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

OFFICE OF
THE CHIEF ACCOUNTANT

January 25, 2007

Mr. James G. Livingston
Vice President
Zions Bancorporation
One South Main Street
Salt Lake City, UT 84111

Dear Mr. Livingston:

On September 22, 2006, you submitted a report and supplemental materials (collectively referred to herein as "Submissions") to the Office of the Chief Accountant that summarized Zions Bancorporation's issuance of Employee Stock Option Appreciation Rights Securities (ESOARS). Also, you described a plan to use a future issuance of these securities as a basis for valuing employee share-based payment awards under FASB Statement No. 123R, "Share-Based Payment" (Statement 123R). Your Submissions request the views of the staff of the Office of the Chief Accountant as to whether the ESOARS you described were sufficiently designed to be used as a market-based approach to valuing employee share-based payment awards under Statement 123R.

Based on our review of your Submissions, and subject to your adoption of the modifications recommended in the following paragraph, the SEC staff concurs with your view that the ESOARS instrument is sufficiently designed to be used as a market-based approach to valuing employee share-based payment awards under Statement 123R.

With respect to the design of the ESOARS described in your Submissions, the SEC staff noted that investors in ESOARS purchased the right to payments that are affected by the forfeiture rate of the underlying employee share-based payment awards. Accordingly, investors in the ESOARS would need to consider the effect of employee forfeitures when determining the price they are willing to pay to acquire an ESOARS. As you are aware, Statement 123R precludes consideration of forfeitures when estimating the grant date fair value of employee share-based payment awards. In your Submissions, you describe two possible modifications to the design of the ESOARS in order to eliminate the effect of forfeitures on investors in ESOARS. The SEC staff believes that either of the two modifications described in your Submissions would allow investors to eliminate consideration of forfeiture rates when determining the price they are willing to pay to acquire an ESOARS.

Your adoption of the foregoing modifications will, in our view, result in an instrument that is sufficiently designed to be used as a market-based approach under Statement 123R. Nonetheless, we draw your attention to the importance of an appropriate market pricing mechanism and related information plan, with respect to the estimation of fair value when using a market-based approach under Statement 123R. As noted in the memorandum from the SEC's Office of Economic Analysis (OEA), which was released in September 2005, these are necessary to ensure appropriate levels of competition and liquidity in the market for the instrument. Two factors in your first auction (the two-minute rule mechanism, and technological delays) may have contributed to a market-clearing price for ESOARS that may have not been representative of the fair value of the underlying employee share-based payment awards. Thus, the market pricing mechanism for Zions Bancorporation's June 2006 auction may not have been sufficient for Statement 123R purposes.

The SEC staff recommends, therefore, that each ESOARS auction be analyzed to determine whether it results in an appropriate market pricing mechanism. Specifically, the analysis should determine if the auction clearing price is representative of the fair valuation of the underlying employee share-based payments. Factors that should be considered in determining whether an auction was an appropriate market pricing mechanism include, but are not limited to, the following:

- The size of the ESOARS offering relative to market demand
- The number of bidders (e.g., Did a sufficient number of bidders participate in the auction? Were they independent?)
- Technology issues, including delays
- Bidder perception concerning costs of holding, hedging, or trading the instrument

Adequate consideration of these factors is important to ensure that the auction process results in the sale of ESOARS at what can truly be deemed market prices.

As the OEA memorandum states, the use of an appropriate market instrument for obtaining an estimate of fair value has certain distinct advantages over a model-based approach. These include:

- The market price obtained through a market-based approach value can efficiently reflect a consensus view among informed marketplace participants about an expense, asset or liability's utility, future cash flows, the uncertainties surrounding those cash flows, and the compensation that marketplace participants demand for bearing those uncertainties.

- The instrument's price could establish the true opportunity cost of the award to the issuer by having it priced by the market.

- Use of a market instrument may promote competition between different approaches to the estimation of the value of the market instrument, and thereby lead to innovations in models and techniques used to price employee stock options.

- There could be a positive externality for other firms that could use market prices to help improve their calibration of model-based estimates.

As a result, the prices determined by the auction process for ESOARS need not replicate those produced by one or more models in order to be deemed suitable for use as estimates under Statement 123R. Nonetheless, in analyzing the auction results, management may find it useful to compare the auction results to the estimated fair value of the instrument derived through broadly accepted modeling techniques.

The SEC staff believes that Zions Bancorporation has made significant progress in identifying a suitable market-based approach to valuing employee share-based payment awards. We encourage you to share with us your results and analysis of future auctions of ESOARS.

If you have any questions concerning this letter, please contact Mark Barrysmith at 202-551-5304.

Sincerely,

Conrad W. Hewitt

Conrad Hewitt
Chief Accountant