

DXP ENTERPRISES INC  
Form DEF 14A  
April 30, 2014

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

- Filed by the Registrant  
 Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to §240.14a-12

DXP Enterprises, Inc.  
(Name of Registrant as Specified In Its Charter)

N/A  
(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.  
(1) Title of each class of securities to which transaction applies:  
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(4) Proposed maximum aggregate value of transaction:  
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- (1) Amount previously paid:  
(2) Form, Schedule or Registration Statement No.:  
(3) Filing Party:  
(4) Date Filed:



DXP ENTERPRISES, INC.  
7272 Pinemont  
Houston, Texas 77040  
(713) 996-4700

May 8, 2014

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of DXP Enterprises, Inc. to be held at 9:00 a.m., Central Daylight Time, on Thursday, June 19, 2014 at our offices, 7272 Pinemont, Houston, Texas 77040.

This year you will be asked to consider proposals concerning the election of directors. Shareholders will also be asked to approve a non-binding resolution to endorse the Company's executive compensation program. These matters are explained more fully in the attached proxy statement, which you are encouraged to read.

The Board of Directors recommends that you approve the proposals and urges you to vote at your earliest convenience, whether or not you plan to attend the Annual Meeting.

Thank you for your cooperation.

Sincerely,

David R. Little  
Chairman of the Board,  
President and Chief Executive Officer

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DXP ENTERPRISES, INC.  
7272 Pinemont  
Houston, Texas 77040

Notice of Annual Meeting of Shareholders to be Held June 19, 2014

The Annual Meeting of the Shareholders of DXP Enterprises, Inc., a Texas corporation, will be held on Thursday, June 19, 2014, at 9:00 a.m., Central Daylight Time, at the DXP Enterprises, Inc. offices at 7272 Pinemont, Houston, Texas 77040, for the following purposes:

1. To elect four directors to hold office until the next Annual Meeting of Shareholders or until their respective successors are duly elected and qualified;
2. To approve, on a non-binding, advisory basis, the compensation of the named executive officers; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The holders of record of Common Stock, Series A Preferred Stock and Series B Preferred Stock at the close of business on April 23, 2014, will be entitled to vote at the meeting. Please note that there are separate forms of proxy cards for each class of stock.

By Order of the Board of Directors,

Mac McConnell, Secretary

May 8, 2014

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF  
PROXY MATERIALS FOR  
THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON  
June 19, 2014

DXP's Proxy Statement and Annual Report on Form 10-K are available at <http://materials.proxyvote.com/233377>.

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DXP ENTERPRISES, INC.  
Proxy Statement  
For Annual Meeting of Shareholders  
to be Held June 19, 2014

This Proxy Statement is furnished to the shareholders of DXP Enterprises, Inc. (the "Company" or "DXP"), 7272 Pinemont, Houston, Texas 77040 (Tel. No. 713 996-4700), in connection with the solicitation by the Board of Directors of DXP (the "Board") of proxies to be voted at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on Thursday, June 29, 2014, at 9:00 a.m., Central Daylight Time, at DXP's principal executive offices, 7272 Pinemont, Houston, Texas 77040, or any adjournment thereof.

Proxies in the form enclosed, properly executed by shareholders and received in time for the meeting, will be voted as specified therein, unless revoked in the manner provided below. The Board recommends a vote "FOR" the nominees for director listed in the proxy statement and the accompanying proxy card, and "FOR" approval, on a non-binding, advisory basis, the compensation of the named executive officers. If a shareholder does not specify otherwise in the proxy, the shares represented by his or her proxy will be voted as recommended by the Board. The giving of a proxy does not preclude the right to vote in person should the person giving the proxy so desire. The proxy may be revoked at any time before it is exercised by written notice delivered to the Corporate Secretary at 7272 Pinemont, Houston, Texas 77040 at or prior to the meeting. We are mailing to shareholders of record a Notice of Internet Availability of Proxy Materials and will make this proxy statement and our annual report available to our shareholders of record on or about May 8, 2014.

At the close of business on April 23, 2014 (the "Record Date") there were outstanding and entitled to vote 14,539,632 shares of Common Stock, par value \$0.01 per share (the "Common Stock"), 1,122 shares of Series A Preferred Stock, par value \$1.00 per share (the "Series A Preferred Stock"), and 15,000 shares of Series B Preferred Stock, par value \$1.00 per share (the "Series B Preferred Stock"), and only the holders of record on the Record Date are entitled to vote at the meeting.

