 2008.

Executive officers below the level of Chief Executive Officer and President receive a performance evaluation by the President. The overall performance rating of these executive officers is subsequently reviewed 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 2008 and were reflective of each executive's respective divisional performance and its impact on the Company's overall performance for the time period of July 1, 2007 to June 30, 2008.

### ***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



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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. No such meeting was held in 2008. Only the Compensation Committee has the authority to continue or discontinue our relationship with a compensation consultant.

### ***Use of Market Data in Setting Compensation***

As noted above, 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 the Company's individual peer group as well as the overall labor market for executive talent. In this regard, the Compensation Committee uses peer group and market survey data that it deems necessary or appropriate to ensure that our executive compensation program will achieve its desired goals. To the extent that base salaries and equity grants vary by executive position 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. The Compensation Committee does not utilize any individual company data from our peer group or labor market surveys nor does any such individual company data have a material impact on how the Compensation Committee determines the compensation levels for the named executive officers. Instead, the average of this data is used to represent the appropriate labor market segment for any comparison to the compensation levels for the named executive officers.

### ***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 base salary compensation review of the named executive officers for 2008. Based on the base salary compensation review, the Compensation Committee's evaluation of Company performance and the individual performance of the named executive officers, we believe that the total compensation paid in 2008 was reasonable in its totality and is consistent with our compensation philosophies as described above.

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. In recognition of the Compensation Committee's philosophy, the economic environment and Company performance, the Compensation Committee decided not to award any increases in base salary (exclusive of Mr. Witkowitz as hereinafter described) and no incentive compensation was earned by executive officers in 2008. In addition, we have suspended the current annual cash incentive plan for these executives for 2009. Before this plan is reinstated, a formal review of the plan design will be conducted.

### ***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

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approving a salary adjustment for the executive officers). To determine a competitive base salary, the Compensation Committee reviews market data compiled by an independent, third-party compensation consultant 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. 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.

For 2008, Messrs. Lundstrom, Laphen, Furnas and Ludemann received no increases in their base salaries due to the current economic environment and recent Company performance. In calendar year 2007, Mr. Witkowicz was prevented from receiving an increase in base salary through a proposed merger agreement in effect at that time. When this agreement was terminated in early 2008, the Compensation Committee granted Mr. Witkowicz a 4.0% increase in base salary based on his performance for the period July 1, 2006 to April 1, 2008 and comparison of his base salary to labor market data. Base salaries paid to Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann represented 57.9%, 64.9%, 67.0%, 70.3% and 68.3%, respectively, of their total compensation.

### *Annual Incentive Compensation*

In prior years, we maintained an annual incentive compensation program for certain employees, including each of the named executive officers. Eligibility for the annual incentive program, referred to as the Management Incentive Compensation Plan, was restricted to those individuals who, by way of their role in our Company, had a 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 Compensation Committee approved two major performance criteria for 2008 of net income at the Bank level and the reduction of nonperforming assets. Each was weighted 50%. For any incentive award, other than a discretionary award, the Bank was required to maintain a minimum of 8.5% Tier 1 (core) capital and 11% risk-based capital without receipt of any capital contribution from the holding company to the Bank after June 30, 2008.

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 2008 plan year. In light of the net income and nonperforming asset performance criteria not being met, there were no payments from this plan for senior executive officers for fiscal year 2008 performance. In addition, the Compensation Committee suspended the plan for 2009. Consideration of any plan beyond 2009 will be given following a thorough review of the plan design, the economic environment and Company performance.

### *Long-Term Incentives*

In the past, named 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 2008 represented the fifth and final vesting period of these original awards. No additional stock option or

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restricted stock awards were granted to the named executive officers in 2008. For 2008, the vested value of long-term incentive awards for Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann represented 37.3%, 30.7%, 24.4%, 22.5% and 26.9%, 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 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 2008, 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 2008, 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 \$4,978, \$4,140, \$3,600 and \$4,738, respectively.

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

Messrs. Lundstrom's and Laphen's employee portion of the Bank's health and dental insurance coverage payment was paid in full by the Bank. The cost to us for this coverage was \$2,176 and \$2,215, respectively.

### *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

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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 2008. 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 one month 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



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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 information concerning compensation earned or paid to each of the named executive officers for each of the last three fiscal years, consisting of: (1) the dollar value of base salary and bonus earned during those 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, 2008 (each of whose total cash compensation exceeded \$100,000 for fiscal year 2008).

**2008 Summary Compensation Table**

Name and Principal Position:	Year	Salary(1)	Bonus	Stock Awards(2)	Option Awards(2)	Non-Equity Incentive Comp. (3)	Change in Pension and Non Qualified Deferred Comp. Earnings(4)	All Other Comp.(5)	Total
G. from, an of the and Executive	2008	\$ 617,500	\$ -	\$ 245,028	\$ 152,693	\$ -	\$ -	\$ 52,199	\$ 1,06
	2007	616,538	-	784,520	488,884	220,000	50,536	118,001	2,27
	2006	581,715	-	784,520	488,884	412,500	26,209	161,413	2,45
A. Laphen, ent and Chief ing Officer	2008	420,000	-	122,514	76,065	-	-	28,227	64
	2007	419,519	-	392,260	243,540	130,000	-	68,368	1,25
	2006	396,923	-	392,260	243,540	246,375	10,036	108,782	1,39
B. vicz, ive Vice ent, financial , Corporate y/Treasurer ector of e	2008	192,360	-	44,551	25,355	-	13,600	11,111	28
	2007	187,177	-	142,640	81,180	40,000	12,800	31,669	49
	2006	183,068	-	142,640	81,180	91,905	-	45,894	54

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L. Furnas, Executive Vice President Director of Engineering	2008	218,400	-	44,551	25,355	-	6,600	15,733	31
	2007	213,877	-	142,640	81,180	40,000	6,300	38,975	52
	2006	200,883	-	142,640	81,180	89,198	-	53,041	56
R. Lann, Executive Vice President Director of Engineering	2008	177,618	-	44,551	25,355	-	2,700	9,792	26
	2007	173,939	-	142,640	81,180	35,883	2,700	34,288	47
	2006	167,037	-	142,640	81,180	64,383	-	46,681	50

- (1) Includes with respect to Messrs. Lundstrom and Laphen director's fees totaling \$42,500 each in 2008. There were no changes in base salary or director's fees from 2007 to 2008 for Messrs. Lundstrom and Laphen. The difference noted above is reflective of payroll timing.
- (2) These amounts reflect the aggregate dollar amounts recognized for stock awards and option awards, respectively, for financial statement reporting purposes with respect to the requisite service period (disregarding any estimate of forfeitures related to service-based vesting conditions), computed in accordance with SFAS 123(R). No stock awards or option awards granted to the named executive officers were forfeited during 2008. For a discussion of the assumptions and methodologies used to value the awards reported above, please see the discussion of stock awards and option awards included under the caption "Stock Based Benefit Plans" in Note 18 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission and incorporated herein by reference. No stock awards or option awards were granted to our named executive officers for 2008. For further information about stock awards and option awards, please see the discussion under the Grants of Plan Based Awards below.

The grants for which the Company recorded financial statement expense in 2008, and which were taken into account in determining the amounts reflected for 2008 in the columns above, include grants dating back to 2003. From 2003 through the end of 2008, the

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Company's stock price generally traded at values greater than the current price. Stock price at the time of grant is a key variable in determining the financial statement expense of these grants. However, while the value of these grants to the executives who hold them is dependent on the stock price at the time of exercise or payment, for financial statement reporting purposes, the expense recorded generally is not affected by stock price fluctuations after the date of grant. The exercise price of the outstanding Company stock options was \$17.83. The Company's stock price on the date of grant of the vested stock awards held by our named executive officers was \$17.83. The vested stock options had no intrinsic value as the exercise price exceeded the \$3.75 stock price at December 31, 2008. The stock awards had an intrinsic value of \$3.75 per share at December 31, 2008. Thus, the values reflected in the summary compensation table do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by exercising stock options or vesting in stock awards) and, for the most part, do not reflect the current economic value of the outstanding awards.

