

TIERONE CORP
Form 11-K
June 26, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-50015

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

TierOne Bank Savings Plan

B. Name of issuer of securities held pursuant to the plan and the address of its principal executive office:

TierOne Corporation
1235 N Street
Lincoln, Nebraska 68508

REQUIRED INFORMATION

The following financial statements and supplemental schedule of the TierOne Bank Savings Plan are filed herewith.

TIERONE BANK SAVINGS PLAN

Financial Statements and Supplemental Schedule

December 31, 2007, 2006 and 2005

(With Report of Independent Registered Public Accounting Firm Thereon)

TIERONE BANK SAVINGS PLAN

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Report of Independent Registered Public Accounting Firm

Employee Benefit Committee
TierOne Bank Savings Plan:

We have audited the accompanying statements of net assets available for benefits of the TierOne Bank Savings Plan (the Plan) as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for each of the years in the three-year period ended December 31, 2007. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007 and 2006, and the changes in net assets available for benefits for each of the years in the the three-year period ended December 31, 2007 in conformity with U.S. GAAP.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of assets (held at end of year), is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP
Lincoln, Nebraska
June 25, 2008

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TIERONE BANK SAVINGS PLAN

Statements of Net Assets Available for Benefits
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets:		
Investments:		
At fair value:		
Principal Guaranteed Interest Account	\$ 2,239,929	2,453,874
Principal Partners Large Cap Value II Account	1,776,429	1,729,646
Mason Street Mid Cap Growth Account	618,584	335,681
Principal International Stock Account	4,842,656	4,373,753
Principal International Small Company Account	1,180,014	1,223,048
Principal Large Cap Stock Index Account	3,118,312	3,111,703
Principal Money Market Account	2,836,909	1,946,558
Principal U.S. Property Account	4,671,739	3,963,919
Principal Bond and Mortgage Account	3,118,263	3,093,283
Principal Bond Emphasis Balanced Account	397,363	389,868
Principal Stock Emphasis Balanced Account	429,743	403,594
Principal Partners Small Cap Value II Account	1,222,278	1,498,703
Principal Partners Large Cap Blend Account	2,455,833	2,371,295
Principal Partners Large Cap Blend I Account	2,583,075	2,742,135
Principal Partners Large Cap Growth II Account	1,699,526	460,679
Principal Partners Large Cap Growth Account	--	729,659
Principal Partners Mid Cap Growth I Account	1,021,270	840,129
Principal Mid Cap Stock Index Account	1,538,041	1,433,022
Principal International Emerging Markets Account	3,068,211	1,961,743
Principal Total Market Stock Index Account	1,059,954	811,795
TierOne Corporation Common Stock Account	7,792,837	11,322,985
	<u>47,670,966</u>	<u>47,197,072</u>
Total assets		
Liabilities:		
Accrued expenses	31,965	--
	<u>31,965</u>	<u>--</u>
Net assets available for benefits	\$ <u>47,639,001</u>	<u>47,197,072</u>

See accompanying notes to financial statements.

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TIERONE BANK SAVINGS PLAN

Statements of Changes in Net Assets Available for Benefits
Years ended December 31, 2007, 2006, and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Additions to net assets attributed to:			
Net appreciation (depreciation) in fair value of investments	\$ (6,627)	5,213,601	4,269,111
Dividends	108,745	121,863	62,919
	<u>102,118</u>	<u>5,335,464</u>	<u>4,332,030</u>
Total investment income			

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	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contributions:			
Employer	779,330	676,335	629,956
Participant	2,333,667	2,086,158	1,891,437
Rollover	12,119	78,305	357,055
	<u>3,125,116</u>	<u>2,840,798</u>	<u>2,878,448</u>
Total contributions			
	<u>3,227,234</u>	<u>8,176,262</u>	<u>7,210,478</u>
Total additions			
Deductions from net assets attributed to:			
Benefits paid to participants	2,782,651	2,376,196	12,065,594
Administrative expenses	2,654	5,749	7,059
	<u>2,785,305</u>	<u>2,381,945</u>	<u>12,072,653</u>
Total deductions			
	441,929	5,794,317	(4,862,175)
Net increase (decrease)			
Net assets available for benefits:			
Beginning of year	47,197,072	41,402,755	46,264,930
	<u>47,639,001</u>	<u>47,197,072</u>	<u>41,402,755</u>
End of year			

See accompanying notes to financial statements.

TIERONE BANK SAVINGS PLAN

Notes to Financial Statements

December 31, 2007, 2006, and 2005

(1) Description of Plan

The following description of the TierOne Bank (Bank) Savings Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

(a) General

The Plan, established August 1, 1978 and restated as of January 1, 2006, is a defined contribution 401(k) profit sharing plan and is administered by the Employee Benefit Committee. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Bank believes the Plan is in compliance with the requirements of ERISA.

(b) Eligibility

Employees must complete six months of service to be eligible for participation in the Plan. The employee must make an election to participate in the Plan and agree to make contributions to the Plan by payroll deductions.