The holders of record of Common Stock on the Record Date will be entitled to one vote per share on each matter presented to such holders at the meeting. The holders of record of Series A Preferred Stock and Series B Preferred Stock on the Record Date will be entitled to one-tenth of one vote per share on each matter presented to such holders at the meeting voting together with the holders of Common Stock as a single class. The presence at the meeting, in person or by proxy, of the holders of a majority of the aggregate outstanding shares of Common Stock, Series A Preferred Stock and Series B Preferred Stock is necessary to constitute a quorum for the transaction of business at the meeting.

Shares of Common Stock, Series A Preferred Stock and Series B Preferred Stock voting together as a class, held by shareholders present in person or represented by proxy, including shares held by shareholders that abstain or do not vote with respect to one or more of the matters presented for shareholder approval, will be counted for purposes of determining whether a quorum is present at the meeting.

If a broker does not have discretionary voting authority to vote shares for which it is the holder of record with respect to a particular matter at the meeting, the broker cannot vote the shares, although they will be counted in determining whether a quorum is present. Accordingly, these broker non-votes and any abstentions would not be treated as a vote for or against a matter that requires the affirmative vote of a certain percentage of the votes cast on that matter.

The affirmative vote of the holders of shares representing a plurality of the votes cast by the holders of our Common Stock, Series A Preferred Stock and Series B Preferred Stock voting together as a single class and entitled to vote at the meeting is required for the election of directors. The affirmative vote of the holders of shares representing at least

a majority of the votes cast by the holders of our Common Stock, Series A Preferred Stock and Series B Preferred Stock voting together as a single class and entitled to vote at the meeting is required for the approval of the non-binding, advisory vote on executive compensation.

## MATTERS TO COME BEFORE THE MEETING

## PROPOSAL 1: ELECTION OF DIRECTORS

The holders of Common Stock, Series A Preferred Stock and Series B Preferred Stock, voting together as a single class, are entitled to vote with respect to each of the four nominees for election to the Board. All directors hold office until the next Annual Meeting of Shareholders or until their respective successors are duly elected and qualified or their earlier resignation or removal.

It is the intention of the persons named in the proxies for the holders of Common Stock, Series A Preferred Stock and Series B Preferred Stock to vote the proxies “FOR” the election of each of the nominees named below, unless otherwise specified in any particular proxy. Management of DXP does not contemplate that any of the nominees will become unavailable for any reason, but if that should occur before the meeting, proxies will be voted for another nominee, or other nominees, to be selected by the Board. In accordance with DXP’s Bylaws and Texas law, a shareholder entitled to vote for the election of directors may withhold authority to vote for certain nominees for directors or may withhold authority to vote for all nominees for directors. The director nominees receiving a plurality of the votes of the holders of shares of Common Stock, Series A Preferred Stock and Series B Preferred Stock, voting together as a single class, present in person or by proxy at the meeting and entitled to vote on the election of directors will be elected directors.

The persons listed below have been nominated for election to fill the three director positions to be elected by the holders of the Common Stock, Series A Preferred Stock and Series B Preferred Stock, voting together as a single class.

NOMINEE	AGE	POSITION	SINCE
		Chairman of the Board, President and Chief Executive Officer	
David R. Little	62	Officer	1996
Cletus Davis	84	Director	1996
Timothy P. Halter	47	Director	2001
Bryan Wimberly	74	Director	2013

## Information Regarding Nominees and Directors

## Background of Nominees for Director

David R. Little. Mr. Little has served as Chairman of the Board, President and Chief Executive Officer of DXP since its organization in 1996 and also has held these positions with SEPCO Industries, Inc., predecessor to the Company (“SEPCO”), since he acquired a controlling interest in SEPCO in 1986. Mr. Little has been employed by SEPCO since 1975 in various capacities, including Staff Accountant, Controller, Vice President/Finance and President. Mr. Little gives our Board insight and in-depth knowledge of our industry and our specific operations and strategies. He also provides leadership skills and knowledge of our local community and business environment, which he has gained through his long career with DXP and its predecessor companies.