- (3) Represents cash incentives earned under the Management Incentive Compensation Plan.
- (4) For 2008, reflects the aggregate increase in the actuarial present value of accumulated benefit under our defined benefit pension 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 \$7,750, \$7,750, \$6,124, \$6,732 and \$5,509, respectively.
  - c. Club dues for Messrs. Lundstrom, Laphen, Furnas and Ludemann of \$4,978, \$4,140, \$3,600 and \$4,738, respectively.
  - d. Net ESOP allocation to Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann of \$4,937, \$4,937, \$4,348, \$4,761 and \$3,930, respectively.
  - e. Dividend payment on nonvested restricted stock awards to Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann of \$3,520, \$1,760, \$640, \$640 and \$640, respectively.
  - f. Supplemental Executive Retirement Plan (SERP) for ESOP and 401(k) contributions for Messrs. Lundstrom and Laphen of \$16,838 and \$7,425, respectively.
  - g. Employee portion of the company's health and dental insurance coverage payment for Messrs. Lundstrom and Laphen of \$2,176 and \$2,215, respectively.

**Grants of Plan Based Awards in 2008**

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 2008 was reasonable in its totality in recognition of the current economic environment and recent Company performance and is consistent with our compensation philosophies as previously described.

As previously described in *Elements of Compensation*, we suspended any participation in 2009 in our annual incentive compensation plan for executive and senior officers of the Company. 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 2008 plan year. Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann did not receive any cash awards for the 2008 plan year.

In the past, named 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 (\$17.83) 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 2008 represented the fifth and final vesting period of these original awards. No additional stock option or restricted stock awards were made to the named executive officers in 2008.

**Table of Contents****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, 2008, 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.

Name	Outstanding Equity Awards at December 31, 2008(1)					Stock Awards			
	Option Awards					Equity Incentive Plan Awards:			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercisable Options (#)	Exercise Price (\$)	Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shared or Units of Stock That Have Not Vested (\$)	Number of Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares or Units or Other Rights That Have Not Vested (\$)
Gilbert G. Lundstrom	542,000	-	-	\$ 17.83	4/23/2013	-	\$ -	-	-
James A. Laphen	270,000	-	-	17.83	4/23/2013	-	-	-	-
Eugene B. Witkowicz	90,000	-	-	17.83	4/23/2013	-	-	-	-
Gale R. Furnas	90,000	-	-	17.83	4/23/2013	-	-	-	-

Roger R. Ludemann	90,000	-	-	17.83	4/23/2013	-	-	-	-
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(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 2008 represented the fifth and final 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 2008 for each of our named executive officers on an aggregated basis. The value of the restricted stock is based on a price of \$9.06 per share, the market value of our common stock on the date of vesting.

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	\$ 398,640
James A. Laphen	-	-	22,000	199,320
Eugene B. Witkowicz	-	-	8,000	72,480
Gale R. Furnas	-	-	8,000	72,480
Roger R. Ludemann	-	-	8,000	72,480

**Table of Contents****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, 2008. The table also reports any pension benefits paid to each named executive officer during the year.

<b>Pension Benefits As Of December 31, 2008</b>				
Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit (\$)	Payments During 2008 (\$)
Gilbert G. Lundstrom	Pension Plan(1)	8	\$ 117,800	\$ -
	Supplemental Retirement Plan(2)	14	2,717,000	-
James A. Laphen	Pension Plan(1)	1	13,700	-
Eugene B. Witkowicz	Pension Plan(1)	27	239,900	-
Gale R. Furnas	Pension Plan(1)	22	117,600	-
Roger R. Ludemann	Pension Plan(1)	7	49,000	-

(1) As discussed below, the Pension Plan of TierOne Bank was transferred to an unrelated multiple employer retirement plan in 2004 and does not represent a liability to the Company.

(2) 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, 2008.



**Table of Contents*****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, 2008. 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, 2008 with average annual compensation calculated based on his last three years of compensation, he would be entitled to an annual benefit of \$275,104 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. 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 2008				
	Executive Contributions in Last FY	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (2)(\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$)
Gilbert G. Lundstrom					
SERP for ESOP <sup>(1)</sup>	\$ -	\$ 6,308	\$ (218,056)	\$ -	\$ 56,330
SERP for 401(k) <sup>(1)</sup>	-	10,530	(45,370)	-	47,229
Deferred Director Comp. Plan	-	-	(179,567)	-	352,463
Deferred Restricted Stock Awards	-	-	(446,258)	-	108,382
James A. Laphen					
SERP for ESOP <sup>(1)</sup>	\$ -	\$ 2,820	\$ (90,670)	\$ -	\$ 23,611
SERP for 401(k) <sup>(1)</sup>	-	4,605	(14,982)	-	27,098
Deferred Director Comp. Plan	-	17,000	(82,365)	-	180,107
Deferred Restricted Stock Awards	-	-	(36,477)	-	9,743
Eugene B. Witkowicz					
Deferred Restricted Stock Awards	\$ -	\$ -	\$ (291,892)	\$ -	\$ 76,268

Gale R. Furnas

Deferred Restricted Stock Awards	\$ -	\$ -	\$ (291,892)	\$ -	\$ 76,268
Roger R. Ludemann Deferred Restricted Stock Awards	\$ -	\$ -	\$ (291,892)	\$ -	\$ 76,268

- (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.

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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 and may not exceed the amount necessary to satisfy the emergency. 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-

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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, 2008, the last business day of our fiscal year, and the price per share was \$3.75, the closing price of our common stock on December 31, 2008, 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 <sup>(1)</sup>**

	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
<b>Gilbert G. Lundstrom <sup>(2)</sup></b>						
Base Salary	\$	-	\$	-	\$	1,679,100
Incentives		-		-		1,204,600
Change of Control Payment		-		-		5,111,500
Pension and Benefit Enhancements		-		-		78,900
Insurance Benefits		-		35,000		35,000
Tax Gross-Up		-		-		3,306,000

Total	-	\$	35,000	\$	2,997,600	\$	11,415,100
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**James A. Laphen** <sup>(2)</sup>

Base Salary	\$	-	\$	377,500	\$	1,102,400	\$	-
Incentives	-		-			719,500		-
Severance	-		-			-		3,033,200
Pension and Benefit Enhancements	-		-			53,800		-
Insurance Benefits	-		-			35,000		-
Tax Gross-Up	-		-			-		-
Total	-	\$	377,500	\$	1,910,700	\$	3,033,200	

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- (1) The amounts in this table do not include 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 <sup>(1)</sup>**

	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
<b>Eugene B. Witkowicz</b>				
Base Compensation	\$ -	\$ -	\$ -	\$ 811,000
401(k) Matching	-	-	-	27,300
Insurance Benefits	-	-	-	24,200
Section 280G Limit	-	-	-	-
Total	-	\$ -	-	\$ 862,500
<b>Gale. R. Furnas</b>				
Base Compensation	\$ -	\$ -	\$ -	\$ 868,200
401(k) Matching	-	-	-	30,700
Insurance Benefits	-	-	-	30,500
Section 280G Limit	-	-	-	-
Total	-	-	-	\$ 929,400
<b>Roger R. Ludemann</b>				
Base Compensation	\$ -	\$ -	\$ -	\$ 681,500
401(k) Matching	-	-	-	24,100
Insurance Benefits	-	-	-	24,000
Section 280G Limit	-	-	-	-
Total	-	-	-	\$ 729,600

- (1) The amounts in this table do not include 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.