(c) Contributions

Employees can contribute from 1% to 25% of their salary to the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined contribution plans. The Bank makes a matching contribution equal to 50% of an employee's contribution up to a maximum of 6% of the employee's salary. The Bank, in its discretion, may make additional contributions to the Plan not to exceed the maximum amount deductible from the Bank's income under the Internal Revenue Code (IRC). Participants must be employed on December 31 to receive an allocation of the Bank's contribution. Participants direct the investment of their contributions plus the Company's contributions into various investment options offered by the Plan.

(d) Participant Accounts

Each participant's account is credited with the participant's contribution, an allocation of the Bank's contribution, investment gains and losses, and any associated investment expenses. Administrative expenses are paid by the Bank. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

(e) Vesting

Participants are vested immediately in their contributions plus actual earnings thereon. Plan participants become 100% vested in the Bank's matching contributions at three years of service.

(f) Payment of Benefits

On termination of service or retirement, a participant may elect to receive either a single lump-sum amount equal to the value of the participant's vested interest in the participant's account or a fixed-period annuity. Participants may also elect to receive a taxable distribution of any part of their contributed vested account balance prior to retirement if plan hardship requirements are met.

TIERONE BANK SAVINGS PLAN

Notes to Financial Statements

December 31, 2007, 2006, and 2005

(g) Forfeitures

For the years ended December 31, 2007, 2006, and 2005, forfeitures in nonvested accounts totaling \$5,764, \$12,476, and \$13,171, respectively, were used to reduce employer contributions. At December 31, 2007 and 2006, forfeited nonvested accounts totaled \$1,345 and \$1,078, respectively.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

(b) Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Quoted market prices are used to value investments. Each pooled separate account is valued at fair value at the close of each business day. The net appreciation (depreciation) in pooled separate accounts as reflected in the statements of changes in net assets available for benefits consists of realized gains or losses and the unrealized appreciation and depreciation on those investments during the year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

(c) Payment of Benefits

Benefits are recorded when paid.

(d) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(e) *Risks and Uncertainties*

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

(f) *Concentrations of Investments*

Included in the Plan's net assets available for benefits at December 31, 2007 and 2006 are investments in TierOne Corporation common stock amounting to \$7,792,837 and \$11,322,985, respectively, whose value could be subject to change based on market conditions. At December 31, 2007 and June 19, 2008, the market value per share of TierOne Corporation common stock was \$22.15 and \$5.31, respectively. This decline in market value would have the impact of increasing net depreciation by approximately \$5.9 million since the Plan year ended December 31, 2007.

TIERONE BANK SAVINGS PLAN

Notes to Financial Statements

December 31, 2007, 2006, and 2005

(3) **Investments**

During 2007, 2006, and 2005, net appreciation (depreciation) in fair value of investments, was as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
American Century Income & Growth Account	\$ --	--	(76,320)
American Century Small Cap Value Account	--	--	(70,046)
Principal Partners Large Cap Value II Account	(27,195)	264,308	98,547
Mason Street Mid Cap Growth Account	77,888	(29,549)	--
Mason Street Aggressive Growth Account	--	40,281	11,589
Principal Mid Cap Growth II Account	--	(5)	--
Principal Guaranteed Interest Account	162,032	73,879	(9,106)
Principal International Stock Account	692,642	919,671	665,108
Principal International Small Company Account	137,335	265,154	196,524
Principal Large Cap Stock Index Account	158,553	409,882	110,721
Principal Money Market Account	104,888	81,076	63,582
Principal U.S. Property Account	561,972	485,753	490,443
Principal Bond and Mortgage Account	108,850	128,684	74,819
Principal Bond Emphasis Balanced Account	31,894	41,374	30,509
Principal Stock Emphasis Balanced Account	39,260	51,792	35,218
Principal Partners Small Cap Value II Account	(117,604)	238,051	166,349
Principal Partners Large Cap Blend Account	131,484	311,683	87,967
Principal Partners Large Cap Blend I Account	18,545	361,975	163,143
Principal Partners Large Cap Growth II Account	206,069	30,965	11,669

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	<u>2007</u>	<u>2006</u>	<u>2005</u>
Principal Partners Large Cap Growth Account	21,234	11,054	23,816
Principal Mid Cap Growth I Account	75,040	70,656	96,160
Principal Mid Cap Stock Index Account	120,969	128,337	132,882
Principal International Emerging Markets Account	799,860	446,138	259,696
Principal Total Market Stock Index Account	47,264	84,935	20,819
TierOne Corporation Common Stock Account	(3,357,607)	797,507	1,685,022
	<u>\$ (6,627)</u>	<u>5,213,601</u>	<u>4,269,111</u>

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(Continued)

TIERONE BANK SAVINGS PLAN

Notes to Financial Statements

December 31, 2007, 2006, and 2005

The following table represents the fair value of individual investments which exceed 5% of the Plan's net assets:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Principal Guaranteed Interest Account	\$ *	2,453,874	2,330,446
Principal International Stock Account	4,842,656	4,373,753	3,280,119
Principal Money Market Account	2,836,909	*	*
Principal Large Cap Stock Index Account	3,118,312	3,111,703	2,755,494
Principal U.S. Property Account	4,671,739	3,963,919	3,187,887
Principal Bond and Mortgage Account	3,118,263	3,093,283	2,962,668
Principal Partners Large Cap Blend Account	2,455,833	2,371,295	*
Principal Partners Large Cap Blend I Account	2,583,075	2,742,135	2,162,877
Principal International Emerging Markets Account	3,068,211	*	*
TierOne Corporation Common Stock Account	7,792,837	11,322,985	10,924,422

* Did not meet the 5% threshold in the applicable year.