Cletus Davis. Mr. Davis has served as a Director of DXP since 1996. Mr. Davis is an attorney practicing in the areas of commercial real estate, banking, corporate, estate planning and general litigation and is also a trained mediator. Since March 1992, Mr. Davis has practiced law with the law firm of Cletus Davis, P.C. Mr. Davis brings to our Board a diverse business background, financial experience, and experience analyzing risk.

Timothy P. Halter. Timothy P. Halter. Mr. Halter has served as a Director of DXP since July 2001. Mr. Halter is the Chairman and Chief Executive Officer of Halter Financial Group, Inc., a position he has held since 1995. Halter Financial Group is a Dallas, Texas based consulting firm specializing in the areas of mergers, acquisitions and corporate finance. From March 2007 through December 2012, Mr. Halter served as President of Marketing Acquisition Corp., a public company, which was listed on the over-the-counter bulletin board and was not conducting business operations. From November 2004 through June 2009, Mr. Halter served as the sole officer and director of BTHC VIII, Inc., a public company which was listed on the over-the-counter bulletin board and was not conducting business operations.



From November 2004 through October 2009, Mr. Halter served as the sole officer and director of BTHC X, Inc., a public company which was listed on the over-the-counter bulletin board and was not conducting business operations. From November 2004 through October 2010, Mr. Halter served as the sole officer and director of BTHC XV, Inc., a public company which was listed on the over-the-counter bulletin board and was not conducting business operations. From November 2004 through January 2011, Mr. Halter served as the sole officer and director of BTHC XIV, Inc., a public company which was listed on the over-the-counter bulletin board and was not conducting business operations. From September 2009 through August 2010, Mr. Halter served as the sole officer and director of SMSA Gainesville Acquisition Corp, a public company which was listed on the over-the-counter bulletin board and was not conducting business operations. From September 2009 through November 2010, Mr. Halter served as the sole officer and director of SMSA Crane Acquisition Corp, a public company which was listed on the over-the-counter bulletin board and was not conducting business operations. From May 2010 through May 2011, Mr. Halter served as the sole officer and director of SMSA Treemont Acquisition Corp, a public company, which was listed on the over-the-counter bulletin board and was not conducting business operations. From May 2010 through May 2012, Mr. Halter served as the sole officer and director of SMSA Katy Acquisition Corp, a public company, which was listed on the over-the-counter bulletin board and was not conducting business operations. From May 2010 through August 2012, Mr. Halter served as the sole officer and director of SMSA Humble Acquisition Corp, a public company, which was listed on the over-the-counter bulletin board and was not conducting business operations. From May 2011 through February 2012, Mr. Halter was the president and principal shareholder of SMSA Dallas Acquisition Corp, which was registered under Section 12 of the Securities Exchange Act of 1934, but was not eligible to trade. Mr. Halter brings the Board extensive knowledge in the area of corporate finance.

Bryan Wimberly. Mr. Wimberly has served as a Director of DXP since July 24, 2013. Mr. Wimberly retired from DXP in 1999. At the time of his retirement from DXP, Mr. Wimberly was Senior Vice President-Corporate Development. Mr. Wimberly was employed by DXP, or its predecessor company, in various executive capacities since 1987. Prior to employment by DXP, Mr. Wimberly served as President and CEO of The Shoreline Companies, Inc. (a distributor of pumping and valve automation equipment headquartered in Houston, which was acquired by DXP). Mr. Wimberly is a graduate of Yale University with a BA and holds an MBA from the Wharton School of Finance. He is a founding member and past president of GDPWW – a nation-wide organization of industrial distributors. Mr. Wimberly currently serves on the Board of Directors of Automation Technology, Inc., a privately owned Houston based manufacturer of valve automation equipment. Mr. Wimberly brings the Board a broad business background, including experience with industrial distribution, corporate finance and mergers and acquisitions.

#### Corporate Governance and Other Board Matters

DXP is committed to having sound corporate governance principles. Having such principles is essential to running DXP's business efficiently and maintaining DXP's integrity in the marketplace.

#### Code of Ethics

DXP has adopted a code of business conduct and ethics for directors, officers (including DXP's principal executive officer, principal financial officer and controller) and employees, known as the Business Ethics Policy. The Business Ethics Policy is available on DXP's website at <http://www.DXPE.com>. DXP intends to post amendments to or waivers (to the extent applicable to DXP's principal executive officer, principal financial officer or controller, or persons performing similar functions), if any, from its Business Ethics Policy at the same location on the DXP website.