***Employment Agreements***

In 2008, the employment agreements for the named executive officers with TierOne Bank or TierOne Corporation were amended and restated to incorporate prior changes and to conform certain language and definitions to comply with Internal Revenue Code Section 409A final regulations. These amendments had no material impact on the terms and provisions of the employment agreements.

*TierOne Bank's Agreement with Mr. Lundstrom*

TierOne Bank has entered into an employment agreement with Mr. Lundstrom which is extended on an annual basis, unless and until either the Board of Directors or Mr. Lundstrom gives written notice of non-renewal. TierOne Bank's Board of Directors may terminate Mr. Lundstrom's employment agreement at any time, but any termination, other than termination for cause will not prejudice Mr. Lundstrom's right to compensation or other benefits under his agreement.



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In the event of termination for cause, Mr. Lundstrom has no right to receive compensation or other benefits, for any period after termination with the exception of vested benefits under TierOne Bank's benefit plans or policies and incentive plans for the benefit of the executive. In the event TierOne Bank chooses to terminate Mr. Lundstrom's employment for reasons other than for cause, or in the event Mr. Lundstrom resigns for good reason, Mr. Lundstrom or, in the event of his death, his beneficiary or estate, are entitled to receive a lump sum cash payment equal to Mr. Lundstrom's base amount of compensation, as defined under Section 280G(b)(3) of the Internal Revenue Code, times the number of years or fractional portion thereof remaining in the term of the agreement as of the termination date provided that such payments and benefits do not constitute an excess parachute payment under Section 280G of the Internal Revenue Code.

TierOne Bank may terminate Mr. Lundstrom's employment for cause under the agreement if he (i) willfully fails to perform his duties under the agreement, other than any such failure resulting from his incapacity due to physical or mental illness; (ii) commits an act involving moral turpitude in the course of his employment; (iii) commits any act of personal dishonesty; (iv) demonstrates incompetence; (v) engages in willful misconduct; (vi) breaches his fiduciary duties for personal profit; (vii) willfully violates any law, rule, or regulation or final cease-and-desist order; or (viii) materially breaches the provisions of the agreement.

Mr. Lundstrom may terminate his employment with TierOne Bank for good reason upon a change in control or any material breach including (i) a material diminution of his base compensation; (ii) a material diminution of his authority, duties, titles or responsibilities; or (iii) any requirement that Mr. Lundstrom report to a corporate officer or employee of the company instead of reporting directly to the Board of Directors, or any material change in the geographic location at which he must perform his services. Prior to any termination of employment for good reason, Mr. Lundstrom must first provide written notice to the company within 90 days of the initial existence of the condition, describing the existence of such condition, and the company shall have the right to remedy the condition within 30 days of the date the company received the written notice from Mr. Lundstrom.

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.

*TierOne Bank's Agreement with Mr. Laphen*

TierOne Bank has entered into an employment agreement with Mr. Laphen which is extended on an annual basis, unless and until either the Board or Mr. Laphen gives written notice of non-renewal. TierOne Bank's Board of Directors or Mr. Laphen may terminate Mr. Laphen's employment agreement at any time, upon the occurrence of an event of termination. If Mr. Laphen is terminated for cause, Mr. Laphen has no right to receive compensation or other benefits for any period after termination with the exception of vested benefits under TierOne Bank's benefit plans or policies and incentive plans for the benefit of the executive. In the event of termination due to death or disability, Mr. Laphen, or his beneficiary or estate, are entitled to receive a payment equal to twelve months base salary. In the event Mr. Laphen's employment is terminated for reasons other than for cause, death, disability or retirement (referred to as an event of termination), Mr. Laphen or, in the event of his subsequent death, his beneficiary or estate, is entitled to receive an amount equal to thirty-six months base salary provided that the payments do not exceed three times his average taxable compensation for the preceding five years he was employed by TierOne Bank.

Under the agreement, an event of termination includes any of the following: (i) the termination of Mr. Laphen's full-time employment for any reason other than a termination upon a change in control, a termination for death, disability or retirement, or termination for cause; and (ii) Mr. Laphen's resignation upon: (a) a material diminution of his base compensation; (b) a material diminution of his authority, duties, titles or responsibilities; or (c) a material

diminution in the authority, duties or responsibilities of the officer to whom Mr. Laphen is required to report, or any material change in the geographic location at which he must perform his services. Prior to any termination of employment for good reason, Mr. Laphen must first provide written notice to

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the company within 90 days of the initial existence of the condition, describing the existence of such condition, and the company shall have the right to remedy the condition within 30 days of the date the company received the written notice from Mr. Laphen.

A termination for cause means a termination because of Mr. Laphen's personal dishonesty, incompetence, willful misconduct, any breach of fiduciary duty involving personal profit, intentional failure to perform on stated duties, willful violation of any law, rule or regulation or final cease-and-desist order or material breach of any provision of the agreement.

Mr. Laphen's employment agreement also provides that if, at any time during the term of the agreement, following the occurrence of a change in control, Mr. Laphen is (i) dismissed, or (ii) voluntarily resigns from his employment following (a) a material diminution of this base compensation; (b) a material diminution of his authority, duties, titles or responsibilities; or (c) a material diminution in the authority, duties or responsibilities of the officer to whom Mr. Laphen is required to report, or any material change in the geographic location at which he must perform his services immediately prior to the change in control, TierOne Bank will pay to him an amount equal to the greater of the payments due for the remainder of the agreement, or three times his base salary. In no event will any payment made to Mr. Laphen in connection with a change in control exceed three times his average annual compensation. Amounts payable upon a change in control will be reduced to the extent necessary to prevent such amounts from constituting an excess parachute payment under Section 280G of the Internal Revenue Code.

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.

Under his employment agreement, Mr. Laphen is prohibited from competing with, and disclosing the confidential information of, TierOne Bank for a period of one year following an event of termination.

*TierOne Corporation's Agreement with Mr. Lundstrom*

TierOne Corporation's employment agreement with Mr. Lundstrom, as amended, has a term of three years, beginning on October 7, 2008 and extending daily thereafter unless and until either the Company or Mr. Lundstrom give notice that the daily extensions will cease. Extension of the term also will cease automatically if Mr. Lundstrom's employment is terminated for any reason. Under the terms of the employment agreement with TierOne Corporation, to the extent that any of the payments and benefits provided by the agreement are paid to or received by Mr. Lundstrom under his employment agreement with TierOne Bank, such payments and benefits provided by TierOne Bank are subtracted from any amounts due him under similar provisions of the employment agreement with TierOne Corporation (including without limitation, the payments described below).

In the event that, during the term of his employment agreement, Mr. Lundstrom's employment is terminated by the Company without cause for other than death or disability, or if Mr. Lundstrom resigns for any of the reasons specified below, he will be entitled to receive as liquidated damages (i) all earned but unpaid base salary and benefits to which he is entitled through the date of the termination of his employment, (ii) continued group life, health and disability benefits with coverage equivalent to the coverage he would have been entitled to if he had continued to be employed for the remainder of the employment period at the highest rate of salary achieved during the period of his employment; provided, however, that he will receive a cash payment in lieu of, and equal to, the value of such benefits if his participation in such benefits is barred, (iii) a cash lump sum payment in an amount equal to the present value of the salary he would have received if his employment had continued to the expiration of the term of his employment agreement at the highest annual rate of base salary achieved during the term of his employment, and

(iv) a lump sum equal to cash bonus and incentive compensation and qualified and non-qualified retirement plan benefits (on a present value basis) for the period of the remaining term of his employment agreement, but not more than three years. To the extent that Mr. Lundstrom

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earns salary, cash bonus or incentive compensation, fees or comparable fringe benefits from another employer during this period, the liquidated damages for loss of this type of compensation will be subject to repayment by Mr. Lundstrom. In addition, if Mr. Lundstrom surrenders his then outstanding options and shares of restricted stock within 30 days of the termination of his employment, we will pay him the value of his outstanding options and his shares of restricted stock.

