

TIERONE CORP
Form DEF 14A
March 28, 2005

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 [X]
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))**
 [X] 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):

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 - (2) Form, schedule or registration statement no.:
 - (3) Filing party:
 - (4) Date filed:

1235 N Street
Lincoln, Nebraska 68508

March 28, 2005

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of TierOne Corporation to be held in the Regents A Room at the Embassy Suites Hotel located at 1040 P Street, Lincoln, Nebraska, on Monday, May 2, 2005 at 11:00 a.m., Central Daylight Time.

At the Annual Meeting, you will be asked to elect two (2) directors for three-year terms. This matter 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,

/s/ Gilbert G. Lundstrom

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

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 2, 2005

Our Annual Meeting of Shareholders will be held in the Regents A Room at the Embassy Suites Hotel located at 1040 P Street, Lincoln, Nebraska, on Monday, May 2, 2005 at 11:00 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 and until their successors are elected and qualified;
- (2) 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.

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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 1, 2005, the record date for the Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Eugene B. Witkowicz

Eugene B. Witkowicz
Corporate Secretary

Lincoln, Nebraska
March 28, 2005

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.

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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, 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 A Room at the Embassy Suites Hotel located at 1040 P Street, Lincoln, Nebraska, on Monday, May 2, 2005, at 11:00 a.m., Central Daylight Time, and at any adjournment or postponement of the Annual Meeting for the purposes set forth in the Notice of Annual Meeting of Shareholders. Our Annual Report on Form 10-K and this Proxy Statement are first being mailed to shareholders on or about March 28, 2005.

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. 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 meeting, March 1, 2005, are entitled to vote at the meeting. On the record date, we had 18,284,311 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. This will enable your shares to be represented and voted at the Annual Meeting.

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 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, then you are not the shareholder of record and you must ask your broker or other nominee how you can vote at the Annual Meeting. You will not be able to vote by using the toll-free number set forth above but may be able to vote by telephone or Internet if provided for by your broker.

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 broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting.

What are the Board of Directors' recommendations?

The Board of Directors recommends that you vote **FOR** the nominees for election as directors described herein.

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, upon the transaction of such other business as may properly come before the 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 elect directors?

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.

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 the election of directors.

Whom should I call with questions?

You should call our proxy solicitor, Geogeson Shareholder Communications, Inc., toll-free at 1-800-501-4431.

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 terms and until their successors are elected and qualified.

At the Annual Meeting, you will be asked to elect two directors for three-year terms expiring in 2008 and until their successors are elected and qualified. Our Nominating and Corporate Governance Committee has nominated Mr. James A. Laphen and Mr. Campbell R. McConnell, Ph.D. to stand for re-election at the Annual Meeting. No nominee for director is related to any other director or executive officer by blood, marriage or adoption. Shareholders are not permitted to use cumulative voting for the election of directors. Our Board of Directors has determined that a majority of our members are independent directors as defined in the Nasdaq National Market's listing standards. The current independent members are Directors Spence, McConnell, Pocras, and Hoskins.

Unless otherwise directed, each proxy executed and returned by a shareholder will be voted for the election of the nominees for director listed below. If any person named as a nominee should be unable or unwilling to stand for election at the time of the Annual Meeting, 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 term continue, all of whom also serve as directors of TierOne Bank. Ages are reflected as of March 1, 2005.

Nominees for Director for Three-year Terms Expiring in 2008

Name	Age	Position with TierOne Corporation and TierOne Bank and Principal Occupation During the Past Five Years	Director of TierOne Bank Since
James A. Laphen	56	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.	2001
Campbell R. McConnell, Ph.D.	76	Director. Retired; currently Professor Emeritus of the Economics Department of the University of Nebraska-Lincoln.	1974

The Board of Directors recommends that you vote FOR election of the nominees as Directors.

Directors Whose Terms are Continuing**Directors With Terms Expiring in 2006**

Name	Age	Position with TierOne Corporation and TierOne Bank and Principal Occupation During the Past Five Years	Director of TierOne Bank Since
Gilbert G. Lundstrom, Esq.	63	Chairman of the Board and Chief Executive Officer of TierOne Corporation since April 2002 and TierOne Bank since October 2001. Previously, Chairman of the Board, President and Chief Executive Officer from September 1999. From 1996	1994

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to 1999, he served as director, President and Chief Executive Officer. He joined TierOne Bank in 1994. He was a director of the Federal Home Loan Bank of Topeka and serves on the Board of Directors of Sahara Enterprises, Inc., Chicago, Illinois. Prior to 1994, he was the managing partner of Woods & Aitken Law Firm, Lincoln, Nebraska, where he practiced law for 25 years. Woods & Aitken serves as general counsel to TierOne Bank.

Joyce Person Pocras	62	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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Directors With Terms Expiring in 2007

Name	Age	Position with TierOne Corporation and TierOne Bank and Principal Occupation During the Past Five Years	Director of TierOne Bank Since
Ann Lindley Spence	70	Director. Retired; previously, President of Spence Title Services, Inc., a title insurance company located in Omaha, Nebraska.	1989
Charles W. Hoskins	68	Director. Self-employed financial advisor since 1990; retired partner, Deloitte & Touche as National Director of Japanese Business Development, Los Angeles, California.	2004

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

Executive Officers Who Are Not Directors

Set forth below is the information with respect to the principal occupations during the last five years for the six executive officers of TierOne Bank who do not serve as directors. Mr. Witkowicz also serves as an executive officer of TierOne Corporation. The other executive officers of TierOne Corporation are Messrs. Lundstrom and Laphen. Ages are reflected as of March 1, 2005.