#### Policy Regarding Restricted Transactions

Our directors and executive officers are prohibited from engaging in speculative transactions in Company securities, such as trading in puts and calls, or selling securities short. We have adopted a pledging limitation policy for our directors and executive officers restricting directors and executive officers from pledging shares of the Company and

holding shares of the Company in margin accounts. Directors and executive officers of the Company may pledge shares or hold shares in margin accounts so long as all of the following policy requirements are met: (i) prior to pledging shares or holding shares in a margin account such director or executive officer shall obtain approval from the Chief Financial Officer and General Counsel, and (ii) in no event shall the total number of shares collectively pledged by our directors and executive officers exceed 10% of the Company's total outstanding Common Stock.

## Board Independence

The Board has determined that each of the current directors standing for re-election, except David R. Little, the Chairman of the Board and Chief Executive Officer, has no material relationship with DXP (either directly or as a partner, shareholder or officer of an organization that has a relationship with DXP) and is “independent” within the requirements of the NASDAQ listing standards. Furthermore, the Board has determined that each of the members of each of the committees of the Board of Directors has no material relationship with DXP (directly or as a partner, shareholder or officer of an organization that has a relationship with DXP) and is “independent” within the requirements of the NASDAQ listing standards.

## Board Structure and Committee Composition

On April 14, 2013, Kenneth H. Miller, a member of the Board and independent director, passed away. Mr. Miller served as the Chairman of the Audit Committee and served as a member of both the Compensation Committee and the Nominating and Governance Committee of the Board.

Due to the passing of Kenneth H. Miller in April 2013, the Company appointed Bryan Wimberly to the Company’s Board of Directors on July 24, 2013. Mr. Wimberly is a non-employee, independent director. Mr. Wimberly serves as a member to the Audit Committee, Compensation Committee and Nominating and Governance Committee of the Board.

The Board does not have a policy on whether or not the roles of Chairman of the Board and Chief Executive Officer should be separate or combined and, if they are to be separate, whether the Chairman of the Board should be selected from the non-employee directors or be an employee. The directors serving on the Board possess considerable professional and industry experience and a unique knowledge of the challenges and opportunities that DXP faces. As such, the Board believes that it is in the best position to evaluate the needs of DXP and to determine how best to organize DXP’s leadership structure to meet those needs. The Board believes that the most effective leadership structure for DXP at the present time is for Mr. Little to serve as both Chairman of the Board and Chief Executive Officer.

This model has succeeded because it makes clear that the Chairman of the Board and Chief Executive Officer is responsible for managing our business, under the oversight and review of our Board. This structure also enables our Chief Executive Officer to act as a bridge between management and the Board, helping both to act with a common purpose. Mr. Little has been our Chairman of the Board and Chief Executive Officer since DXP’s organization in 1996 and has been with DXP and its predecessor companies for over 38 years.

There is no specific lead independent director. The Board believes that there is already substantial independent oversight of DXP’s management and a strong counterbalancing governance structure in place, as demonstrated by the following:

- We have a majority of independent directors: Three out of the four directors meet the criteria for independence required by NASDAQ; only Mr. Little is deemed not to be independent.
- All committees are composed solely of independent directors: Our Audit, Compensation and Nominating and Governance Committees are each composed solely of independent directors. Each of our independent directors serves on each of the committees.
- Non-employee directors meet regularly: Our non-employee directors typically meet in executive sessions without our employee director (Mr. Little) at each regularly scheduled Board meeting. Our non-employee directors held four executive sessions during the year ended December 31, 2013.



The Board has established an Audit Committee, a Nominating and Governance Committee and a Compensation Committee. During the fiscal year ended December 31, 2013, the Board met four times, the Compensation Committee met four times, the Nominating and Governance Committee met four times and the Audit Committee met four times. Each director attended all of the meetings of the Board and committees of which he was a member. DXP does not have a policy regarding director attendance at Annual Meetings of Shareholders. One director attended the last Annual Meeting of Shareholders.

Messrs. Davis, Halter, and Wimberly are the members of the Audit, Compensation and Nominating and Governance Committees.