The reasons specified in Mr. Lundstrom's employment agreement that would justify his resignation and receipt of the liquidated damages described above are a material breach of the agreement by the Company including: (i) a material diminution in his base compensation; (ii) a material diminution in his authority, duties, titles or responsibilities; or (iii) any requirement that he report to a corporate officer or employee of the Company instead of reporting directly to the Board of Directors of the Company, or any material change in the geographic location at which he must perform his services or a termination of his employment by TierOne Bank for other than cause, regulatory action, death or disability. Prior to any termination of employment for good reason, Mr. Lundstrom must first provide written notice to the company within 90 days of the initial existence of the condition, describing the existence of such condition, and the company shall have the right to remedy the condition within 30 days of the date the company received the written notice from Mr. Lundstrom. The term "good reason" has the meaning ascribed to it in Mr. Lundstrom's employment agreement with TierOne Bank, described above. Mr. Lundstrom may be terminated for "cause" if he (i) willfully fails to perform his duties under the agreement, other than any such failure resulting from his incapacity due to physical or mental illness; (ii) commits an act involving moral turpitude in the course of his employment; (iii) engages in willful misconduct; (iv) breaches his fiduciary duties for personal profit; (v) willfully violates any law, rule, or regulation or final cease-and-desist order; or (vi) materially breaches the provisions of the agreement.

If a change in control of TierOne Corporation occurs prior to the end of the term of his employment agreement, Mr. Lundstrom will be entitled to receive, in addition to any liquidated damages if his employment is terminated, a lump sum payment equal to the greater of (i) the salary and cash bonus or incentive compensation he would have received if his employment had continued until the expiration of the term of his employment agreement or (ii) three times his "base amount" from us or our subsidiaries as defined under Section 280G of the Internal Revenue Code, minus \$1.00. In the event that due to a change in control, any amount paid or payable to Mr. Lundstrom would constitute a "parachute payment" under Section 280G of the Internal Revenue Code, he will be entitled to an additional payment such that, on an after-tax basis, he is indemnified for the excise tax.

Under the agreement, "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.

Mr. Lundstrom's employment agreement also contains a covenant not to compete, under which he agrees that if his employment terminates before the expiration of the term of his employment agreement (other than a termination of employment in connection with or within 12 months of a change in control), he will not compete with us in any county in which we maintain an office until the expiration of the earlier of two years from the date on which his employment terminates or the date on which the term of his employment agreement would otherwise expire. In addition, for two years after his employment terminates, he agrees to not solicit our customers or solicit our employees to accept other employment in the counties where we maintain offices.

*TierOne Corporation's Agreement with Mr. Laphen*

TierOne Corporation also entered into a three-year employment agreement with Mr. Laphen as President and Chief Operating Officer. The provisions of Mr. Laphen's contract, including the non-duplication provisions, are substantially identical to those of Mr. Lundstrom's, described above, except that (i) payment of the liquidated damages are triggered

by, among other circumstances described above, an event of termination as such term is defined in Mr. Laphen's employment agreement with TierOne Bank, rather than upon a voluntary termination by Mr. Laphen for good reason, and (ii) in the event of a change in control of us which occurs prior to the expiration of the term of his employment agreement, he will be entitled to receive the greater of the amount of liquidated

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damages provided by the employment agreement or the amount due as a result of a change in control. Mr. Laphen will not receive both liquidated damages and change in control benefits.

***Change in Control Agreements***

We have entered into change in control agreements with several executive officers including Messrs. Witkowitz, Furnas and Ludemann, none of whom are covered by an employment agreement. The terms of the change in control agreements for the named executive officers are three years and are renewed on an annual basis unless and until written notice of non-renewal is given by our Board of Directors. The change in control agreements provide that if the executive's employment is terminated subsequent to a change in control and during the term of the agreement by either us or TierOne Bank (for other than cause, disability, retirement or death of the executive), or by the executive for good reason, the executive is entitled to receive a severance payment equal to three times the executive's highest level of aggregate base salary and cash incentive compensation paid to him during the calendar year in which the termination occurs (determined on an annualized basis) or either of the two calendar years immediately preceding the calendar year in which the termination occurs, as elected by the executive. We also agree to maintain and provide, at no cost to the executive, for the executive's continued participation in all group insurance, life insurance, health and accident insurance, disability insurance and other employee benefit plans and arrangements (excluding the employee stock ownership plan and any other stock benefit plans as well as any cash incentive compensation) for the period ending the earlier of the expiration of the remaining term of the change in control agreement or the date of the officer's full-time employment with another party pursuant to which the executive receives substantially similar benefits. To the extent his participation in such benefits would be barred, he will receive a cash payment in lieu of, and equal to, the value of such benefits.

In the event payments and benefits under the change in control agreements, together with other payments and benefits the officers may receive, would constitute an excess parachute payment under Section 280G of the Internal Revenue Code, such payments would be reduced to an amount necessary to avoid such payments constituting parachute payments.

Under the agreement, a change in control occurs upon 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.

Termination for cause means termination because of personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, or willful violation of any law, rule or regulation or final cease and desist order.

An executive may terminate his employment for good reason upon any of (i) a material diminution in his base compensation; (ii) a material diminution in his authority, duties, titles or responsibilities; or (iii) a material diminution in the authority, duties, titles or responsibilities of the officer to whom the executive is required to report, or any material change in the geographic location at which he must perform his services. Prior to any termination of employment for good reason, the executive must first provide written notice to the company within 90 days of the initial existence of the condition, describing the existence of such condition, and the company shall have the right to remedy the condition within 30 days of the date the company received the written notice from the executive.

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The following table sets forth information regarding the compensation received by each of the directors of TierOne Bank and TierOne Corporation during 2008, other than Messrs. Lundstrom and Laphen as their compensation for service as directors is fully reflected in the Summary Compensation Table and the other related tables in the discussion above.

**Director Compensation for 2008**

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards (1)	Change in Pension Value or Nonqualified Deferred	All Other	Total
				Compensation Earnings	Compensation (2)	
Joyce Person Pocras	\$ 56,250	\$ 50,286	\$ 31,799	\$ -	\$ 10,231	\$ 148,567
Campbell R. McConnell	57,500	50,286	31,799	-	10,231	149,817
Ann Lindley Spence	36,250	50,286	31,799	-	19,397	137,732
Samuel P. Baird	18,750	2,843	1,520	-	1,588	24,701
Charles W. Hoskins	58,750	44,800	35,600	-	9,988	149,138

(1) These amounts reflect the aggregate dollar amounts recognized for stock awards and option awards, respectively, for financial statement reporting purposes with respect to the requisite service period (disregarding any estimate of forfeitures related to service-based vesting conditions), computed in accordance with SFAS 123(R). No stock awards or option awards granted to the independent directors were forfeited during 2008. For a discussion of the assumptions and methodologies used to value the awards reported above, please see the discussion of stock awards and option awards included under the caption **Stock Based Benefit Plans** in Note 18 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission and incorporated herein by reference. In conjunction with his appointment to the Company's Board in September 2008, Samuel P. Baird was granted 10,000 shares of Company stock pursuant to the 2003 Recognition and Retention Plan Trust Agreement and 10,000 option share awards; both awards vest in five equal annual installments beginning on the first anniversary of the date of grant of September 25, 2008. The grants for which the Company recorded financial statement expense in 2008, and which were taken into account in determining the amounts reflected for 2008 in the columns above, include grants dating back to 2003. From 2003 through the end of 2008, the Company's stock price generally traded at values greater than the current price.



