

Business Ethics Policy

To All Employees, Officers and Directors:

The nature and scope of DXP Enterprises, Inc.'s operations place a significant trust in individual employees. Since its founding in 1908, the Company has always operated with the highest ethical standards. The Company rewards the contribution of its employees by providing challenging employment, competitive compensation and benefits.

Over the years, Company employees have understood and met these high ethical standards. With continued growth and the addition of new operating units, however, it is appropriate to be more specific concerning how the Company's ethical standards apply to certain business situations. For this reason, the Company has issued the following Business Ethics Policy. These policies apply in principle to all areas of the Company's business.

As an employee of the Company, you are expected to study the Business Ethics Policy, and to pledge your personal commitment and compliance. You will be asked to certify your compliance with the program. All employees have an obligation to maintain exemplary business conduct.

I am confident that Company employees will abide by the ethical standards that are vital to the continued success of the Company and its employees. All of us are on a team. We must be able to depend on our teammates to support these standards for the mutual benefit of all of us.

David R. Little
Chairman and CEO

Introduction

It is the policy of DXP Enterprises, Inc. to comply fully with the laws and regulations to which it is subject and to conduct business in an ethical manner. The Business Ethics Policy sets forth expectations of legally and ethically correct conduct required of all employees, officers and members of the Company's Board of Directors (collectively, "employees") in a variety of identified business situations. The Business Ethics Policy does not and cannot cover every situation in which you will be faced with ethical questions. Questions will arise concerning interpretation, intent, and application. All such questions should be discussed with your supervisor, who will consult with higher authority, whenever appropriate.

The term "Company" in this publication includes all subsidiaries and business units of DXP Enterprises, Inc.

In performing their duties for DXP, all employees must comply with all applicable laws, rules, and regulations and must avoid situations that could result in the appearance of wrongdoing or impropriety under these guidelines. Employees are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behavior and, when in doubt, about the best course of action in a particular situation. Unless authorized by the employee or required by law, the identity of the employee reporting a violation, a concern, or a complaint will not be disclosed.

If you have any questions or concerns regarding potential violations of applicable laws, rules, and regulations, or of these guidelines, you should immediately contact any of the following:

1. Your supervisor or department manager
2. Human Resources Director
3. Chief Financial Officer
4. Corporate Controller
5. The Company's Toll-Free Phone Number, during normal business hours, 1-877-996-4700, ext. 4771

The Company recognizes that there will be special situations where employees will prefer to report a violation, a concern, or a complaint without having the report attributed to them. You may contact the Human Resources Department at (713) 996-4771 or 1-877-996-4700, ext 4771, during normal business hours, and explain why you are calling without leaving your name. You may also send an email to hr@dxpe.com, fax to (713) 939-1591, or mail to Ethics Officer C/O Human Resources - 7272 Pinemont, Houston, TX 77040.

If any employee of the Company has concerns or complaints regarding questionable accounting or auditing matters of the Company, then he or she is encouraged to submit those concerns or complaints (confidentially or otherwise) to the Audit Committee of the Board of Directors by sending an email to cletdav@flash.net, or to assure anonymity, an employee should mail correspondence to the Audit Committee of the Board of Directors C/O Cletus Davis, 308 North Washington Avenue, Bryan, Texas 77803.

All reports will be treated with appropriate confidentiality. The Company will not allow retaliation of any kind for reports made in good faith.

Focus

This Business Ethics Policy is intended as a codification of standards that are reasonably designed to deter wrongdoing and to promote and reinforce the following:

1. Honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
2. Full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with or submits to the Securities and Exchange Commission ("SEC") or releases to the public.
3. Compliance with applicable governmental laws, rules and regulations.
4. The prompt reporting to an appropriate person or persons identified in this Business Ethics Policy of violations of the Business Ethics Policy.
5. Accountability with respect to adherence to this Business Ethics Policy.

Be Honest and Fair in All Business Dealings

As a Company employee you are expected to be honest and fair in dealings with fellow employees, the Company, suppliers, customers, competitors, and other members of the business community. At some time or another, you may have the opportunity to profit, at the expense of the Company, fellow employees or others, by dishonesty. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice. Such behavior could take the form of filing a false expense statement; accepting a bribe or kickback from a supplier; copying computer software; lying to a supervisor or customer concerning business facts; taking merchandise, supplies, or money; or other similar misdeeds.

We would like to see each of you enjoy a long-term, productive relationship with the Company. However, we will not hesitate to discipline, discharge and/or prosecute in court, as appropriate, anyone who knowingly violates the rule of basic honesty and fairness, whether or not covered specifically by the Business Ethics Policy.

Avoid Conflicts of Interest in Any Form

A conflict of interest is divided loyalty between the interests of the Company and the personal interests of the employee. A conflict situation can arise when an employee takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest can also arise when an employee, or a member of the employee's family, receives improper personal benefits as a result of a Company position whether received from the Company or a third party. You must act honestly and ethically and not allow personal considerations or relationships, either actual or potential, to influence you in any way when representing the Company in dealings with other persons or organizations.