#### Audit Committee

DXP has an Audit Committee, which assists the Board in fulfilling its responsibilities for general oversight of the integrity of DXP's financial statements, DXP's compliance with legal and regulatory requirements, the independent auditors' qualifications and independence and the performance of DXP's independent auditors. Among other things, the Audit Committee prepares the Audit Committee report for inclusion in the annual proxy statement; annually reviews the Audit Committee charter; appoints, evaluates and determines the compensation of DXP's independent auditors; reviews and approves the financial statements, the audit fee and the scope of the annual audit; reviews DXP's disclosure controls and procedures, internal controls and corporate policies with respect to financial information; oversees investigations into complaints concerning financial matters; and reviews other risks that may have a significant impact on DXP's financial statements. The Audit Committee works closely with management as well as DXP's independent auditors. Furthermore, the Audit Committee has the responsibility of overseeing DXP's Business Ethics Policy. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from DXP for outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties.

Until his passing on April 14, 2013, Audit Committee Chairman Kenneth H. Miller served as an audit committee financial expert as determined by the Board and as defined by Item 407(d)(5)(ii) of Regulation S-K, as adopted by the Securities and Exchange Commission, and was independent within the meaning of the NASDAQ listing standards. Tim Halter replaced Mr. Miller as the Audit Committee Chair and financial expert as defined by Item 407(d)(5)(ii) of Regulation S-K, as adopted by the Securities and Exchange Commission, and is independent within the meaning of the NASDAQ listing standards. The report of the Audit Committee is included herein beginning on page 22. A current copy of the charter of the Audit Committee is available on DXP's website at <http://www.DXPE.com>.

#### Compensation Committee

The Compensation Committee discharges the Board's responsibilities relating to compensation of DXP's executive officers and directors; produces an annual report on executive compensation for inclusion in DXP's proxy statement; provides general oversight of equity compensation plans; and retains and approves the terms of the retention of any compensation consultants and other compensation experts. Other specific duties and responsibilities of the Compensation Committee include: reviewing and approving objectives relevant to executive officer compensation, evaluating performance and determining the compensation of executive officers in accordance with those objectives; approving employment agreements for executive officers; approving and amending DXP's incentive compensation for executive officers and stock compensation programs (subject to shareholder approval if required); recommending director compensation to the Board; monitoring director and executive stock ownership; and annually evaluating its charter.

The Compensation Committee charter provides that the Compensation Committee may delegate any of its duties and responsibilities to a subcommittee of the Compensation Committee consisting of not less than two members of the

Compensation Committee. No such delegation of duties and responsibilities occurred in 2013. In addition, the Compensation Committee may delegate to one or more individuals the administration of equity incentive or employee benefit plans, unless otherwise prohibited by law or applicable stock exchange rules. Any such delegation may be revoked by the Compensation Committee at any time.

A current copy of the charter for the Compensation Committee is available on DXP's website at <http://www.DXPE.com>.

#### Nominating and Governance Committee

The Nominating and Governance Committee identifies individuals qualified to become Board members, consistent with criteria approved by the Board; oversees the organization of the Board to discharge the Board's duties and responsibilities properly and efficiently; and identifies best practices and recommends corporate governance principles, including giving proper attention and making effective responses to shareholder concerns regarding corporate governance. Other specific duties and responsibilities of the Nominating and Governance Committee include: annually assessing the size and composition of the Board; developing membership qualifications for Board committees; defining specific criteria for director independence; monitoring compliance with Board and Board committee membership criteria; coordinating and assisting management and the Board in recruiting new members to the Board; annually, and together with the Chairman of the Compensation Committee, evaluating the performance of the Chairman of the Board and Chief Executive Officer and presenting the results of the review to the Board and to the Chairman of the Board and Chief Executive Officer; reviewing and recommending proposed changes to DXP's charter or bylaws and Board committee charters; recommending Board committee assignments; reviewing governance-related shareholder proposals and recommending Board responses; and conducting a preliminary review of director independence and the financial literacy and expertise of Audit Committee members.

A current copy of the charter for the Nominating and Governance Committee is available on DXP's website at <http://www.DXPE.com>.

#### Board's Role in Risk Oversight

Our Board receives regular reports from Mr. Little, our Chairman of the Board and Chief Executive Officer, and other members of our senior management who supervise various aspects of our business, including operations, finance, compliance, investor relations and safety and environmental matters, on risk management.