Name	Age	Principal Occupation During the Past Five Years
Eugene B. Witkowicz	57	Executive Vice President, Chief Financial Officer, Corporate Secretary and Treasurer of TierOne Corporation. Executive Vice President, Corporate Secretary, Treasurer and Director of Finance of TierOne Bank. Previously, Executive Vice President, Treasurer and Chief Financial Officer since 1992. Mr. Witkowicz joined TierOne Bank in 1972.
Gale R. Furnas	51	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

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TierOne Bank in 1976.

Roger R. Ludemann	56	Executive Vice President and Director of Retail Banking since 1997. Previously, Executive Vice President and Director of Consumer Services since September 1997. Mr. Ludemann joined TierOne Bank in 1995.
Larry L. Pfeil	62	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	46	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	43	Senior Vice President and Strategic Planning Officer of TierOne Bank since February 2000; prior thereto, First Vice President and Strategic Planning and Special Projects Manager. Mr. Swotek joined TierOne Bank in 1987.

Meetings and Committees of the Board of Directors

During the year ended December 31, 2004, the Board of Directors of TierOne Corporation and TierOne Bank met sixteen times. All directors of TierOne Corporation attended all of the Board meetings held during the year for which he/she was a director and all of the meetings held by all committees of the Board on which he/she served. The Board of Directors of TierOne Corporation has established an Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

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Audit Committee. The Audit Committee's primary duties and responsibilities are to: appoint the independent auditors; monitor the integrity of the financial reporting process and systems of internal controls regarding finance, accounting, legal, and regulatory compliance; monitor the qualifications, independence and performance of the independent auditors and internal auditing department; and provide an avenue of communication among the independent auditors, management, the internal auditing department and the Board of Directors. The Audit Committee is comprised of four directors who are independent directors as defined in the Nasdaq National Market's listing standards and rules of the Securities and Exchange Commission. The current members of the Audit Committee are Directors Hoskins, Spence, Pocras and McConnell (Chairman). The Board of Directors has determined that Ms. Pocras and Mr. Hoskins meet the Securities and Exchange Commission's definition of audit committee financial expert. The report of the Audit Committee is set forth on page 22. The Audit Committee of TierOne Corporation met five times in 2004.

Compensation Committee. It is the responsibility of the Compensation Committee of the Board of Directors to institute a program which effectively provides incentive for executive management to lead TierOne Corporation to its full potential. The current members of the committee are Directors McConnell, Spence and Pocras (Chairperson). No member of the Compensation Committee is a current officer or employee of TierOne Corporation, TierOne Bank or any subsidiary of us and all are independent directors under the Nasdaq National Market's listing standards. The report of the Compensation Committee with respect to compensation and benefits for the Chief Executive Officer and all other executive officers is set forth on page 14. The Compensation Committee met three times in fiscal 2004.

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 the Company's Board of Directors. The current members of the Nominating and Corporate Governance Committee are Directors Spence and Pocras (Chairperson). The Nominating and Corporate Governance Committee met three times in 2004. The Nominating and Corporate Governance Committee members are independent directors, as defined in the Nasdaq National Market's listing standards.

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

Director Compensation

Directors currently receive a fee of \$2,500 for each regularly scheduled monthly and special board meeting of TierOne Bank, regardless of attendance. Members of the Audit, Compensation, and Nominating and Corporate Governance Committees of TierOne Bank and/or TierOne Corporation receive a fee of one-half the regular board meeting fee, 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.

Following his election to the Company's Board of Directors in 2004, Director Hoskins was granted 25,000 stock options pursuant to the 2003 Stock Option Plan and 10,000 shares of restricted stock under the 2003 Recognition and Retention Plan and Trust. These equity awards vest 20% per year commencing on the first anniversary of the date of grant or earlier upon death, disability or change of control of TierOne Corporation. The other non-employee directors received equity awards during fiscal 2003.

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We maintain a deferred compensation program for our directors. Under the deferred compensation program, each director may defer, until retirement, any portion of his or her annual remuneration for serving as a director. Each director has the right, under the program, to direct the investment of his or her deferred fees. A director may change his or her investment direction. Payments commence under the program upon the earlier of death, termination from service, disability, or a change in control of TierOne Bank. Each director may elect to receive benefits in the form of a single lump sum payment, a life annuity, a joint and survivor annuity, or monthly installments (over a period from 2 to 240 months). In the absence of any election, the benefits will be paid over a 240 month period. Our obligation to make or continue to make any payments to a participant in the program terminates if, after the commencement of benefits, the participant directly acts as an officer, director, employee or agent of or performs consulting services for any firm, person, corporation or entity which (a) directly competes with our primary business as then conducted by us and (b) has an office within the boundaries of or within 50 miles from the boundaries of any city in which we have an office. In addition, 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 twenty percent 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 twenty percent for each subsequent year in which the director provides consulting or advisory services to our Board of Directors. 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.

Directors Attendance at Annual Meetings

Although we do not have a formal policy regarding attendance by members of the Board of Directors at Annual Meetings of Shareholders, we typically schedule a Board meeting in conjunction with our Annual Meeting of Shareholders and expect that our directors will attend, absent a valid reason for not doing so. All of our directors attended our Annual Meeting of Shareholders held on May 4, 2004.

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.

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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.

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.

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

One or more directors generally should be an active or former chief executive officer of a public or private company, managing partner of a public accounting firm office, or a leader of a complex organization, including commercial, scientific, government, educational and other similar institution.

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

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 committee also may consider the extent to which the candidate would fill a present need on the Board of Directors. The Nominating and Corporate Governance 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 executive officers are made by the Compensation Committee of the Board of Directors. Mesdames Pocras and Spence and Dr. McConnell are members of the Compensation Committee.