Stock price at the time of grant is a key variable in determining the financial statement expense of these grants. However, while the value of these grants to the executives who hold them is dependent on the stock price at the time of exercise or payment, for financial statement reporting purposes, the expense recorded generally is not affected by stock price fluctuations after the date of grant. The exercise price of the outstanding Company stock options ranged from \$5.33 to \$22.40. The Company's stock price on the date of grant of the vested stock awards held by our independent directors ranged from \$5.33 to \$22.40. The vested stock options had no intrinsic value as the exercise price exceeded the \$3.75 stock price at December 31, 2008. The stock awards had an intrinsic value of \$3.75 per share at December 31, 2008. Thus, the values reflected in the table above do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by exercising stock options or vesting in stock awards) and, for the most part, do not reflect the current economic value of the outstanding awards. As of December 31, 2008, the outstanding number of stock awards for directors were: Charles Hoskins (2,000) and Samuel Baird (10,000). As of December 31, 2008, the outstanding number of options for directors were: Joyce Pocras (112,875), Campbell McConnell (112,875), Charles Hoskins (25,000) and Samuel Baird (10,000). The stock option exercise price for Directors Pocras and McConnell is \$17.83, for Director Hoskins it is \$22.40 and for Director Baird it is \$5.33.

- (2) Represents the dollar value of life, health and dental insurance premiums paid on behalf of Joyce Pocras, Campbell McConnell, Ann Spence, Samuel Baird and Charles Hoskins, a director consultation fee paid to Ann Spence following her retirement from the Board of Directors and dividends earned on restricted stock awards.

### ***Director Fees***

Directors currently receive a fee of \$2,500 for each regularly scheduled monthly and special board meeting of TierOne Bank, regardless of attendance (they received the same fee in 2007). Members of the Audit, Compensation and Nominating and Corporate Governance Committees of TierOne Bank and/or TierOne Corporation, and independent directors who participate in executive session meetings as required by NASDAQ Marketplace Rule 4350(c)(2), receive an additional fee equal to one-half the regular board meeting fee, but only if present at the meeting in person or by telephone. Only one fee is paid for joint Board committee meetings of TierOne Bank and TierOne Corporation. Directors also currently receive life, health and dental insurance benefits through TierOne Bank. Directors currently do not receive additional cash fees for service as directors of TierOne Corporation.

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### ***Directors Deferred Compensation Program***

The 2008 amended and restated deferred compensation plan, including its application to directors of TierOne Bank and TierOne Corporation, is described in detail above in the narrative discussion that follows the Non-Qualified Deferred Compensation table.

### ***Director Consultation Plan***

In addition to the above, under the terms of TierOne Bank's Consultation Plan for Directors, any retiring director with ten or more years of service who agrees to provide consulting or advisory services to the Board of Directors, by entering into an appropriate consulting agreement, will be entitled to receive an annual benefit equal to the average of the annual monthly board fees and yearly retainer, if any, paid to such retiring director for the last three years of service prior to his or her retirement reduced by 20% for each subsequent year in which the director provides consulting or advisory services to our Board of Directors. Any retiring director with five or more but less than ten years of service who agrees to provide consulting or advisory services to the Board of Directors, by entering into an appropriate consulting agreement, will be entitled to receive 50% of the annual benefit equal to the average of the annual monthly board fees and yearly retainer, if any, paid to such retiring director for the last three years of service prior to his or her retirement reduced by 20% for each subsequent year in which the director provides consulting or advisory services to our Board of Directors. In the event of a change in control, the terms and conditions of this plan remain in force for directors except for any director with less than five years of service who will be entitled to receive the same level of annual benefits awarded to any director with five or more but less than ten years of service. The maximum duration for which benefits can be received is five years. An additional benefit in the same amount as paid to retired directors participating in the plan will be paid to any participant in the plan who served as chairman of the board for at least three years.

### **Transactions With Certain Related Persons**

Presently, TierOne Bank offers only educational loans, 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

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indebtedness) in which (a) the aggregate amount involved will or may be expected to exceed \$120,000 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).

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 2008 and none are currently proposed.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth in this Proxy Statement with management and, based on such review and discussion, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

*Members of the Compensation Committee*

Joyce Person Pocras  
Samuel P. Baird  
Charles W. Hoskins  
Campbell R. McConnell

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**BENEFICIAL OWNERSHIP OF COMMON STOCK  
BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

**Security Ownership**

Unless otherwise noted in a specific footnote reference, the following table sets forth as of March 24, 2009, the record date for the Annual Meeting, certain information as to the common stock beneficially owned by (a) each person or entity, including any group as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, who or which was known to us to be the beneficial owner of more than 5% of the issued and outstanding common stock, (b) our directors (including the nominees), (c) the named executive officers; and (d) all directors, nominees for director and executive officers as a group.

Name of Beneficial Owner or Number of  Persons in Group	Amount and Nature of Beneficial Ownership as of  March 24, 2009(1)	Percent of Common Stock
TierOne Corporation Employee Stock Ownership Plan Trust 1235 N Street Lincoln, Nebraska 68508	1,758,527(2)	9.75%
West Family Investments, LLC 1603 Orrington, Suite 810 Evanston, Illinois 60201	1,388,415(3)	7.70%
Private Capital Management, L.P. 8889 Pelican Bay Boulevard Naples, Florida 34108	1,146,227(4)	6.36%
The Philip Stephenson Revocable Living Trust, 99 Canal Center Plaza, Suite 420, Alexandria, Virginia 22314	909,965(5)	5.05%
Directors:		
Gilbert G. Lundstrom	1,040,774(6)(7)	5.77%
James A. Laphen	433,408(6)(8)	2.40%
Campbell R. McConnell	218,171(6)(9)	1.21%
Joyce Person Pocras	149,055(6)(10)	*
Charles W. Hoskins	57,937(6)(11)	*
Samuel P. Baird	85,000(6)(12)	*
Other Named Executive Officers:		
Roger R. Ludemann	206,918(6)(13)	1.15%
Gale R. Furnas	155,328(6)(14)	*
Eugene B. Witkowicz	166,976(6)(15)	*
All Directors and Executive Officers of TierOne Corporation and TierOne Bank as a group (12 persons)	2,720,430(6)	15.08%

\* Represents less than 1% of the outstanding stock.

(1)

Based upon filings made pursuant to the Securities Exchange Act of 1934 and information furnished by the respective individuals. Under regulations promulgated pursuant to the Securities Exchange Act of 1934, shares of common stock are deemed to be beneficially owned by a person if he or she directly or indirectly has or shares (i) voting power, which includes the power to vote or to direct the voting of the shares, or (ii) investment power, which includes the power to dispose or to direct the disposition of the shares. Unless otherwise indicated, the named beneficial owner has sole voting and dispositive power with respect to the shares.

- (2) The information regarding beneficial ownership by the TierOne Corporation Employee Stock Ownership Plan Trust ( Trust ) is reported by it in an amended statement on Schedule 13G, dated December 31, 2008, filed by the Delaware Charter Guarantee & Trust Company (d/b/a Principal Trust Company), the trustee of Trust and the TierOne Bank Savings Plan ( Trustee ), with the Securities and Exchange Commission. The Trustee reported shared voting and dispositive power over 2,257,999 shares, or 12.52% of the outstanding common stock. Of this 2,257,999 shares of common stock, the Trust holds 1,758,527 shares and the TierOne Bank Savings Plan holds 499,472 shares. Under the terms of the Trust, the Trustee votes all allocated shares held in the Trust in accordance with the instructions of the participating employees. Allocated shares for which employees do not give instructions generally will not be voted, subject to the fiduciary duties of the Trustee and unallocated shares generally are voted in the same ratio on any matter as to those shares for which instructions are given. The Trustee disclaims beneficial ownership of the shares reported in its Schedule 13G.

