



ICO, Inc.
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February 15, 2006

Mr. Jonathon Ingram
Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549

Dear Jonathon,

You have been kind to receive our previous two letters on the topic, for which we are most appreciative. This, our third letter, is prompted by the preliminary recommendations of an advisory panel to the SEC made in December of 2005, as well as the final accounting charges we have received from our third-party auditor, PricewaterhouseCoopers.

Market Capitalization vs Revenues

Addressing the recommendation of the advisory panel, I enclose a matrix prepared by our internal audit department reflecting our understanding of these recommendations. We strongly encourage the commission to adopt "market" capitalization as a hurdle rather than the annual revenue as a hurdle. Alternatively, we encourage the commission to adjust the revenue hurdles upward.

Companies in the manufacturing or processing sector operate on thin margins, which translates to a "low" relationship of revenues to market value. Therefore, a company such as ICO, will be considered a "larger public company" and will not qualify for Sarbanes-Oxley 404 ("SOX") relief due to the revenue hurdle, rather than the market capitalization hurdle.

It is, however, precisely for companies with very thin margins that the burden of SOX compliance is relatively very expensive. Indeed, these are the companies that most need relief. SOX compliance costs were about 26% of our income from continuing operations before taxes in our fiscal year 2005. That is quite a burden.

While the purpose of this letter is simple – to express support for market capitalization as a hurdle, rather than revenues – it occurs to me that one other point should be clearly stated. If ICO were a company with only one location, SOX compliance would not be a great and expensive endeavor. ICO, however, is a company with 18 locations in 9 countries. This means we have to employ, albeit indirectly, affiliates of our independent accounting firm in 8 other countries. For the employees of these affiliates, learning SOX and auditing internal control systems to comply with SOX is certainly a considerable effort and is not necessarily an efficient or effective process. For ICO, compliance with SOX is complex, difficult, and expensive. Consequently, we hope the SEC will weigh the cost of compliance as compared to the benefits.

Yours very truly,

A. John Knapp, Jr.
President and C.E.O.

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Public Company Classification	Approximate Market Capitalization Cutoff		Aproximate Annual Revenues Cutoff	Note
Microcap Companies	<\$100M	&	<\$125M	Exempt from Section 404 of SOX
Smaller Public Companies	<\$700M	&	<\$250M	Exempt from Audit Requirements of SOX 404
Larger Public Companies	>\$700M	or	>\$250M	No Relief from Section 404 of SOX
ICO, Inc.	\$85M		\$297M	ICO falls into "Larger Public Co." Classification

- ❖ As can be seen from the table above, the Company would not receive any relief from Section 404 of SOX if the advisory panel's current recommendations are approved due to the Company's annual revenues exceeding the recommended cutoff.