No person who served as a member of the Compensation Committee during 2004 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 required to be disclosed by regulations of the Securities and Exchange Commission. Additionally, there were no compensation committee interlocks during 2004, which generally 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 the Compensation Committee.

MANAGEMENT COMPENSATION

Summary Compensation Table

The following table sets forth a summary of certain information concerning the compensation paid by TierOne Bank (including amounts deferred to future periods by the officers) for services rendered in all capacities during the years ended December 31, 2004, 2003 and 2002, to the Chairman of the Board and Chief Executive Officer and the next four highest paid officers of TierOne Bank whose salary plus bonus exceeded \$100,000 in 2004 (the named executive officers). No additional compensation is paid for service as an executive officer of TierOne Corporation.

Name and Principal Position	Year	Annual Compensation(1)		Long Term Compensation Awards		
		Salary(2)	Bonus(3)	Restricted Stock(4)	Securities Underlying Options	All Other Compensation(6)
Gilbert G. Lundstrom, Chairman of the Board and Chief Executive Officer	2004	\$ 549,623	\$ 341,833	\$ --	--	\$ 57,293
	2003	521,521	328,090	3,922,600(5)	542,000	54,255
	2002	528,284	368,641	--	--	23,578
James A. Laphen, President and Chief Operating Officer	2004	366,602	197,163	--	--	52,123
	2003	345,001	189,237	1,961,300(5)	270,000	47,027
	2002	335,194	202,501	--	--	15,538
Eugene B. Witkowicz, Executive Vice President, Chief Financial Officer, Corporate Secretary/ Treasurer and Director of Finance	2004	169,473	76,353	--	--	44,527
	2003	162,955	74,285	713,200(5)	90,000	39,728
	2002	152,247	72,108	--	--	12,927
Gale R. Furnas, Executive Vice President and Director of Lending	2004	180,066	84,900	--	--	47,206
	2003	173,140	81,888	713,200(5)	90,000	42,123
	2002	157,993	77,542	--	--	13,397
Roger R. Ludemann, Executive Vice President and Director of Retail Banking	2004	155,778	61,029	--	--	41,059
	2003	149,747	45,890	713,200(5)	90,000	36,622
	2002	142,338	47,211	--	--	12,117

- (1) We provide various miscellaneous benefits to the named executive officers. The costs of providing such benefits to the named executive officers did not exceed the lesser of \$50,000 or 10% of the total annual salary and bonus reported for each of such individuals.
- (2) Includes with respect to Messrs. Lundstrom and Laphen director's fees totaling \$40,000, \$30,000, and \$37,500 each in 2004, 2003 and 2002, respectively.
- (3) Represents bonuses earned under the Management Incentive Compensation Plan for the year stated but paid in the following year.
- (4) At December 31, 2004, the number of shares of restricted stock held and the aggregate market value of restricted stock held by the named executive officers are as follows: Lundstrom 176,000 shares, value \$4,373,600; Laphen 88,000 shares, value \$2,186,800; Witkowicz 32,000 shares, value \$795,200; Furnas 32,000 shares, value \$795,200; and Ludemann 32,000 shares, value \$795,200.
- (5) Represents the grant of 220,000, 110,000, 40,000, 40,000 and 40,000 shares of restricted common stock to Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann, respectively, pursuant to the Recognition Plan, which was deemed to have had the stated value at the date of grant. The awards vest 20% per year from the date of grant beginning on April 23, 2004. Dividend equivalents were paid on the restricted common stock under the terms of the Recognition Plan.
- (6) Includes the fair market value of 1,850, 1,850, 1,580, 1,675, and 1,457 shares of common stock allocated to the ESOP accounts of Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann, respectively, on December 31, 2004, the date the shares were allocated. Under TierOne Bank's 401(k) profit sharing plan for fiscal 2004, \$6,150, \$6,150, \$5,264, \$5,582, and \$4,853 was allocated to the accounts of Messrs. Lundstrom, Laphen, Witkowicz, Furnas and Ludemann, respectively. In addition, included with respect to Mr. Lundstrom, the present value of the premiums paid for split dollar life insurance purchased by TierOne Bank. Under the terms of the

policies, Mr. Lundstrom is entitled to receive the difference between the cash surrender value of the policy and the aggregate amount of premiums paid by TierOne Bank. Does not include \$69,779, \$66,915 and \$0 or \$28,057, \$26,664 and \$0 allocated to the accounts of Messrs. Lundstrom and Laphen, respectively, in 2004, 2003 and 2002 under the Employee Stock Ownership and 401(k) Supplemental Executive Retirement Plans.

Stock Options

Stock Option Grants During 2004

No stock options were granted to the named executive officers in 2004.

Year-end Option Values

The following table sets forth, with respect to the named executive officers, information with respect to the number of options held at the end of the year ended December 31, 2004 and the value with respect thereto. No stock options were granted to or exercised by the named executive officers in 2004.

Name	Number of Securities Underlying Unexercised Options at Year End		Value of Unexercised In The Money Options at Year End(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Gilbert G. Lundstrom	108,400	433,600	\$760,968	\$3,043,872
James A. Laphen	54,000	216,000	379,080	1,516,320
Eugene B. Witkowicz	18,000	72,000	126,360	505,440
Gale R. Furnas	18,000	72,000	126,360	505,440
Roger R. Ludemann	18,000	72,000	126,360	505,440

- (1) Calculated by determining the difference between the fair market value of a share of the common stock underlying the options at December 31, 2004 (\$24.85) and the exercise price of the options.