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- (3) The information regarding beneficial ownership by West Family Investments, LLC is reported in a jointly filed statement on Schedule 13G, dated December 31, 2008, as filed with the Securities and Exchange Commission. The filing indicates that West Family Investments, LLC has shared voting and dispositive power over 202,583 shares; Gary L. West has shared voting and dispositive power over 762,022 shares; Mary E. West has shared voting and dispositive power over 759,904 shares; Randy Rochman has shared and dispositive power over 1,388,415 shares; Elizabeth Rochman has sole voting and dispositive power over 1,200 shares and shared voting and dispositive power over 71,172 shares; Barton Rochman has sole voting and dispositive power over 6,739 shares; Susan Temple has sole voting and dispositive power over 2,200 shares; Jim Young has sole voting and dispositive power over 400 shares; Andy McDill has sole voting and dispositive power over 350 shares; Johnny Bubb has sole voting and dispositive power over 1,599 shares; Dennis M. O'Brien has sole voting and dispositive power over 10,000 shares; and Chad Sandstedt has sole voting and dispositive power over 600 shares.
- (4) The information regarding beneficial ownership by Private Capital Management, L.P. is reported by it in an amended statement on Schedule 13G/A, dated December 31, 2008, as filed with the Securities and Exchange Commission. Private Capital Management reported sole voting and sole dispositive power over 17,100 shares and shared voting and shared dispositive power over 1,129,127 shares.
- (5) The information regarding beneficial ownership by The Philip Stephenson Revocable Living Trust is reported by it in a statement on Schedule 13D, dated November 26, 2008, as filed with the Securities and Exchange Commission. The Philip Stephenson Revocable Living Trust reported shared voting and shared dispositive power over all of the shares, along with George Philip Stephenson.
- (6) (a) Includes options to acquire shares of our common stock that were exercisable on March 24, 2009, or 60 days thereafter, under our 2003 Stock Option Plan as follows:

Name	Number of Shares
Gilbert G. Lundstrom	542,000
James A. Laphen	270,000
Campbell R. McConnell	112,875
Joyce Person Pocras	112,875
Charles W. Hoskins	20,000
Roger R. Ludemann	90,000
Gale R. Furnas	90,000
Eugene B. Witkowicz	90,000
All Directors and Executive Officers of TierOne Corporation and TierOne Bank as a group ( 12 persons)	1,418,926

- (b) Includes unvested shares over which the directors or officers have voting power which have been granted pursuant to the 2003 Recognition and Retention Plan and are held in the associated trust, as follows:

Name	Number of Shares
Samuel P. Baird	10,000

Charles W. Hoskins	2,000
All Directors and Executive Officers of TierOne Corporation and TierOne Bank as a group (12 persons)	13,500

- (7) Includes 80,000 shares held jointly with Mr. Lundstrom's wife, 17,372 shares held in Mr. Lundstrom's account in TierOne Bank's 401(k) savings plan, 15,000 shares held in Mr. Lundstrom's IRA account, 111,000 shares held in two trusts in which Mr. Lundstrom's spouse has a pecuniary interest, 9,341 shares which have been allocated to Mr. Lundstrom's account in the employee stock ownership plan, 29,898 shares held directly by Mr. Lundstrom, 13,338 shares held in Mr. Lundstrom's supplemental executive retirement plan for the employee stock ownership plan, 2,825 shares held in Mr. Lundstrom's supplemental executive retirement plan for the 401(k) savings plan and 220,000 vested shares allocated to Mr. Lundstrom from TierOne Corporation's 2003 Recognition and Retention Plan.
- (8) Includes 30,350 shares held jointly with Mr. Laphen's wife, 10,293 shares held in Mr. Laphen's account in TierOne Bank's 401(k) savings plan, 9,341 shares which have been allocated to Mr. Laphen's account in the employee stock ownership plan, 16,300 shares held by Mr. Laphen in his IRA account, 5,543 shares held in Mr. Laphen's supplemental executive retirement plan for the employee stock ownership plan and 91,581 vested shares allocated to Mr. Laphen from TierOne Corporation's 2003 Recognition and Retention Plan.
- (9) Includes 50,000 shares held jointly with Dr. McConnell's wife, 3,146 shares held directly by Dr. McConnell, 7,000 shares held by Dr. McConnell's wife and 45,150 vested shares allocated to Dr. McConnell from TierOne Corporation's 2003 Recognition and Retention Plan.
- (10) Includes 16,000 shares held by Ms. Pocras' husband, 2,500 shares held in Ms. Pocras' IRA account, 12,680 shares held in Ms. Pocras' account in TierOne Bank's 401(k) savings plan and 5,000 vested shares allocated to Ms. Pocras from TierOne Corporation's 2003 Recognition and Retention Plan.



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- (11) Includes 3,278 shares held by Mr. Hoskins in his IRA account, 23,143 shares held jointly with Mr. Hoskins wife, 1,516 shares held by Mr. Hoskins wife and 8,000 vested shares allocated to Mr. Hoskins from TierOne Corporation's 2003 Recognition and Retention Plan.
- (12) Includes 10,000 shares held directly by Mr. Baird, 15,000 shares held by Mr. Baird in his IRA account, 43,000 shares held in a trust in which Mr. Baird's spouse has a pecuniary interest and 7,000 shares held in a trust in which Mr. Baird has a pecuniary interest.
- (13) Includes 39,365 shares held in Mr. Ludemann's account in TierOne Bank's 401(k) savings plan, 7,357 shares allocated to Mr. Ludemann's account in the employee stock ownership plan, 9,700 shares held in Mr. Ludemann's IRA account, 10,000 shares held directly by Mr. Ludemann, 15,560 shares held by Mr. Ludemann's wife and 34,936 vested shares allocated to Mr. Ludemann from TierOne Corporation's 2003 Recognition and Retention Plan.
- (14) Includes 17,275 shares held in Mr. Furnas' account in TierOne Bank's 401(k) savings plan, 8,634 shares which have been allocated to Mr. Furnas' account in the employee stock ownership plan, 1,935 shares held by Mr. Furnas in his IRA account, and 37,484 vested shares allocated to Mr. Furnas from TierOne Corporation's 2003 Recognition and Retention Plan.
- (15) Includes 8,500 shares held jointly with Mr. Witkowicz's wife, 28,023 shares held in Mr. Witkowicz's account in TierOne Bank's 401(k) savings plan, 8,001 shares which have been allocated to Mr. Witkowicz's account in the employee stock ownership plan and 32,452 vested shares allocated to Mr. Witkowicz from TierOne Corporation's 2003 Recognition and Retention Plan.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and persons who own more than 10% of our common stock, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than 10% shareholders are required by regulation to furnish us with copies of all Section 16(a) forms they file. We know of no person who owns more than 10% of our common stock for purposes of Section 16(a).

Based solely on our review of the copies of reports of ownership and changes in ownership that were furnished to us, or written representations from our officers and directors that no reports were required to be filed because they had no change in their ownership, we believe that during, and with respect to, the fiscal year ended December 31, 2008, our officers and directors complied in all respects with the reporting requirements promulgated under Section 16(a) of the Securities Exchange Act of 1934, except for Mr. Kellogg who reported one transaction late, Mr. Baird reported one transaction late in 2009.

**RATIFICATION OF APPOINTMENT OF AUDITORS**

**Appointment of Auditors**

The Audit Committee of the Board of Directors of TierOne Corporation has appointed KPMG LLP, an independent registered public accounting firm, to perform the audit of our financial statements for the year ending December 31, 2009, and further directed that the selection of auditors be submitted for ratification by the shareholders at the Annual Meeting.

We have been advised by KPMG LLP that neither the firm nor any of its associates has any relationship with TierOne Corporation or its subsidiaries other than the usual relationship that exists between an independent registered public accounting firm and its clients. KPMG LLP will have one or more representatives at the Annual Meeting who will have an opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions.