Each of you has the obligation to avoid not only situations that give rise to a conflict of interest, but also those situations that create the appearance of a conflict of interest.

You may encounter potential conflicts of interest in a variety of situations. Some of the more likely areas are:

1. Relationships with customers or suppliers, especially relating to entertainment situations or gifts.
2. Financial or other dealings, including loans or guarantees, with outside organizations that do business with our Company.
3. Outside employment with any competitor, customer, or supplier of the Company, or any other outside employment arrangements that could jeopardize your independence or adversely affect our interests or productivity.
4. Transactions not in the ordinary course of business involving a member of the Company's Board of Directors that have not been appropriately approved by the Board and disclosed to the public.

You should reexamine your investments, relationships, and activities periodically to avoid becoming involved in a conflict of interest. If you are in doubt concerning the propriety of any activity, you are obliged to review the situation with your supervisor.

You are required to tell us immediately about any conflicts of interest or potential conflicts of interest between your personal and your business relationships.

The Company reserves the right to determine whether certain activities constitute a conflict of interest. If, after such determination and appropriate discussion, you persist in engaging in such activities, discharge may result.

Make Sure That All Entries in the Books and Records of the Company are Complete and Accurate

All entries made in the Company's books, records, and accounts must properly and fairly reflect the transactions being recorded, to the best knowledge, information, and belief of the employees making the entries.

Regardless of your position with the Company, you are involved in our database; e.g., a sales representative files customer call reports or other documents, a product manager fills out price data, an employee prepares an expense statement, and another employee makes an entry in a computerized data system. All of you report Company information, and you are required to do it completely, correctly, and honestly.

Our policy expressly forbids the improper handling of our funds and assets. All funds and assets of the Company must be disclosed and recorded properly; no undisclosed or unrecorded fund or asset of the Company is to be established for any purpose.

If you have concerns or complaints regarding questionable accounting or auditing matters of the Company, you are encouraged to submit those concerns and complaints to the Audit Committee of the Board of Directors by sending an email to cletdav@flash.net, or to assure anonymity, an employee should mail correspondence to the Audit Committee of the Board of Directors C/O Cletus Davis, 308 North Washington Avenue, Bryan, Texas 77803.

Reporting Violations; Enforcement

The Company will not permit retaliation of any kind by or on behalf of the Company against any employee, as a result of a good faith report of an actual or suspected violation of this Business Ethics Policy or any standard of ethical or lawful conduct. Retaliation is itself a violation of this Business Ethics Policy. Any such retaliation shall be reported using the reporting procedures outlined above.

To the extent possible, investigations of allegations of violations of this Business Ethics Policy will be maintained in confidence. The Company will inform only those individuals who have a need to know of the report in order to conduct a full and fair investigation of the allegations that have been made.

Complete, Accurate and Timely Public Disclosure

The Company's filings with the Securities and Exchange Commission must be full, fair, accurate, timely and understandable. Depending on their position with the Company, employees may be called upon to provide necessary information to assure that the Company's securities filings and other public communications meet these standards. The Company expects employees to take this responsibility very seriously and to provide prompt, accurate answers to inquiries related to the Company's public disclosure requirements.

Use of Company Funds or Resources, Directly or Indirectly, for Political Purposes is Prohibited

Personal Political Activities

In support of the democratic process, we encourage you to participate in political activities, provided that such activities are kept separate from your work. If you are engaged in political activity of any kind, you must be careful not to use the Company name or resources, and ensure that such activities do not adversely affect any business relationships. In addition, you should exercise discretion in discussing political subjects with business contacts. If you have any questions about your participation in political activities, you are obliged to discuss the situation with your supervisor.

Prohibition Against Company Political Contributions

Company funds or assets shall not be used for making political contributions of any kind, whether in the United States or in a foreign country, except as shown below. This prohibition covers not only direct contributions, but indirect support of candidates or political parties; e.g., the purchase of tickets for special dinners or other fund-raising events, the loan of employees to political parties or committees, and the furnishing of transportation or duplicating services. In exceptional situations, based on the Company's need and with prior approval of the Chairman and Chief Executive Officer, political activity may be permitted relative to matters that are:

1. Clearly lawful, and
2. Determined to be closely related to the interests of the Company, its employees, or its shareholders.

Do Not Use the Company Name, Assets, or Information for Personal Gain

Corporate Opportunities

Employees owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Employees are prohibited from taking for themselves opportunities that are discovered through the use of corporate property, information, or position without the consent of the Board of Directors. No employee may use corporate property, information, or position for personal gain and no employee shall compete with the Company directly or indirectly.

General

The Company name, assets, and information belong to the Company and not to employees, regardless of position in the Company.