#### Consideration of Shareholder Recommendations

The policy of the Nominating and Governance Committee is to consider properly submitted shareholder recommendations for candidates for membership on the Board as described below under "Identifying and Evaluating Nominees for Directors." In evaluating such recommendations, the Nominating and Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria set forth below under "Director Qualifications." Any shareholder recommendations proposed for consideration by the Nominating and Governance Committee should include the nominee's name and qualifications for board membership and should be addressed to:

Corporate Secretary  
DXP Enterprises, Inc.  
7272 Pinemont  
Houston, Texas 77040

#### Director Qualifications

Members of the Board should have the highest professional and personal ethics and values, consistent with longstanding DXP values and standards. They should have broad experience at the policy-making level in business, government, education or public interest. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service

on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform all director duties responsibly. The Nominating and Governance Committee does not have a specific policy regarding diversity and believes that the backgrounds and qualifications of the directors, considered as a group, should provide a diverse mix of experiences, knowledge, attributes and abilities that will allow the Board to fulfill its responsibilities.



## Identifying and Evaluating Nominees for Directors

The Nominating and Governance Committee uses a variety of methods for identifying and evaluating nominees for director. The Nominating and Governance Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Governance Committee will consider various potential candidates for director. Candidates may come to the attention of the Nominating and Governance Committee through current board members, professional search firms, shareholders or other persons. These candidates will be evaluated at regular or special meetings of the Nominating and Governance Committee and may be considered at any point during the year. The Nominating and Governance Committee will consider properly submitted shareholder nominations for candidates for the Board. Following verification of the shareholder status of persons proposing candidates, recommendations will be aggregated and considered by the Nominating and Governance Committee at a regularly scheduled meeting prior to the issuance of the proxy statement for DXP's Annual Meeting. If any materials are provided by a shareholder in connection with the nomination of a director candidate, such materials will be forwarded to the Nominating and Governance Committee. In evaluating such nominations, the Nominating and Governance Committee will seek to achieve a balance of knowledge, experience and capability on the Board.

## Executive Sessions

Executive sessions of non-management directors are held at least four times a year. The sessions are scheduled and chaired by the Chair of the Audit Committee. Any non-management director may request that an additional executive session be scheduled.

## Communications with the Board

Shareholders may communicate with the Board by submitting an e-mail to the attention of the Board at [hr@dxpe.com](mailto:hr@dxpe.com) or by mailing correspondence to the Board of Directors c/o Human Resources, 7272 Pinemont, Houston, Texas 77040. All such correspondence will be forwarded to the Board. Communications that are intended specifically for non-management directors should be sent to the attention of the Audit Committee. All such correspondence will be forwarded to the Chairman of the Audit Committee, or if unavailable, to the other members of the Audit Committee.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of April 23, 2014 with respect to (i) persons known to DXP to be beneficial holders of five percent or more of the outstanding shares of either Common Stock, Series A Preferred Stock or Series B Preferred Stock, (ii) named executive officers, directors and director nominees of DXP and (iii) all executive officers and directors of DXP as a group. Unless otherwise indicated, the beneficial owners have sole voting and investment power, as applicable, over the shares of Common Stock, Series A Preferred Stock and Series B Preferred Stock listed below. We calculated the percentage of shares outstanding based on 14,539,632 shares of Common Stock, 1,122 shares of Series A Preferred Stock, and 15,000 shares of Series B Preferred Stock outstanding as of April 23, 2014. In accordance with SEC regulations, we also include shares issuable upon settlement of restricted stock units ("RSUs") that are vested, or will become vested within 60 days of April 23, 2014 (the "table date"). Those shares are deemed to be outstanding and beneficially owned by the person holding such RSU for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

