BANNER CORP Form 4 July 31, 2007

FORM 4

OMB APPROVAL

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

OMB 3235-0287 Number:

Check this box if no longer subject to Section 16.

January 31, Expires: 2005

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF **SECURITIES**

Estimated average burden hours per response... 0.5

Form 4 or Form 5 obligations may continue. See Instruction

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

1(b).

Security

(Instr. 3)

(Print or Type Responses)

1. Name and Address of Reporting Person * Klaue David A

2. Issuer Name and Ticker or Trading

5. Relationship of Reporting Person(s) to Issuer

Symbol

BANNER CORP [BANR]

(Check all applicable)

(First) (Middle) (Last)

(Street)

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

X_ Director 10% Owner Other (specify Officer (give title

07/30/2007

below)

6. Individual or Joint/Group Filing(Check

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

Applicable Line)

X 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

WALLA WALLA, WA 99362

10 SOUTH FIRST AVENUE

(City) (State) (Zip) 1.Title of 2. Transaction Date 2A. Deemed

4. Securities (Month/Day/Year) Execution Date, if TransactionAcquired (A) or Code Disposed of (D) (Month/Day/Year) (Instr. 8) (Instr. 3, 4 and 5)

5. Amount of 6. Ownership 7. Nature of Securities Form: Direct Indirect Beneficially (D) or Indirect Beneficial Owned Ownership Following (Instr. 4) (Instr. 4)

Reported (A) Transaction(s)

Code V Amount (D) Price

or (Instr. 3 and 4)

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

Persons who respond to the collection of SEC 1474 information contained in this form are not (9-02)required to respond unless the form displays a currently valid OMB control number.

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

1. Title of 3. Transaction Date 3A. Deemed 5. Number of 6. Date Exercisable and 7. Title and Amount 4. Derivative Conversion (Month/Day/Year) Execution Date, if **TransactionDerivative Expiration Date** Underlying Securitie Security or Exercise Code Securities (Month/Day/Year) (Instr. 3 and 4) (Instr. 3) Price of (Month/Day/Year) (Instr. 8) Acquired (A)

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	Derivative Security	or Disposed of (D) (Instr. 3, 4, and 5)								
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amour or Numbe of Shar
Phantom Stock Units (1)	\$ 30.66 (2)	07/30/2007	A		2,000		<u>(3)</u>	<u>(3)</u>	Common Stock	2,000
Option to buy Common Stock	\$ 30.88	07/30/2007	A		17,500		07/30/2008(4)	07/30/2017	Common Stock	17,50

Reporting Owners

Reporting Owner Name / Address	Relationships						
1 0	Director	10% Owner	Officer	Other			
Klaue David A 10 SOUTH FIRST AVENUE WALLA WALLA, WA 99362	X						

Signatures

/s/David A.
Klaue

**Signature of Reporting Person

O7/31/2007

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) Award of phantom stock units under the Banner Corporation Long-Term Incentive Plan.
- (2) Market price on July 30, 2007. Upon vesting, phantom stock units settle in cash at the value in excess of the value as of the grant date, plus dividends.
- (3) Award vests on July 30, 2012. Each unit will be settled on the director's separation from service, at a specified time or upon 60 months of continuous service as determined by the director.
- (4) Options awarded pursuant to 2001 Stock Option Plan; options are exercisable at rate of 20% each year beginning 7/30/08.
- (5) Market price on July 30, 2007.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

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