

DXP Enterprises, Inc.



Innovative
Pumping
Solutions®



Supply
Chain
Services



Service
Centers

Quality Manual



THE INDUSTRIAL DISTRIBUTION EXPERTS

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1.1 DXP Strategy

Mission Statement

DXP is dedicated to the highest quality of customer service through our expertise of the products we distribute and the technical services we perform with a sense of individual pride and company spirit.

Vision Statement

We aspire to be the best solution for the industrial customers' needs for MROP products and services through our Innovative Pumping Solutions[®], Supply Chain Services, and Service Centers.

DXP Will:

- Respond to its customers' needs by providing state-of-the-art support systems, on-time delivery, unitized packages, and field and shop repair.
- Develop long-term personal client relationships through highly qualified account managers.
- Provide the highest level of trained experts in the application and service of products.
- Improve the quality of daily business transactions and meet the requirements of all customers the first and every time.
- Maximize all resources through ongoing training programs.
- Help customers minimize their operational costs.



John J. Jeffery
DXP Enterprises, Inc.
Sr. Vice President of Sales & Marketing

1.2 About DXP

History

Founded as Southern Engine and Pump Company in 1908, DXP was rechartered in 1979 as Sepco Industries and renamed DXP Enterprises, Inc. in 1996. Over the years, we have strengthened our ability to support our customers by acquiring a diverse group of specialized companies, all known as the best in class at what they do. DXP united these companies with a powerful corporate focus on product expertise, technical services, and MROP supply chain management.

Today, DXP is a publicly traded professional distribution management company that provides products and services to a variety of industries.

Innovative Pumping Solutions®

The company's Innovative Pumping Solutions provide engineering, fabrication, and technical design to meet the capital equipment needs of its global customer base. DXP provides this solution by using manufacturer-authorized equipment and certified personnel. Pump packages require MRO and OEM equipment such as pumps, motors and valves, and consumable products. DXP leverages its MROP inventories and technical knowledge to lower the total cost and maintain the quality of the pump package.

Supply Chain Services

DXP's Supply Chain Services group effectively manages the supply-chain of its customers from across a variety of industries. Our single-minded mission is to help our customers become more competitive by reducing their indirect material costs and order cycle time by increasing productivity and by creating enterprise-wide inventory and procurement visibility and control. DXP has developed assessment tools and master plan templates aimed at taking cost out of supply chain processes, streamlining operations and boosting productivity. This multi-faceted approach allows us to manage the entire channel for maximum efficiency and optimal control, which ultimately provides our customers with a low-cost, best-service solution.

DXP takes a consultative approach to determine the strengths and opportunities for improvement within a customer's indirect supply chain. This assessment determines if and how we can best streamline operations, drive value within the procurement process, and increase control in store-room management.

Service Centers

DXP delivers the broadest product selection in the industry along with a wide array of services to supply customers with up to 90% of their MROP requirements from a single convenient supplier. The company directly represents thousands of well-known manufacturers and stocks millions in inventory. DXP provides support and expertise to help its customers manage their operations over the entire lifecycle of the product. «

1.3 Definitions

Company	DXP Enterprises, Inc. Corporate Headquarters 7272 Pinemont Houston, TX 77040
Department(s)	DXP Enterprises, Inc. Corporate Headquarters' Departments such as: <ul style="list-style-type: none">• Administrative Services• Quality and Training• Sales and Marketing• Operations• Inventory Management• Data Processing
Steering Committee	Executive Management Review Board
Service Centers & Fabrication	Customer Sales, Service, Fabrication and Repair, and Inventory Stocking Facilities
CFC	Customer First Center. DXP's centralized customer service center located in Houston, TX
BDC	Ballistic Distribution Center. DXP's centralized distribution center located in Houston, TX

2.1 Management Responsibility

2.1.1 Quality Policy

The Steering Committee has defined the company's commitment to quality, specific requirements, and goals. The company quality policy and long-term quality objectives are stated in this quality manual. The company short-term quality objectives are updated and controlled by the Steering Committee.

2.1.2 Organization

The organizational chart, shown in Figure 1.1, illustrates the main functional operations of the company. This chart shows the overall company structure and the reporting and interface relationships among departments and DXP companies.

2.1.2.1 Responsibility and Authority

The responsibilities and authorities for the company quality system are outlined in this quality manual. Specific responsibilities and authorities for each activity affecting quality are to be defined by each of the individual departments. The following company responsibilities are specifically defined:

- The Sr. Vice President of DXP Enterprises is responsible for the executive management of the company. All activities affecting quality are ultimately the responsibility of the Sr. Vice President of DXP Enterprises.
- The Vice Presidents and department heads are responsible for ensuring that the applicable requirements of the company quality system are implemented and maintained within their respective departments and/or service centers.
- The Customer Service Manager, irrespective of other responsibilities, is assigned overall responsibility and authority to plan, implement, and maintain the company quality system.

2.1.2.2 Resources

The Steering Committee has identified resource requirements, and provides adequate resources and trained personnel for upper- and middle-level management, performance of work, and verification activities, including internal quality audits. When resource requirements change, or should the goals of the company change, the Steering Committee shall ensure that the proper resources are allocated for the successful operation of the company.