Employment Agreements. TierOne Bank entered into an employment agreement with Mr. Lundstrom, effective January 1, 1994, as amended, which provides for a three-year term which is extended on an annual basis, unless either the Board or Mr. Lundstrom gives written notice of non-renewal. Mr. Lundstrom's employment agreement provides for an annual base salary review by the Board of Directors. In addition to the base salary, Mr. Lundstrom's employment agreement provides for, among other things, participation in retirement and executive benefit plans and other fringe benefits applicable to executive personnel. TierOne Bank's Board of Directors may terminate Mr. Lundstrom's employment agreement at any time, but any termination, other than termination for cause (as defined in the agreement) will not prejudice Mr. Lundstrom's right to compensation or other benefits under his agreement. In the event of termination for cause, Mr. Lundstrom has no right to receive compensation or other benefits, for any period after termination for cause 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 (as defined in the agreement), Mr. Lundstrom or, in the event of his death, his beneficiary or estate, would be entitled to receive (i) an amount equal to the remaining base salary payments and bonus due under the agreement in addition to all life, health and disability benefits provided under the agreement for the remaining term of employment; (ii) 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; and (iii) ownership of any split dollar life insurance policy on Mr. Lundstrom's life; provided that such payments and benefits do not constitute an excess parachute payment under Section 280G of the Internal Revenue Code.

TierOne Bank entered into an employment agreement with Mr. Laphen, effective September 25, 2000, as amended. The employment agreement provides for a three-year term which is extended on an annual basis, unless either the Board or Mr. Laphen gives written notice of termination. Mr. Laphen's employment agreement provides for an annual base salary review by the Board of Directors. In addition to the base salary, Mr. Laphen's employment agreement provides for, among other things, participation in retirement and executive benefit plans and other fringe benefits applicable to executive personnel. 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 (as defined in the agreement). In the event of termination for cause, Mr. Laphen has no right to receive compensation or other benefits for any period after termination for cause. In the event of termination due to death or disability, Mr. Laphen, or his beneficiary or estate, would be entitled to receive a payment equal to twelve months' base salary (as defined). In the event Mr. Laphen's employment is terminated for reasons other than for cause, death, disability or retirement, Mr. Laphen or, in the event of his subsequent death, his beneficiary or estate, would be entitled to receive an amount equal to thirty-six months' base salary (as defined); provided that the payments do not exceed three times his average annual compensation for the preceding five years he was employed by TierOne Bank or such lesser period in the event he was employed less than five years at the time of termination.

In connection with the conversion of TierOne Bank from mutual to stock form, TierOne Corporation entered into employment agreements with Messrs. Lundstrom and Laphen. Mr. Lundstrom's employment agreement has a term of three years, beginning on the date the conversion was completed, October 1, 2002. The term will be extended daily thereafter unless either we 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. Mr. Lundstrom's employment agreement provides that he will serve as the Chairman of the Board and Chief Executive Officer of TierOne Corporation during the term of his employment agreement. As Chairman of the Board and Chief Executive Officer, he has the authority and responsibilities prescribed by our Bylaws and that are customary for such positions.

Under the terms of the employment agreement, Mr. Lundstrom's salary is reviewed annually by the TierOne Corporation Board of Directors. Mr. Lundstrom is entitled to participate in our benefit plans and programs and receive an automobile allowance. However, 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.

In the event that, during the term of his employment agreement, Mr. Lundstrom's employment is terminated by us without cause or 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 continued group life, health and disability benefits and a cash lump sum payment to compensate him for the loss of salary (on a present value basis), 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 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 resigning and receiving the liquidated damages described above are a material breach of the agreement by us (including a reduction in his salary or a material reduction in his fringe benefits), a failure to elect him to the positions in which he has a right to serve under his employment agreement, a failure to vest in him the authority and responsibilities associated with those positions, a failure to nominate or elect him as a director of TierOne Corporation or TierOne Bank, a change in his principal place of employment to a location more than 25 miles from our corporate headquarters in Lincoln, Nebraska, or the liquidation, dissolution, bankruptcy or insolvency of TierOne Corporation or TierOne Bank, a termination by him of his employment with TierOne Bank for good reason or a termination of his employment by TierOne Bank for other than cause, regulatory action, death or disability.

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 average annual gross income from us or our subsidiaries during the past five full calendar years before the change in control. In the event that due to a change in control, any amount paid or payable to Mr. Lundstrom is subject to the 20% excise tax under Section 4999 of the Internal Revenue Code, then he will be entitled to an additional payment such that, on an after-tax basis, he is indemnified for the excise tax.

Mr. Lundstrom's employment agreement 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, 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.

In connection with the conversion, 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 Mr. Lundstrom's except that in the event of a change of 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 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 three-year change in control agreements covering the named executive officers, Messrs. Furnas, Ludemann and Witkowitz, none of whom are covered by an employment agreement. The terms of the change in control agreements will be renewed on an annual basis unless written notice of non-renewal is given by our Board of Directors. The change in control agreements provide that in the event of a change in control, as defined, of TierOne Corporation, the officer, upon his voluntary (for good reason as defined in the change in control agreement) or involuntary termination, would be entitled to receive a severance payment equal to either three times the officer'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. We also maintain and provide, at no cost to the officer, for his 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 he receives substantially similar 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.

Benefit Plans

Retirement Plan. Through 2003, we maintained the TierOne 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 plan.

The retirement plan provided for a monthly benefit upon a participant's retirement at the age of 65, or if later, the fifth anniversary of the participant's initial participation in the retirement plan (i.e., the participant's normal 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 upon termination. 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 high five years of compensation (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, \$13,776; Mr. Laphen, \$2,496; Mr. Witkowitz \$41,155; Mr. Furnas \$28,621; and Mr. Ludemann \$8,916. The benefits are not subject to reduction for Social Security or other offset.