(4) Guaranteed Interest Account with Insurer

The Plan entered into a guaranteed interest account with Principal Life Insurance Company who maintains the contributions in a pooled account. The guaranteed interest account is credited with earnings on the underlying investments and charged for plan withdrawals and administrative expenses charged by Principal Life Insurance Company. The guaranteed interest account is included in the financial statements at fair value (which represents contributions made under the contract plus earnings, less withdrawals and expenses) as it is not fully benefit responsive. There are no reserves against contract value for credit risk of the contract issuer or otherwise. The average yield and crediting interest rates approximated 3.37%, 2.94%, and 2.94% for 2007, 2006, and 2005, respectively. The crediting interest rate is based on an agreed-upon formula with the issuer, but cannot be less than 0%.

(5) Related Party Transactions

Certain of the Plan's investments are shares in pooled funds managed by Principal Life Insurance Company. Principal Life Insurance Company is the custodian as defined by the Plan, and therefore, these transactions qualify as party-in-interest. Fees paid by the Plan for the administrative services amounted to \$2,654, \$5,749, and \$7,059 for the years ended December 31, 2007, 2006, and 2005, respectively.

(6) Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100% vested in their employer contributions.

TIERONE BANK SAVINGS PLAN

Notes to Financial Statements

December 31, 2007, 2006, and 2005

(7) Tax Status

The Internal Revenue Service has determined and informed the Bank by a letter, dated June 19, 2002, that the Plan and related trust are designed in accordance with applicable sections of the IRC. Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

(8) Subsequent Event

On March 20, 2008, TierOne Corporation announced that its Board of Directors terminated the merger agreement between TierOne Corporation and CapitalSource, Inc. Pursuant to the terms of the merger agreement, either party had the right to terminate the merger agreement if the proposed merger was not completed by February 17, 2008.

Schedule
TIERONE BANK SAVINGS PLAN

Schedule H, line 4i Schedule of Assets (Held at End of Year)

December 31, 2007

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	Pooled funds on deposit with Principal Life Insurance Company:			
*	Principal Guaranteed Interest Account	GIC, maturities through 2011	**	\$ 2,239,929
*	Principal Partners Large Cap Value II Account	Pooled separate account	**	1,776,429
*	Mason Street Mid Cap Growth Account	Pooled separate account	**	618,584
*	Principal International Stock Account	Pooled separate account	**	4,842,656
*	Principal International Small Company Account	Pooled separate account	**	1,180,014
*	Principal Large Cap Stock Index Account	Pooled separate account	**	3,118,312
*	Principal Money Market Account	Pooled separate account	**	2,836,909
*	Principal U.S. Property Account	Pooled separate account	**	4,671,739
*	Principal Bond and Mortgage Account	Pooled separate account	**	3,118,263

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(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
*	Principal Bond Emphasis Balanced Account	Pooled separate account	**	397,363
*	Principal Stock Emphasis Balanced Account	Pooled separate account	**	429,743
*	Principal Partners Small Cap Value II Account	Pooled separate account	**	1,222,278
*	Principal Partners Large Cap Blend Account	Pooled separate account	**	2,455,833
*	Principal Partners Large Cap Blend I Account	Pooled separate account	**	2,583,075
*	Principal Partners Large Cap Growth II Account	Pooled separate account	**	1,699,526
*	Principal Partners Mid Cap Growth I Account	Pooled separate account	**	1,021,270
*	Principal Mid Cap Stock Index Account	Pooled separate account	**	1,538,041
*	Principal International Emerging Markets Account	Pooled separate account	**	3,068,211
*	Principal Total Market Stock Index Account	Pooled separate account	**	1,059,954
*	TierOne Corporation Common Stock Account	Corporate stock	**	7,792,837
				\$ 47,670,966

* Indicates party-in-interest.

** Historical cost information is omitted as it is no longer required for participant-directed accounts.

See accompanying independent auditors' report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

TIERONE BANK SAVINGS PLAN

Dated: June 25, 2008

By: /s/ Gilbert G. Lundstrom
Gilbert G. Lundstrom, on behalf of TierOne
Bank as the Plan Administrator

**EXHIBIT INDEX
TIERONE BANK SAVINGS PLAN
FORM 11-K**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

<u>Exhibit No.</u>	<u>Description</u>
23	Consent of KPMG LLP