In determining whether to appoint KPMG LLP as our independent auditors, the Audit Committee considered whether the provision of services, other than auditing services, by KPMG LLP is compatible with maintaining the auditors independence. In addition to performing auditing services as well as reviewing our public filings, our auditors performed tax-related services, including the completion of our corporate tax returns, in fiscal 2008. The Audit Committee believes that KPMG LLP's performance of these other services is compatible with maintaining the auditors independence.

**The Board of Directors recommends that you vote FOR the ratification of the appointment of KPMG LLP as independent auditors for the fiscal year ending December 31, 2009.**

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The following table sets forth the aggregate fees paid by us to KPMG LLP for professional services rendered by KPMG LLP in connection with the audit of TierOne Corporation's consolidated financial statements for 2008 and 2007, as well as the fees paid by us to KPMG LLP for audit-related services, tax services and all other services rendered by KPMG LLP to us during 2008 and 2007.

	Year Ended December 31,	
	2008	2007
Audit fees(1)	\$ 397,880	\$ 320,600
Audit-related fees(2)	39,955	220,468
Tax fees(3)	50,540	62,298
All other fees	-	-
<b>Total</b>	<b>\$ 488,375</b>	<b>\$ 603,366</b>

- (1) Audit fees consist of fees incurred in connection with the audit of our annual financial statements and the review of the interim financial statements included in our quarterly reports filed with the Securities and Exchange Commission, as well as work generally only the independent auditor can reasonably be expected to provide, such as statutory audits, consents and assistance with and review of documents filed with the Securities and Exchange Commission and fees related to certification reports required under the Sarbanes-Oxley Act and the Federal Deposit Insurance Corporation Improvement Act of 1991.
- (2) Audit-related fees consist of fees incurred in connection with audits of the financial statements of our employee benefit plans, and services provided in relation to the Sarbanes-Oxley Act, other internal control and due diligence services and consents rendered in connection with the filings related to a proposed merger prior to the termination of the merger agreement.
- (3) Tax fees consist primarily of fees paid in connection with preparing federal and state income tax returns, researching and filing a change in accounting method with the Internal Revenue Service and other tax related services.

The Audit Committee pre-approves all audit services to be provided by the independent auditors to TierOne Corporation. The Audit Committee also reviews and pre-approves all audit-related and non-audit related services rendered by our independent auditors in accordance with the Audit Committee's charter. In its review of these services and related fees and terms, the Audit Committee considers, among other things, the possible effect of the performance of such services on the independence of our independent auditors. The Audit Committee pre-approves certain audit-related services and certain non-audit related tax services which are specifically described by the Audit Committee on an annual basis and separately approves other individual engagements as necessary. The Chair of the Audit Committee has been delegated the authority to approve non-audit related services in lieu of the full Audit Committee. On a quarterly basis, the Chair of the Audit Committee presents any previously-approved engagements to the full Audit Committee.

Each new engagement of KPMG LLP was approved in advance by the Audit Committee or its Chair, and none of those engagements made use of the de minimis exception to pre-approval contained in the Securities and Exchange Commission's rules.

### **REPORT OF THE AUDIT COMMITTEE**

The Audit Committee is responsible for selecting our independent auditors. The Audit Committee reviews with management and the independent auditors the systems of internal control, reviews the annual financial statements, including the Annual Report on Form 10-K and monitors TierOne Corporation's adherence in accounting and financial reporting to generally accepted accounting principles.

The Audit Committee has reviewed and discussed TierOne Corporation's audited financial statements with management. Additionally, the Audit Committee reviewed management's evaluation of the effectiveness of TierOne Corporation's internal controls over financial reporting with management, including a discussion of the conclusion reached by management. The Audit Committee has discussed with TierOne Corporation's independent auditors, KPMG LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, as

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amended (AICPA, *Professional Standards*, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. The Audit Committee has received the written disclosures and the letter from the independent auditors required by PCAOB regarding KPMG LLP's communications with the Audit Committee concerning independence, and discussed KPMG LLP's independence with respect to the Company. Based on the review and discussions referred to above in this report, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in TierOne Corporation's Annual Report on Form 10-K for fiscal year 2008 for filing with the Securities and Exchange Commission.

*Members of the Audit Committee*

Campbell R. McConnell

Samuel P. Baird

Joyce Person Pocras

Charles W. Hoskins

**SHAREHOLDER PROPOSALS, NOMINATIONS AND  
COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

**Shareholder Proposals**

Any proposal which a shareholder wishes to have included in the proxy materials of TierOne Corporation relating to the 2010 Annual Meeting of Shareholders of TierOne Corporation, which is currently expected to be held in May 2010, must be received at the principal executive offices of TierOne Corporation, 1235 N Street, Lincoln, Nebraska 68508, Attention: Eugene B. Witkowicz, Corporate Secretary, no later than December 7, 2009. If such proposal is in compliance with all of the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended, it will be included in the Proxy Statement and set forth on the form of proxy issued for such Annual Meeting of Shareholders.

Shareholder proposals which are not submitted for inclusion in our proxy materials pursuant to Rule 14a-8 may be brought before an Annual Meeting pursuant to Section 2.14 of TierOne Corporation's Bylaws. Notice of the proposal must also be given in writing and delivered to, or mailed and received at, our principal executive offices by December 7, 2009. The notice must include the information required by Section 2.14 of our Bylaws.

**Shareholder Nominations**

Our Bylaws provide that, subject to the rights of the holders of any class or series of stock having a preference over the common stock as to dividends or upon liquidation, all nominations for election to the Board of Directors, other than those made by the Board or a committee thereof, shall be made by a shareholder who has complied with the notice provisions in the Bylaws. Written notice of a shareholder nomination generally must be communicated to the attention of the Corporate Secretary and either delivered to, or mailed and received at, our principal executive offices not later than, with respect to an Annual Meeting of Shareholders, 120 days prior to the anniversary date of the mailing of proxy materials by us in connection with the immediately preceding Annual Meeting of Shareholders or by December 7, 2009, in the case of the 2010 Annual Meeting. We did not receive any shareholder nominations for the 2009 Annual Meeting.

**Other Shareholder Communications**

Our Board of Directors has adopted a formal process by which shareholders may communicate with the Board. Shareholders who wish to communicate with the Board may do so by sending written communications addressed to the Board of Directors of TierOne Corporation, c/o Eugene B. Witkowicz, Corporate Secretary, at 1235 N Street,

Lincoln, Nebraska 68508. Mr. Witkowicz will forward all such communications to the director or directors to whom they are addressed. However, commercial advertisements or other forms of solicitation will not be forwarded.

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**ANNUAL REPORTS**

**We have filed an Annual Report on Form 10-K with the Securities and Exchange Commission for the year ended December 31, 2008. The Form 10-K is posted on our website at [www.tieronebank.com](http://www.tieronebank.com). We will provide a copy of this Form 10-K without exhibits to each person who is a record or beneficial holder of shares of common stock on the record date for the Annual Meeting. We will provide a copy of the exhibits without charge to each person who is a record or beneficial holder of shares of common stock on the record date for the annual meeting who submits a written request for it. Requests for copies of the Form 10-K should be addressed to TierOne Corporation, Attention: Mr. Edward J. Swotek, TierOne Corporation, 1235 N Street, Lincoln, Nebraska 68508.**

Pursuant to the rules of the Securities and Exchange Commission, services that deliver our communications to shareholders who hold their stock through a bank, broker or other holder of record may deliver to multiple shareholders sharing the same address a single copy of our 2008 Annual Report on Form 10-K and this Proxy Statement. Upon written or oral request, we will promptly deliver a copy of our 2008 Annual Report on Form 10-K and/or this Proxy Statement to any shareholder at a shared address to which a single copy of each document was delivered. If you are a shareholder residing at a shared address and would like to request an additional copy of the 2008 Annual Report on Form 10-K and/or this Proxy Statement now or with respect to future mailings (or to request to receive only one copy of the Annual Report and Proxy Statement if you are currently receiving multiple copies), then you may notify us of your request by calling 402-473-6250 or writing to TierOne Corporation, Attention: Mr. Edward J. Swotek, TierOne Corporation, 1235 N Street, Lincoln, Nebraska 68508.