Supplemental Executive Retirement Plans. We currently maintain a supplemental executive retirement plan for Mr. Lundstrom. Under the plan, in consideration for remaining in our employ until his retirement (upon or after attaining age 65), Mr. Lundstrom will receive a supplemental benefit for a period of 15 years. 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%. 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, he will be covered by a split dollar life insurance agreement funded by us. 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.

In the event of disability, we shall pay an annual supplemental benefit for up to ten years or until (i) the discontinuance of such disability and employment is fully restored, (ii) Mr. Lundstrom becomes eligible for benefits provided at retirement under the plan, which benefits shall be exclusive of and in addition to any disability payments, or (iii) death.

We have also implemented two additional supplemental executive retirement plans to provide for supplemental benefits to certain employees (initially Messrs. Lundstrom and Laphen) whose benefits under the employee stock ownership plan and the 401(k) profit sharing plan are reduced by limitations imposed by the Internal Revenue Code. The supplemental benefits will equal the amount of the 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 will designate which employees may participate in these additional supplemental executive retirement plans.

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Deferred Compensation Arrangements. We currently maintain deferred compensation arrangements with approximately 15 individuals, including some former employees who currently receive benefits pursuant to such arrangements. The deferred compensation arrangements were established to reward employees for their valuable services to us. Among the individuals with whom we maintain deferred compensation arrangements is Mr. Witkowicz.

The arrangements generally provide that the employees will receive a monthly benefit, beginning at their retirement, for a fixed number of years. The agreements require the employees to continue their employment with us until their retirement (other than as a result of death), or they will forfeit any benefit they had under the terms of the arrangement. In addition, the employee agrees that after his retirement, he will not engage nor become associated with any other employer engaged in competition with us, either directly or indirectly. The majority of the arrangements provide for a monthly benefit of approximately \$100 to \$600 for a period of 120 months.

The deferred compensation arrangements are unfunded, represent only promises on our part to pay amounts in the future and are subject to the claims of our creditors. As of December 31, 2004, the approximate present value of the benefits payable to Mr. Witkowicz, a named executive officer, was \$34,077.

Transactions With Certain Related Persons

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

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

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the Board is responsible for developing executive compensation policies for TierOne Corporation and TierOne Bank. Executive officers of TierOne Corporation who hold identical positions with TierOne Bank do not receive any compensation for service as officers of TierOne Corporation. The Compensation Committee is also responsible for setting compensation for all of the executive officers, including the Chief Executive Officer.

The Compensation Committee is comprised entirely of independent outside directors as defined under the Nasdaq listing standards. During the year ended December 31, 2004, the Compensation Committee met three times.

General Compensation Objectives and Policies

The Committee seeks to ensure that:

the interests of TierOne Corporation's employees are aligned with those of its shareholders through potential stock ownership; rewards are closely linked to company-wide and individual performance; incentives are provided for executive officers to work toward achieving successful annual results as a step toward fulfilling TierOne Corporation's long-term operating results and strategic objectives; the structure of executive officers' compensation balances short-term and long-term goals and objectives; compensation levels are reasonably competitive with comparable financial institutions; and TierOne Bank and TierOne Corporation can attract, retain and motivate top performing executive officers in a cost effective manner for the long-term success of TierOne Corporation.

The Compensation Committee applies these objectives through a compensation structure comprised of both base salary and incentive-based compensation, both short and long-term. Since a large part of total compensation is incentive based, a direct link is established between executive compensation and the long-term performance of TierOne Bank and TierOne Corporation.

In determining the broad general salary and benefit policies, and to establish base salary and incentive compensation levels, the Compensation Committee utilizes outside consultants and labor market studies. 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. The Compensation Committee's objective is to provide base salaries as well as the appropriate mix of total compensation that is reasonably competitive with total compensation paid by TierOne Corporation's peers as identified in such surveys. TierOne Corporation adopted updated compensation guidelines recommended by an outside national professional consulting firm in fiscal year 2003 and updated the compensation guidelines for the Chief Executive Officer and Chief Operating Officer in 2004.

Components of Executive Compensation

The three primary components of executive compensation of our executive officers are base salary, annual cash incentive compensation and long-term equity-based incentive compensation.

Base Salary. The Compensation Committee reviews market data compiled by outside consultants with respect to TierOne Corporation's peer group, supplemented by general industry information, to assess the competitiveness of the base salary of the Chief Executive Officer, the Chief Operating Officer and the other executive officers. The Compensation Committee considers the job performance and contribution to the successful operation of TierOne Corporation and TierOne Bank by the Chief Executive Officer, the Chief Operating Officer and the other executive officers (and in the case of executive officers other than the Chief Executive Officer, the Compensation Committee also considers the job performance evaluation and recommendation of the Chief Executive Officer before approving a salary adjustment for such executive officer) in determining any adjustment to the officer's salary. Executive base salaries are intended to be at levels reasonably comparable to the peer group with the opportunity for compensation at above market levels to come from the incentive compensation portion of the compensation program.

Annual Incentive Compensation. The Company's annual incentive compensation program, referred to as the Management Incentive Compensation Plan, is designed to provide performance-based annual compensation based on the achievement of performance targets approved by the Compensation Committee and the Board of Directors. For 2004, five criteria were used: earnings per share of TierOne Corporation and TierOne Bank's return on average assets, net interest margin, non-performing assets to tangible capital ratio and efficiency ratio. Other than the earnings per share criteria, each of the other criteria were measured against a peer group set forth in the Plan consisting of 11 comparably-sized financial institutions. The amount of a participant's award was a function of the performance of TierOne Corporation and/or TierOne Bank compared to the organizational criteria as well as the participant's performance compared to a series of individual goals.

The incentive compensation awards approved in March 2005 for 2004 by the Compensation Committee for the Chief Executive Officer and Chief Operating Officer were \$341,833 and \$197,163.

