

PROSPERITY BANCSHARES INC  
 Form 4  
 February 01, 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 \*  
 HOLMES NED S

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)  
 55 WAUGH DRIVE, SUITE 1111  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 01/30/2007

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

HOUSTON, TX 77027  
 (City) (State) (Zip)

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

**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

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

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SEC 1474  
 (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	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		Date Exercisable	Expiration Date	Title	Amount or Number of Shares
				Code	V				
Contract to Sell	<u>(1)</u> <u>(2)</u>	01/30/2007	J		100,000 <u>(1)</u> <u>(2)</u>	<u>(1)</u>	01/30/2009	Common Stock	100,000
Contract to Sell	<u>(3)</u> <u>(4)</u>	01/30/2007	J		100,000 <u>(3)</u> <u>(4)</u>	<u>(3)</u>	01/30/2009	Common Stock	100,000

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HOLMES NED S 55 WAUGH DRIVE, SUITE 1111 HOUSTON, TX 77027			X	

## Signatures

Ned S. Holmes                      02/01/2007  
 \_\_Signature of                      Date  
 Reporting Person

## 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).

On January 30, 2007, Mr. Holmes entered into a variable pre-paid forward contract (the "Contract") with Credit Suisse Capital LLC ("CS") and Credit Suisse Securities (USA) LLC, as agent, relating to 100,000 shares of Common Stock, which Contract expires on 1/30/2009 (the "Maturity Date"). The Contract provides that on the Maturity Date, Mr. Holmes will deliver, in the aggregate, a number of

(1) shares of Common Stock to CS (or the cash equivalent of such shares) as follows: (i) if the settlement price is less than the downside floor price of \$27.2635, 100,000 shares of Common Stock; and (ii) if the settlement price is equal to or greater than the downside floor price (with a cap price of \$47.7112), between 57,143 and 100,000 shares of Common Stock (subject to adjustment for capital restructurings), dependent on the settlement price.

Pursuant to the Contract, Mr. Holmes has the option to settle the Contract in cash, with the cash settlement amount being equal to the

(2) number of shares to be delivered multiplied by the relevant price. Mr. Holmes has pledged 100,000 shares of Common Stock to CS as security for his obligation to deliver the shares at termination of the Contract.

On January 30, 2007, HF Properties, Ltd. entered into a variable pre-paid forward contract (the "Contract") with Credit Suisse Capital LLC ("CS") and Credit Suisse Securities (USA) LLC, as agent, relating to 100,000 shares of Common Stock, which Contract expires on 1/30/2009 (the "Maturity Date"). The Contract provides that on the Maturity Date, HF Properties, Ltd. will deliver, in the aggregate, a

(3) number of shares of Common Stock to CS (or the cash equivalent of such shares) as follows: (i) if the settlement price is less than the downside floor price of \$27.2635, 100,000 shares of Common Stock; and (ii) if the settlement price is equal to or greater than the downside floor price (with a cap price of \$47.7112), between 57,143 and 100,000 shares of Common Stock (subject to adjustment for capital restructurings), dependent on the settlement price.

Pursuant to the Contract, HF Properties has the option to settle the Contract in cash, with the cash settlement amount being equal to the

(4) number of shares to be delivered multiplied by the relevant price. HF Properties has pledged 100,000 shares of Common Stock to CS as security for its obligation to deliver the shares at termination of the Contract.

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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