NAME OF BENEFICIAL OWNER (1)	COMMON STOCK		SERIES A PREFERRED STOCK		SERIES B PREFERRED STOCK	
		%		%		%
David R. Little (2)	1,394,423	9.6%			15,000	100.0%
Mac McConnell (3)	101,770	*				
David C. Vinson (4)	12,232	*				
Kent Yee (5)	17,986	*				
Cletus Davis, Director (6)	16,946	*				
Timothy P. Halter, Director (6)	13,742	*				
Gary Messersmith (7)	6,964	*				
Bryan Wimberly, Director (8)	1,600	*				
All executive officers and directors as a group (12 persons) (9)	1,595,419	11.0%			15,000	100.0%
FMR LLC 82 Devonshire Street Boston, MA 02109 (10)	1,659,550	11.4%				
Blackrock, Inc. 40 East 52nd Street Boston, MA 02110 (11)	860,517	5.9%				
Donald E. Tefertiller (12)			374	33.3%		
Norman O. Schenk (12)			374	33.3%		
Charles E. Jacob (12)			187	16.7%		
Ernest E. Herbert (12)			187	16.7%		
*Less than 1%						

(1) The business address for all listed beneficial owners is 7272 Pinemont, Houston, Texas 77040, unless otherwise noted.

(2) Excludes 35,079 RSUs that vest after 60 days subsequent to the table date and are subject to possible forfeiture.

(3) Excludes 1,000 RSUs that vest after 60 days subsequent to the table date and are subject to possible forfeiture.

(4) Excludes 6,000 RSUs that vest after 60 days subsequent to the table date and are subject to possible forfeiture.

(5) Excludes 25,000 RSUs that vest after 60 days subsequent to the table date and are subject to possible forfeiture.

(6) Excludes 1,126 RSUs that vest after 60 days subsequent to the table date and are subject to possible forfeiture.

(7) Excludes 48,000 RSUs that vest after 60 days subsequent to the table date and are subject to possible forfeiture.

(8) Excludes 2,000 RSUs that vest after 60 days subsequent to the table date and are subject to possible forfeiture.

(9) Excludes RSUs that vest after 60 days subsequent to the table date and are subject to possible forfeiture in notes (1) through (8) as well as an additional 15,000 RSUs that vest after 60 days subsequent to the table date and are subject to possible forfeiture from three officers of the Company not listed in the table above.

(10)Based solely on a Schedule 13G/A filed with the SEC on February 14, 2014, FMR LLC has sole voting

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power with respect to 733,071 of these shares and sole dispositive power with respect to 1,659,550 shares. Fidelity Management & Research Company (“Fidelity”), a wholly-owned subsidiary of FMR LLC, is the beneficial owner of 926,659 shares or 6.515% of the outstanding Common Stock. Edward C. Johnson, Chairman of FMR LLC, and FMR LLC, through its control of Fidelity, and the funds each have sole power to dispose of the 926,659 shares owned by the funds. Members of the family of Edward C. Johnson 3d are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. Through their ownership of voting common shares and the execution of a shareholders’ voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, as amended, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d has the sole power to vote or direct the voting of the shares owned directly by the Fidelity funds, which power resides with the funds’ Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the funds’ Boards of Trustees. Pyramis Global Advisors, LLC (“PGALLC”), an indirect wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, as amended, is the beneficial owner of 247,270 shares or 1.738% of the outstanding Common Stock. Edward C. Johnson 3d and FMR LLC, through its control of PGALLC, each have sole dispositive power over 247,270 shares and sole power to vote or to direct the voting of 247,270 shares of Common Stock owned by the institutional accounts or funds advised by PGALLC. Pyramis Global Advisors Trust Company (“PGATC”), an indirect wholly-owned subsidiary of FMR LLC, is the beneficial owner of 485,621 shares or 3.414% of the outstanding Common Stock as a result of its serving as investment manager of institutional accounts owning such shares. Edward C. Johnson 3d and FMR LLC, through its control of PGATC, each have sole dispositive power over 485,621 shares and sole power to vote or to direct the voting of 485,621 shares of Common Stock owned by the institutional accounts managed by PGATC. The address of the reporting persons is 245 Summer Street, Boston, Massachusetts 02110.

- (11) Based solely on a Schedule 13G filed with the SEC on January 28, 2014, BlackRock, Inc. and its subsidiaries have sole voting power with respect to 835,568 of these shares and sole distributive power with respect to 860,517 shares.
- (12) The last known addresses for Donald Tefertilla, Norman O. Schenk, Charles Jacob and Ernest E. Herbert are 4425 Congressional Drive, Corpus Christi Texas 78413, 4415 Waynesboro, Houston, Texas 77035, P.O. Box 57, Kenner, Louisiana 70062 and 320 Time Saver Avenue, Harahan, LA 70123, respectively.



