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Via e-mail to rule-comments@sec.gov

Securities and Exchange Commission
Division of Corporate Finance
450 Fifth Street, N.W.
Washington, D.C. 20549

Dear Sirs:

The purpose of this letter is to respond to the draft report of the Advisory Committee on Smaller Public Companies.

As we stated in our letter dated February 15, 2006, we strongly recommend that the panel exclude revenues and include only market capitalization for determining a public company's Sarbanes-Oxley 404 ("SOX") compliance requirements. Companies like ICO (i.e., manufacturing and industrial service businesses) operate in highly competitive markets that offer relatively thin profit margins. Revenues for these companies tend to be higher than market capitalization, and this has been the case for ICO. The emphasis, in our opinion, should be the amount of capital U.S. persons have invested in a given public company (i.e., market capitalization is most important).

In 2005, ICO spent about 26% of our income from continuing operations before taxes to successfully comply with SOX. This was a very high price to pay, and we believe the cost of compliance far outweighs the benefits. Because of the substantial cost to comply with SOX, we are concerned about our global competitive position. Most of our competitors are not U.S. public companies and are not burdened by the requirements of SOX. The magnitude of the cost of compliance, relative to our operating profitability, calls into question whether we can remain a U.S. public company (assuming SOX relief is not provided to us).

For the second year of SOX compliance, our current independent auditors are anticipating a low double-digit percentage decline in our audit fees (fiscal year 2006, compared to 2005). We had expected a much larger fee decline. The minimal decline in our 2006 audit fee is in keeping with the negative surprises we have had over the past year and a half concerning the costs of remaining compliant (including our audit fees increasing over 100% in fiscal year 2005). One of the reasons our independent auditor fees have been high is due to the international nature of our business. Having 18 plants in 9 countries requires several foreign offices of our independent auditors to be involved in our annual audit. We believe this fact has increased our costs as more independent audit personnel have been involved in our audit engagement. We also



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suspect that, because of the SOX requirements, public accounting firms have seen their profitability improve significantly in recent years. Expecting these firms to be prudent in the amount of additional time they spend auditing public companies seems to run counter to their own interests. This situation is exacerbated by the fact that the public accounting firms face increasing scrutiny and liability for the audits they perform. Without clear guidance from the PCAOB and/or the SEC, why would anyone expect public accounting firms to act differently?

Last, we highly recommend that the Commission take action and provide relief for smaller public companies in the near future. Some have suggested that, at this time, the best course of action is to continue to defer the requirements of SOX for some smaller public companies (ICO would not benefit from this policy since we are now classified as an accelerated filer), rather than provide permanent exemption. Maintaining the status quo will simply mean that ICO, and other companies like us, will continue to bear the very high costs of complying, with ambiguous requirements, causing us to be less competitive than we should be. It is critically important that action be taken without further delay.

Sincerely,

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

Jon C. Biro
C.F.O. and Treasurer

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