Use of Company Name

Employees may not use the Company name in connection with personal activities, except as part of biographical summaries of work experience. If you intend to speak to the media, participate in meetings or publish materials where your involvement is primarily that of a Company representative so that you are perceived as acting on behalf of the Company or as expressing Company views, advance approval of the Senior Vice President & Chief Financial Officer, is required. In addition, the actual content of any speech, presentation material, paper, or article to be published must be reviewed by the Senior Vice President & Chief Financial Officer, prior to presentation or publication.

Use of Company Assets

Employees must regard the protection of Company assets (both physical and intangible) and services as a vital responsibility. Company assets include Company manuals, samples, forms, plans, customer lists, information and files, goodwill, databases, software, and all other data, documents, writings, copies, and information in any format used or relied upon in your employment. These materials and property are proprietary to the Company and must be used efficiently.

Theft, carelessness and waste have a direct impact on the Company's profitability.

All Company assets should be used for legitimate business purposes. They must not be used for personal benefit or any other improper purpose. They must not be sold, lent, given away, or otherwise disposed of, regardless of

condition or value, except with proper authorization. They must be returned upon request or upon termination of employment. Personal use of Company telephones must be reasonable.

While employed at the Company and for a year thereafter, employees shall not employ or attempt to employ any current Company employee about whom they had knowledge during their employment.

Use of Company Information

Employees shall maintain the confidentiality of information entrusted to them by the Company or by its customers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that, if disclosed, might be of use to competitors, or harmful to the Company or its customers. In this technology-rich environment, information is a vital competitive advantage, which must be protected. This confidential and proprietary information includes, for example, pricing, Company manuals, customer listings, employee records, customer and supplier information, and Intranet and Internet-related sites. Improper disclosure of such information could do harm to the business and have a material effect on the Company's financial well being.

A disclosure of confidential and proprietary information by one of us could affect all of us. Therefore, you are required to take reasonable precautions to protect the Company information you have been entrusted with. This includes not disclosing Company information on Internet chat rooms.

Insider Trading

The federal securities laws make it illegal to trade or "tip" others to trade in Company stock or the stock of other companies if you have "material" non-public information from or about the Company. This prohibition applies whether or not you are relying on the "inside" information. Insider trading is both unethical and illegal, and will be dealt with decisively.

A specific area of concern relates to non-public information about the Company, positive or negative, that could have an effect on the market price of the Company's stock. Examples are a pending acquisition, the expectation of substantially higher or lower earnings, a stock split, a major new product line, or a major new customer. As a matter of law, you are prohibited from buying or selling Company securities based on inside information.

You are similarly prohibited from buying or selling securities of other companies on the basis of confidential information acquired by reason of your relationship with the Company. Obvious situations include publicly held acquisition candidates, and publicly held candidates to become important suppliers of goods or services to the Company.

The same prohibitions apply to anyone to whom the inside information or other confidential information is communicated; e.g., a family member, business associate, friend, or neighbor. Violating any of these prohibitions is cause for dismissal and could result in criminal prosecution as well. In this connection, you also may not, other than pursuant to a Company-approved trading program under SEC Rule 10b5-1, buy or sell Company securities prior to the third business day after such information is released to the public. If you have any questions concerning your obligations in this regard, you should contact your supervisor, who will consult with the Corporate Secretary as appropriate.

Directors and certain officers are subject to additional requirements with respect to Company securities and should contact the Chief Financial Officer if they have any questions.

Implementation

Each Company employee, officer and director will be asked to complete and return an annual Business Ethics Policy certification as a condition of employment.

You should read the policies carefully before you certify. Note that you are being asked to certify both that you personally are in full compliance with the Business Ethics Policy and that you are not aware of any clear violations by other Company employees.

Any intentional violation of the Business Ethics Policy will result in disciplinary action, up to and including discharge and prosecution, as determined by the circumstances.

Amendment, Modification, Waiver and Intent

This Business Ethics Policy may be amended, modified or waived by the Board of Directors and waivers may also be granted by the Board of Directors subject to the disclosure and other provisions of the Securities Exchange Act of 1934, and the rules thereunder and the applicable rules of the NASDAQ Stock Market, Inc.

This Business Ethics Policy is intended as a directive for the efficient and professional performance of all employees. Nothing herein contained shall be construed to be a contract between the Company and the employees. Additionally, this Business Ethics Policy is not to be construed as containing binding terms and conditions of employment. This employment relationship with the Company is “at will” and the Company retains the absolute right to terminate any employee, at any time, with or without cause.

The Company shall immediately disclose, by means of the filing of a Current Report on Form 8-K or by such other means as the SEC may require, any amendments to or any waiver of this Business Ethics Policy.

Business Ethics Policy - Acknowledgement

Acknowledgement

I acknowledge that I have read and agreed to abide by the Business Ethics Policy of DXP Enterprises, Inc.

By: _____
(Signature)

Name: _____
(Print)

Date: _____