Long-Term Incentives. In the past, executive officers have been granted awards in the form of restricted stock or stock options pursuant to the 2003 Stock Option Plan and the 2003 Recognition and Retention Plan and Trust. Stock option awards made to date had an exercise price equal to the fair market value of a share of stock on the date of the award. Stock option awards and restricted stock awards vest pro rata over a five year period at the rate of 20% per year. No stock option or restricted stock awards were made to executive officers in 2004.

Compensation of the Chief Executive Officer

The compensation paid for the year ended December 31, 2004 to Gilbert G. Lundstrom, Chief Executive Officer of the TierOne Corporation and TierOne Bank, reflected the considered judgment of the Compensation Committee embracing the policies and processes described above.

Mr. Lundstrom's base salary was \$509,623 for 2004, an increase of 3.7% over 2003. In determining the Chief Executive Officer's fiscal 2004 salary, the Compensation Committee considered salaries offered by stock savings institutions and banks and their holding companies nationwide as provided by the consultant study discussed above. The Compensation Committee took into consideration the anticipated level of equity awards. The Compensation Committee also took into account the 38.1% growth in total assets between December 31, 2003 and December 31, 2004, as well as the 19.8% increase in diluted earnings per share for 2004 as compared to 2003. The Compensation Committee also considered Mr. Lundstrom's contributions in controlling TierOne Bank's operating expenses and in overseeing the successful completion of TierOne Corporation's acquisition of United Nebraska Financial Co. and TierOne Bank's purchase of four loan production offices and related loans from First Indiana Bank. No specific formula was used by the Compensation Committee to establish the Chief Executive Officer's base salary.

The Company's Compensation Committee consists of the following Directors, each of whom is an independent outside director.

The Compensation Committee

Joyce Person Pocras
 Campbell R. McConnell
 Ann Lindley Spence

PERFORMANCE GRAPH

TierOne Corporation completed its initial public offering on October 1, 2002, during which we sold an aggregate of 22,075,075 shares of our common stock at a price of \$10.00 per share. The following graph represents \$100 invested in our common stock at the \$14.00 per share closing price of the common stock on the Nasdaq National Market on October 2, 2002, the date our common stock commenced trading on the Nasdaq. The graph demonstrates comparison of the cumulative total returns for the common stock of TierOne Corporation, the Russell 2000 Index and the SNL Securities \$1B-\$5B Thrift Index for the periods indicated.

<i>Index</i>	<i>Period Ending</i>			
	10/02/02	12/31/02	12/31/03	12/31/04
TierOne Corporation	100.00	108.29	164.00	179.11
Russell 2000	100.00	106.75	157.20	186.01

Period Ending

SNL \$1B-\$5B Thrift Index	100.00	103.32	154.96	175.62
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* Source, SNL Financial LC.

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BENEFICIAL OWNERSHIP OF COMMON STOCK BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of March 1, 2005 (unless otherwise indicated), 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 1, 2005(1)	Percent of Common Stock
TierOne Corporation Employee Stock Ownership Plan Trust 1235 N Street Lincoln, Nebraska 68508	1,804,533 (2)	9.9%
Private Capital Management, L.P. Bruce S. Sherman Gregg J. Powers 8889 Pelican Bay Boulevard Naples, Florida 34108	1,806,911 (3)	9.9%
Peter B. Cannell & Co., Inc. 645 Madison Avenue New York, New York 10022	1,286,800 (4)	7.0%
Wellington Management Company, LLP 75 State Street Boston, Massachusetts 02109	1,059,125 (5)	5.8%
Directors:		
Gilbert G. Lundstrom	622,887 (6)(7)	3.4%
James A. Laphen	258,742 (6)(8)	1.4%
Campbell R. McConnell	140,300 (6)(9)	*
Joyce Person Pocras	114,901 (6)(10)	*
Charles W. Hoskins	10,500 (6)(11)	*
Ann Lindley Spence	120,300 (6)(12)	*
Other Named Executive Officers:		
Roger R. Ludemann	139,019 (6)(13)	*
Gale R. Furnas	115,516 (6)(14)	*
Eugene B. Witkowicz	114,637 (6)(15)	*
All Directors, Nominees for Director and Executive Officers of TierOne Corporation and TierOne Bank as a group (12 persons)	1,792,037 (6)	9.8%

* Represents less than 1% of the outstanding stock.

(Footnotes continued on following page.)

- (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 TierOne Corporation Employee Stock Ownership Plan Trust was established pursuant to the TierOne Corporation employee stock ownership plan by an agreement between TierOne Corporation and RS Group Trust Company who acts as trustee of the plan. As of December 31, 2004, a total of 337,153 shares held in the trust had been allocated to the accounts of participating employees. Under the terms of the employee stock ownership plan, the trustee votes all allocated shares held in the employee stock ownership plan 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.
- (3) The information regarding beneficial ownership by Private Capital Management, L.P., Bruce S. Sherman and Gregg J. Powers is reported by them in an amended statement on Schedule 13G/A, dated December 31, 2004, as filed with the Securities and Exchange Commission. Private Capital Management, Mr. Sherman and Mr. Powers reported shared voting and shared dispositive power over 1,806,911 shares. Private Capital Management, L.P. filed the Schedule 13G/A on behalf of Private Capital Management, L.P., Bruce S. Sherman, its Chief Executive Officer, and Gregg J. Powers, its President.
- (4) The information regarding beneficial ownership by Peter B. Cannell & Co., Inc. is reported in a statement on Schedule 13G, dated December 31, 2004, as filed with the Securities and Exchange Commission. Peter B. Cannell & Co., Inc. reported sole voting and sole dispositive power over the shares.
- (5) The information regarding beneficial ownership by Wellington Management Company, LLP is reported in a statement on Schedule 13G, dated December 31, 2004, as filed with the Securities and Exchange Commission. Wellington Management Company, LLP reported shared voting power over 549,225 shares and shared dispositive power over 1,059,125 shares in its capacity as investment adviser.
- (6) (a) Includes options to acquire shares of our common stock that were exercisable on March 1, 2005, or 60 days thereafter, under our 2003 Stock Option Plan as follows:

