

ZIONS BANCORPORATION

Doyle L. Arnold
Vice Chairman
Chief Financial Officer

May 5, 2008

Mr. Russell G. Golden
Chairman of Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116



LETTER OF COMMENT NO.

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by email: director@fasb.org

Re: File Reference No. EITF0705

Dear Mr. Golden,

Zions Bancorporation appreciates the opportunity to comment on EITF Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock." Our comments will be limited to the Task Force's decision in its March 12, 2008 meeting to not provide a means by which instruments designed and issued with the purpose of obtaining a market valuation of employee stock options can be accounted as equity.

Statement 123R paragraphs 22 and A7 express a preference for the use of a market value for the grant-date measurement of employee stock options and the SEC has repeatedly encouraged the development of market-based alternatives to existing models. For the past three years Zions has been working to develop a market-based alternative to the valuation of employee stock options that meets the measurement objectives of Statement 123R. In October 2007, SEC Chief Accountant Conrad Hewitt informed us that our ESOARS instrument meets the measurement objective of Statement 123R and can be used for financial reporting purposes. We have had two successful ESOARS auctions and have used the results for FAS 123R. We believe that the market valuation provides superior information to shareholders.

Notwithstanding the successful design of the instrument and method of pricing, the continued use of the instrument for Statement 123R purposes is highly unlikely due to the current liability treatment of the instrument for the issuer. While market-based valuation can provide better information to shareholders, liability accounting offsets that improvement by adding noise and distorting reported earnings as stock price volatility increases volatility of reported earnings. Feedback we have received from senior management at public companies is that this is not a tradeoff that they are willing to make. Over the longer terms of employee stock options, stock prices are expected to rise, so that the cost to a company of using such an instrument to improve disclosure for shareholders is an expected ongoing drag to earnings, increasing the effective

compensation cost to an amount greater than the market-determined expense. However, liability accounting can also result in an increase to reported earnings. For example, in May of 2007 Zions' ESOARS were issued at \$12.06 with a strike price of \$83.25 and that valuation was used for Statement 123R purposes. As of March 31, 2008, the stock price had fallen to \$45.55 and the mark-to-market value of the liability had fallen to nearly zero. Nearly all of the \$12.06 per unit has flowed through earnings as income.

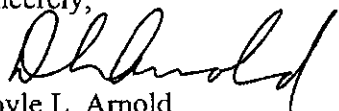
In our view, an instrument that is solely designed to measure the fair value of an equity instrument (the underlying employee stock options) and by design mirrors the economics of an equity instrument should itself be accounted as equity.

The instrument is not issued to hide a derivative on the balance sheet nor is it used to achieve off-balance sheet financing or any other specific accounting result. In fact, the features of the instrument that primarily result in liability accounting are necessary in order to meet the Statement 123R measurement requirements. Specifically, payments to holders of the security must coincide with value realized by employee-holders of stock options and must also be adjusted for employee stock option forfeitures that occur prior to vesting. In our view, it is impossible to design an instrument that simultaneously meets the measurement objectives of Statement 123R and qualifies for equity treatment under current or proposed reporting standards.

Finally, from a policy perspective, it is our opinion that the continued development of market-based alternatives to model-based valuation of employee stock options is desirable. Model-based methods are overly reliant on assumptions and in certain market environments these assumptions are difficult to estimate and may be subject to management manipulation. A market can do a better job of determining the fair value of employee option awards. Indeed, not only is a market value favored by Statement 123R and encouraged by the SEC, it is consistent with the continued expansion of market-based valuation in financial reporting (e.g., Statements 157 & 159).

We respectfully request that the Task Force reconsider granting an exception for this class of instruments. As proposed in the March 12, 2008 meeting, the exception would only apply to instruments that are solely used for the determination of fair market value of employee stock options that are themselves accounted as equity. The features that disallow equity treatment are neither extraneous nor offensive. The use of these instruments has the potential to improve financial reporting standards but is very unlikely to gain wide acceptance if mark-to-market liability accounting is required.

Sincerely,



Doyle L. Arnold
Chief Financial Officer and Vice Chairman
Zions Bancorporation

CC: Christopher Cox, Chairman, Securities and Exchange Commission
Conrad W. Hewitt, Chief Accountant, Securities and Exchange Commission