**OTHER MATTERS**

Management is not aware of any business to come before the Annual Meeting other than the matters described above in this Proxy Statement. However, if any other matters should properly come before the meeting, it is intended that the proxies solicited hereby will be voted with respect to those other matters in accordance with the judgment of the persons voting the proxies.

The cost of the solicitation of proxies will be borne by TierOne Corporation. TierOne Corporation will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending the proxy materials to the beneficial owners of TierOne Corporation's common stock. In addition to solicitations by mail, directors, officers and employees of TierOne Corporation may solicit proxies personally or by telephone without additional compensation. We have also engaged Laurel Hill Advisory Group, LLC, a professional proxy solicitation firm, to assist in the solicitation of proxies. Such firm will be paid a fee of \$7,000 plus reimbursement of out-of-pocket expenses.

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ANNUAL MEETING OF SHAREHOLDERS OF TIERONE CORPORATION May 21, 2009 NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL: The notice of annual meeting, proxy statement and form of proxy card are available at [www.tieronebank.com](http://www.tieronebank.com) Please sign, date and mail your proxy/voting instruction card in the envelope provided as soon as possible. Please detach along perforated line and mail in the envelope provided. 20230000000000000000 0 052109 THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ALL OF THE NOMINEES LISTED BELOW AND FOR PROPOSAL 2. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE FOR AGAINST ABSTAIN 1. TO ELECT DIRECTORS: For three-year terms expiring in 2012. 2. PROPOSAL to ratify the appointment of KPMG LLP as independent auditors of the Company for the year ending NOMINEES: FOR ALL NOMINEES O Gilbert G. Lundstrom, Esq. December 31, 2009. O Joyce Person Pocras WITHHOLD AUTHORITY 3. In their discretion, the proxies/trustees are authorized to vote upon FOR ALL NOMINEES such other business as may properly come before the meeting. FOR ALL EXCEPT (See instructions below) The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders of TierOne Corporation, the accompanying Proxy Statement and Annual Report prior to the signing of this proxy/voting instruction card. This card also constitutes your voting instructions for any shares held in the TierOne Bank 401(k) Savings Plan and the TierOne INSTRUCTIONS: To withhold authority to vote for an individual nominee, mark FOR ALL EXCEPT Corporation ESOP and the undersigned hereby authorizes the and fill in the circle next to the nominee you wish to withhold, as shown here: respective Trustees of such Plans to vote the shares allocated to the undersigned s account(s) as provided herein. Unvoted shares in the TierOne Bank 401(k) Savings Plan will be voted in the same manner and proportion as the shares of common stock held in such Plan for which voting instructions from participants are received. Shares held in the TierOne Corporation ESOP allocated to participants accounts will generally not be voted unless the proxy/voting instruction card is returned. With respect to any other matter that properly comes before the meeting, the Trustees are authorized to vote the shares as directed by TierOne To change the address on your account, please check the box at right and Corporation. indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. Signature of Shareholder Signature of Shareholder and/or Plan Participant Date: and/or Plan Participant Date: Note: Please sign exactly as your name or names appear on this Proxy/instruction card. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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PROXY/VOTING INSTRUCTION CARD TIERONE CORPORATION THIS PROXY/VOTING INSTRUCTION CARD IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF TIERONE CORPORATION FOR USE AT THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 21, 2009 As an alternative to completing this form, you may enter your voting instructions by telephone at 1-800-PROXIES, and follow the simple instructions. Use the Company Number and Account Number shown on your proxy card. The undersigned hereby appoints Gilbert G. Lundstrom and James A. Laphen, or either one of them (with full power of substitution in each of them), as proxies, and/or requests and instructs the Trustee of the 401(k) Plan of TierOne Bank or Trustee of the Employee Stock Ownership Plan ( ESOP ), to represent and vote, or cause to be voted, as designated on the reverse side, all the shares of common stock of TierOne Corporation held of record on March 24, 2009, by the undersigned or allocated to the undersigned s accounts in the 401(k) Plan and/or ESOP, at the Annual Meeting of Shareholders to be held in the Regents D Room at the Embassy Suites Hotel, located at 1040 P Street, Lincoln, Nebraska on May 21, 2009, at 8:30 a.m., Central Daylight Time, or at any adjournment or postponement thereof. The shares of TierOne Corporation s common stock will be voted as specified. If not otherwise specified, this proxy/voting instruction card will be voted by the proxies FOR the Board of Directors nominees and FOR ratification of KPMG LLP as independent auditors and otherwise at the discretion of the proxies or in the case of the Trustees, as directed by TierOne Corporation. (Continued and to be signed on the reverse side.) 14475

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ANNUAL MEETING OF SHAREHOLDERS OF TIERONE CORPORATION May 21, 2009 PROXY VOTING INSTRUCTIONS TELEPHONE Call toll-free 1-800-PROXIES (1-800-776-9437) in the United States or 1-718-921-8500 from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy COMPANY NUMBER card available when you call and use the Company Number and Account Number shown on your proxy card. Vote by phone until 11:59 PM EST the day before the meeting. ACCOUNT NUMBER MAIL Sign, date and mail your proxy card in the envelope provided as soon as possible. IN PERSON You may vote your shares in person by attending the Annual Meeting. NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL: The notice of annual meeting, proxy statement and form of proxy card are available at [www.tieronebank.com](http://www.tieronebank.com) Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone.

20230000000000000000 0 052109 THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ALL OF THE NOMINEES LISTED BELOW AND FOR PROPOSAL 2. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x FOR AGAINST ABSTAIN 1. TO ELECT DIRECTORS: For three-year terms expiring in 2012. 2. PROPOSAL to ratify the appointment of KPMG LLP as independent auditors of the Company for the year ending NOMINEES: FOR ALL NOMINEES O Gilbert G. Lundstrom, Esq. December 31, 2009. O Joyce Person Pocras WITHHOLD AUTHORITY 3. In their discretion, the proxies/trustees are authorized to vote upon FOR ALL NOMINEES such other business as may properly come before the meeting. FOR ALL EXCEPT (See instruction below) The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders of TierOne Corporation, the accompanying Proxy Statement and Annual Report prior to the signing of this proxy/voting instruction card. This card also constitutes your voting instructions for any shares held in the TierOne Bank 401(k) Savings Plan and the TierOne INSTRUCTIONS: To withhold authority to vote for an individual nominee, mark FOR ALL EXCEPT Corporation ESOP and the undersigned hereby authorizes the and fill in the circle next to the nominee you wish to withhold, as shown here: respective Trustees of such Plans to vote the shares allocated to the undersigned s account(s) as provided herein. Unvoted shares in the TierOne Bank 401(k) Savings Plan will be voted in the same manner and proportion as the shares of common stock held in JOHN SMITH such Plan for which voting instructions from participants are 1234 MAIN STREET received. Shares held in the TierOne Corporation ESOP allocated APT. 203 to participants accounts will generally not be voted unless the NEW YORK, NY 10038 proxy/voting instruction card is returned. With respect to any other matter that properly comes before the meeting, the Trustees are authorized to vote the shares as directed by TierOne To change the address on your account, please check the box at right and Corporation. indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. Signature of Shareholder Signature of Shareholder and/or Plan Participant Date: and/or Plan Participant Date: Note: Please sign exactly as your name or names appear on this Proxy/instruction card. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.