

ROLLINS JAMES D III
Form 4
February 15, 2007

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
ROLLINS JAMES D III

2. Issuer Name and Ticker or Trading Symbol
PROSPERITY BANCSHARES INC
[PRSP]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
80 SUGAR CREEK CENTER
BOULEVARD

(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
02/14/2007

Director 10% Owner
 Officer (give title below) Other (specify below)
President and COO

SUGAR LAND, TX 77478

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) Code V Amount (D) Price | | | |
| Common Stock | 02/14/2007 | | M | 4,000 A \$ 3.125 | 40,530 ⁽¹⁾ | D | |
| Common Stock | | | | | 30,000 | I | Through IRA |
| Common Stock | | | | | 24,303 ⁽²⁾ | I | Through 401(k) Plan |
| Common Stock | | | | | 4,000 | I | Through spouse IRA |

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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|
| Employee Stock Option (right to buy) | \$ 3.125 | 02/14/2007 | | M | 4,000 | 02/10/2007 ⁽³⁾ 02/10/2008 | Common Stock | 4,000 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|-------------------|-------|
| | Director | 10% Owner | Officer | Other |
| ROLLINS JAMES D III 80 SUGAR CREEK CENTER BOULEVARD SUGAR LAND, TX 77478 | X | | President and COO | |

Signatures

/s/ James D. Rollins, III 02/15/2007

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Includes 14 shares acquired through the Prosperity Bancshares, Inc. dividend reinvestment plan since the last filing by the reporting person.
- (2) Includes 330 shares acquired through the Prosperity Bancshares, Inc. 401(k) plan since the last filing by the reporting person.

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- (3) The option vests ratably over a ten year period on each anniversary of the grant date, which was 02/10/1998; however no option could be exercised until 02/10/2003.
- (4) There was no price associated with the stock option grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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