Name	Number of Shares
Gilbert G. Lundstrom	216,800
James A. Laphen	108,000
Campbell R. McConnell	45,150
Joyce Person Pocras	45,150
Ann Lindley Spence	45,150
Roger R. Ludemann	36,000
Gale R. Furnas	36,000
Eugene B. Witkowicz	36,000
All Directors and Executive Officers of TierOne Corporation and TierOne Bank as a group (12 persons)	608,250

(b) Includes 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
Gilbert G. Lundstrom	176,000
James A. Laphen	88,000
Campbell R. McConnell	36,120
Joyce Person Pocras	36,120
Charles W. Hoskins	10,000
Ann Lindley Spence	36,120
Roger R. Ludemann	32,000
Gale R. Furnas	32,000
Eugene B. Witkowicz	32,000
All Directors and Executive Officers of TierOne Corporation and TierOne	532,260

Bank as a group (12 persons)

(Footnotes continued on following page.)

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- (7) Includes 80,000 shares held jointly with Mr. Lundstrom's wife, 6,045 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, 81,000 shares held in two trusts in which Mr. Lundstrom's spouse has a pecuniary interest, 4,042 shares which have been allocated to Mr. Lundstrom's account in the employee stock ownership plan and 44,000 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, 50 shares held in Mr. Laphen's account in TierOne Bank's 401(k) savings plan, 4,042 shares which have been allocated to Mr. Laphen's account in the employee stock ownership plan, 6,300 shares held by Mr. Laphen in his IRA account and 22,000 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 and 9,030 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, 12,101 shares held in Ms. Pocras' account in TierOne Bank's 401(k) savings plan and 3,030 vested shares allocated to Ms. Pocras from TierOne Corporation's 2003 Recognition and Retention Plan.
- (11) Includes 500 shares held by Mr. Hoskins in his IRA account.
- (12) Includes 30,000 shares held jointly with Ms. Spence's husband and 9,030 vested shares allocated to Ms. Spence from TierOne Corporation's 2003 Recognition and Retention Plan.
- (13) Includes 15,560 shares held by Mr. Ludemann's wife, 24,611 shares held in Mr. Ludemann's account in TierOne Bank's 401(k) savings plan, 3,148 shares allocated to Mr. Ludemann's account in the employee stock ownership plan, 9,700 shares held by Mr. Ludemann in his IRA account, 10,000 shares held directly by Mr. Ludemann and 8,000 vested shares allocated to Mr. Ludemann from TierOne Corporation's 2003 Recognition and Retention Plan.
- (14) Includes 16,477 shares held in Mr. Furnas' account in TierOne Bank's 401(k) savings plan, 3,604 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, 17,500 shares held directly by Mr. Furnas and 8,000 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, 26,729 shares held in Mr. Witkowicz's account in TierOne Bank's 401(k) savings plan, 3,408 shares which have been allocated to Mr. Witkowicz's account in the employee stock ownership plan and 8,000 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 the 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 10% or more of common stock.

Based solely on our review of the copies of such forms furnished to us, or written representations from our officers and directors, we believe that during, and with respect to, the fiscal year ended December 31, 2004, 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 that Mr. Kellogg failed to timely file one Form 4 in 2004 relating to an open market purchase by his wife.

INDEPENDENT AUDITORS

During 2004 and 2003, KPMG LLP examined our consolidated financial statements and also provided other audit services to us in connection with Securities and Exchange Commission filings. We have not selected auditors to act as our auditors for fiscal 2005. Currently we are reviewing various proposals for independent auditors, including KPMG LLP, for the 2005 fiscal year. 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.

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Audit Fees

The table below 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 2004 and 2003, 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 2004 and 2003.

	Year Ended December 31,	
	2004	2003
Audit fees (1)	\$478,250	\$126,677
Audit-related fees (2)	\$68,613	26,600
Tax fees (3)	\$52,907	66,300
All other fees	--	--
Total	\$599,770	\$219,577

- (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 FDICIA. Additional fees were incurred in 2004 relating to auditing activities associated with the United Nebraska Financial Co. acquisition.
- (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 and other internal control and due diligence services.
- (3) Tax fees consist primarily of fees paid in connection with preparing federal and state income tax returns and other tax related services.

The Audit Committee selects our independent auditors and pre-approves all audit services to be provided by it 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.

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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 (Codification of Statements on Auditing Standards, AU § 380), as modified and supplemented. The Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as modified and supplemented, and has discussed with KPMG LLP, the independent auditors' independence. 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 2004 for filing with the Securities and Exchange Commission.

Members of the Audit Committee

Campbell R. McConnell
Ann Lindley Spence
Joyce Person Pocras
Charles W. Hoskins

SHAREHOLDER PROPOSALS, NOMINATIONS AND COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Shareholders Proposals. Any proposal which a shareholder wishes to have included in the proxy materials of TierOne Corporation relating to the next Annual Meeting of Shareholders of TierOne Corporation, which is currently expected to be held in May 2006, 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 November 28, 2005. 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 November 28, 2005. 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 November 28, 2005, in the case of the 2006 Annual Meeting. We did not receive any shareholder nominations for the 2005 Annual Meeting.

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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 such communications to the director or directors to whom they are addressed.

