



AMB PROPERTY CORPORATION

March 23, 2005

Commissioner Cynthia A. Glassman
U.S. Securities and Exchange Commission
450 Fifth Street N.W.
Washington, D.C. 20549-0609

FILED ELECTRONICALLY (rule-comments@sec.gov)

Dear Commissioner Glassman:

In complying with the Sarbanes-Oxley Act of 2002 (“SOA”) public companies experienced a significant rise in related costs, including audit and consulting fees, and the internal costs of additional personnel and workload re-allocation. While we believe that shareholders and managements of public companies have benefited marginally from SOA compliance in 2004, we also believe that rule revisions and interpretations in 2005 could result in the most cost-effective mandates for control environment improvements, going forward.

Despite our diligence in spending, our relatively simple business and corporate structure with less than 300 personnel, we still incurred SOA compliance costs approximating \$1,400,000 for 2004. This is greater than a penny and a half of net income per common share and represents 75% of our current year’s audit fees. We’ve treated all costs related to SOA compliance as an expense, because there is no estimable future benefit.

Related to the ballooning external costs, is the scarcity of qualified auditors. The public accounting firms’ non-reliance on work performed by others has artificially created a low-supply, high-demand market for qualified personnel. This has driven up the hourly charge rates of public accounting firms and has resulted in their inability to adequately service all the needs of the market. To this end, public shareholders are penalized instead of receiving benefits, as was the intention of SOA.

Admittedly, the large economic losses incurred from failures of companies like Enron¹ and WorldCom² created an indefensible need for additional expenditures to support a mandate for control environment minimum standards and further specifications to auditing standards. Legislation such as SOA can potentially prevent further “Enrons” from happening without causing unnecessarily high costs of compliance for companies with a healthy internal control framework in place.

Based on our experience with SOA guidelines during 2004, here are my proposals to help make 2005 and future years more cost-effective for public companies:



- 1) Reduce the duplicative requirements of public companies and their Independent Accountants to each opine separately on the adequacy of design and the operating effectiveness of a company's internal controls over financial reporting:
 - a. Create the ability for the Independent Accountants to take a heavier reliance on work performed by others after considering their competence, objectivity and independence and performing tests to corroborate results.
 - b. Propose an acceptable rotation plan for internal control testing of business cycles once every two or three years, if they were successfully tested in the first year of implementation.
- 2) Propose that computer application controls that tested successfully in the first year of implementation be limited to change management testing on a go-forward basis.
- 3) Create acceptable alternatives for evidence of controls. The absence of a supervisor's physical sign-off on a piece of paper should not equate to an internal control deficiency when the review or reconciliation process obviously took place. This is a form over substance finding that conveys nothing about the effectiveness of internal control activities and such investigation and debate has cost many personnel hours.
- 4) Establish a standard threshold for material weakness and significant deficiency and clearly define what constitutes "significant deficiencies." *A Framework for Evaluating Control Exceptions and Deficiencies, Version 3*, dated December 20, 2004 defined "inconsequential" to be equal to 20% of materiality.
- 5) Maintain the SOA Auditor Independence provisions (Section 200).
- 6) Maintain and focus on requirements for ethical business practices, codes of conduct, audit committee oversight and other control environment enhancements.
- 7) Maintain the corporate and criminal fraud accountability provisions.

If improvements can be made to make SOA compliance cost effective, we can achieve the hoped for benefits.

Signed: Michael A. Coke
Executive Vice President and Chief Financial Officer
AMB Property Corporation

cc:
Chairman William H. Donaldson, Securities & Exchange Commission
Commissioner, Paul S. Atkins, Securities & Exchange Commission
Commissioner, Roel C. Campos, Securities & Exchange Commission
Commissioner, Harvey J. Goldschmid, Securities & Exchange Commission
Mr. Jonathan G. Katz, Secretary, Securities & Exchange Commission
Mr. William J. McDonough, Chairman, Public Company Accounting Oversight Board
NAREIT



Notes:

1 – Enron paid its auditors \$47.5 million of which \$13.3 million was for consulting work. Source: Testimony of Andersen, LLP by Francis T. Nusspickel, CPA before The New York State Senate Higher Education Committee on February 6, 2002 at The Graduation Center, 365 Fifth Avenue, New York, NY

2 – KPMG provided aggressive tax planning (for millions of dollars) that was flawed. Source: *WorldCom Case Encounters Snag Over KPMG LLP* By Jonathan Weil and Shawn Young, Staff Reporters of the Wall Street Journal March 18, 2004.