ANNUAL REPORTS

We have filed an Annual Report on Form 10-K with the Securities and Exchange Commission for the year ended December 31, 2004. Pursuant to the rules of the Securities and Exchange Commission, services that deliver the Company's 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 2004 Annual Report on Form 10-K and this Proxy Statement.

Upon written or oral request, we will promptly deliver a copy of our 2004 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 2004 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 Georgeson Shareholder Communications, Inc., a professional proxy solicitation firm, to assist in the solicitation of proxies. Such firm will be paid a fee of \$6,000.00, plus reimbursement of out-of-pocket expenses.

**RECOGNITION PLAN VOTING INSTRUCTION BALLOT
TIERONE CORPORATION**

**IXI PLEASE MARK VOTES AS
IN THIS EXAMPLE**

The undersigned hereby instructs the Trustees of the 2003 Recognition and Retention Plan and Trust of TierOne Corporation to vote, as designated below, all the shares of common stock granted pursuant to the Recognition Plan to the undersigned as of March 1, 2005 at the Annual Meeting of Shareholders to be held in the Regents A Room at the Embassy Suites Hotel located at 1040 P Street, Lincoln, Nebraska on Monday, May 2, 2005 at 11:00 a.m., Central Daylight Time, and any adjournment thereof.

1. ELECTION AS DIRECTORS of all nominees listed:

For	Withhold	For All Except
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Nominees for three-year term expiring in 2008:
James A. Laphen and Campbell R. McConnell, Ph.D.**

Instruction: To withhold authority to vote for any individual nominee, mark "For All Except" and write that nominee's name in the space provided below.

2. In their discretion, the Trustees are authorized to vote upon such other business as may properly come before the meeting.

Date _____

Shareholder sign above _ Co-holder (if any) sign above

The Board of Directors recommends a vote FOR the Board's nominees for director. Such votes are hereby solicited by TierOne Corporation's Board of Directors.

If you return this card properly signed but you do not otherwise specify, shares will be voted for the Board of Directors' nominees for director. If you do not return this card, your shares will be voted in the Trustee's discretion.

**PLEASE MARK, SIGN, DATE AND PROMPTLY RETURN
THE BALLOT TO EUGENE B. WITKOWICZ, CORPORATE SECRETARY.**

1235 N Street
Lincoln, Nebraska 68508

March 28, 2005

To: Persons Granted Restricted Stock Under TierOne Corporation's 2003 Recognition and Retention Plan

As described in the attached materials, proxies are being solicited in connection with the election of directors at the upcoming Annual Meeting of Shareholders of TierOne Corporation. We hope you will take advantage of the opportunity to direct the manner in which shares of restricted common stock granted to you pursuant to the 2003 Recognition and Retention Plan and Trust Agreement and held in the Trust will be voted.

Enclosed with this letter is the Proxy Statement, which describes the matters to be voted upon, the Annual Report to Shareholders and a voting instruction ballot, which will permit you to vote the restricted shares granted to you. After you have reviewed the Proxy Statement, we urge you to vote your restricted shares held pursuant to the Recognition Plan by marking, dating, signing and returning the enclosed voting instruction ballot to Eugene B. Witkowicz, Corporate Secretary. The Corporate Secretary will certify the totals to the Trustees of the Recognition Plan for the purpose of having those shares voted by the Trustees.

We urge each of you to vote, as a means of participating in the governance of the affairs of TierOne Corporation. If your voting instructions for the shares held in the Recognition Plan are not received, the shares will be voted in the Trustees' discretion. While I hope that you will vote in the manner recommended by the Board of Directors, the most important thing is that you vote in whatever manner you deem appropriate. Please take a moment to do so.

Please note that the enclosed material relates only to those shares which have been granted to you under the Recognition Plan. You should receive other voting material for those shares owned by you individually and not under the Recognition Plan.

Sincerely,

/s/ Gilbert G. Lundstrom

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

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 Corporation.

To change the address on your account, please check the box at right and 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 and/or Plan Participant _____ Date _____ Signature of Shareholder 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.

**ANNUAL MEETING OF SHAREHOLDERS OF
TIERONE CORPORATION**

May 2, 2005

PROXY VOTING INSTRUCTIONS

MAIL Date, sign and mail your proxy/voting instruction card in the envelope provided as soon as possible.

COMPANY NUMBER _____

-OR-

TELEPHONE Call toll-free 1-800-PROXIES (1-800-776-9437) from any touch-tone telephone and follow the instructions. Have your proxy/voting instruction card available when you call.

ACCOUNT NUMBER _____

Please detach along perforated line and mail in the envelope provided **IF** you are not voting via telephone.

**The Board of Directors recommends that you vote FOR all of the nominees listed below.
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.
PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE [X]**

1. TO ELECT DIRECTORS: For three-year terms expiring in 2008.

2. In their discretion, the proxies/trustees are authorized to vote upon such other business as may properly come before the meeting.

Nominees:

[] FOR ALL NOMINEES () James A. Laphen

[] WITHHOLD AUTHORITY FOR ALL NOMINEES () Campbell R. McConnell, Ph.D

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.

[] FOR ALL EXCEPT (See instruction below)

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INSTRUCTION:

To withhold authority to vote for an individual nominee, mark FOR ALL EXCEPT and fill in the circle next to the nominee you wish to withhold, as shown here:

This card also constitutes your voting instructions for any shares held in the TierOne Bank 401(k) Savings Plan and the TierOne Corporation ESOP and the undersigned hereby authorizes the 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 Corporation.

To change the address on your account, please check the box at right and 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 and/or Plan Participant _____	Date _____	Signature of Shareholder and/or Plan Participant _____	Date _____
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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.