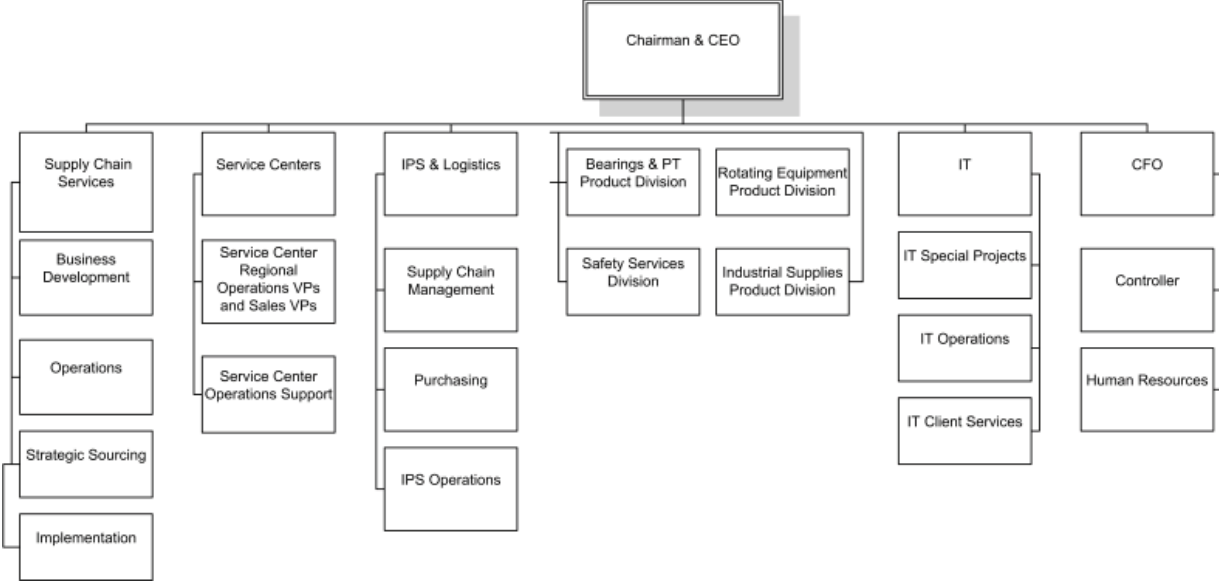
2.1.2.3 Management Representative

The Customer Service Manager is the Management Representative.

2.1.3 Management Review

A management review shall be performed, at a minimum on an annual basis, and documented by the Management Representative, with the assistance of the Steering Committee. The management review shall monitor and ensure the continuing suitability and effectiveness in satisfying the requirements of the quality system, stated quality policy and objectives, and corrective and preventive actions as needed. Records of the management review shall be maintained. <<

Figure 1.1



2.2 Quality System

2.2.1 General

This quality manual provides an overall description of the company quality system. The quality manual makes reference to and outlines the structure of general quality policies, methods, and practices. It is the responsibility of the Customer Service Manager to implement and maintain the quality system, including the controlled distribution of the quality manual, which is subject to internal and external controlled distribution.

2.2.2 Quality System Procedures

Methods shall be established to determine specific requirements and responsibilities in support of this quality manual. The range and detail shall depend on the complexity of the work, the methods used, and the skills and training needed by personnel involved in carrying out the activity. Available detailed procedures shall be subject to internal controlled distribution only. Service Centers are individually responsible for procedures, where applicable.

2.2.3 Quality Planning

When required, preparation of a quality plan shall identify and ensure the compatibility of the company's quality system components, based on their relevance, with the customer's requirements. The quality plan is subject to internal and external distribution and, when requested, shall be transmitted to the customer.

The quality system shall be prepared to specifically meet or exceed the quality requirements of the following:

- International Organization for Standardization Quality Systems
- DXP Customers ‹‹

2.3 Contract Review

2.3.1 General

Methods of contract review and the coordination of these activities shall be established and maintained. This quality manual is concerned only with the company contract review, which includes but is not limited to partnership agreements, strategic alliances, and company-wide blanket agreements. Contract review of customer-purchased product- and branch-specific blanket agreements shall be performed exclusively by service center personnel.

2.3.2 Review

Appropriately developed methods to review customer contracts and inquiries, whether verbal or written, ensure that the company has the capability to meet all specified requirements. Methods for identifying and resolving ambiguous or conflicting requirements shall be established. The revision or amendment of contracts and the proper introduction of those requirements into the company system shall be prescribed.

When contract requirements differ from those in the inquiry documents, the differing requirements shall be resolved.

Contract processing shall be performed to ensure that all requirements are clearly defined to facilitate their implementation at the proper time during the contract.

Sales and Finance are responsible for review of all contracts for the company.

The Service Center Manager is responsible for the generation of any required customer specific quality plans.

2.3.3 Amendment to Contract

Amendments to contracts and the notification of all concerned functions within the organization shall be performed as prescribed by contract review.

2.3.4 Records

Records of contract review shall be maintained.

The planning in preparation of quality assurance of a contract shall include communication and interfaces with the customer organization for quality assurance activities.

As required, a customer-specific quality plan shall define specific quality actions to be taken by the company to satisfy the customer's requirements.

«

2.4 Document and Data Control

2.4.1 General

Controls shall enforce the manner in which the company controls all documents and data, such as manuals, methods, forms, instructions, and industry standards, that define the activities or requirements for the company. It is the responsibility of the Service Center Manager to implement and maintain the document and data control system.

2.4.2 Document and Data Approval and Issue

The control methods establish and identify the requirements for initiation, review, and approval of all documents and associated data. This includes the issuance, revision, and control of this quality manual; the issue of valid documentation at the locations where the activities are to be performed; prompt removal of invalid and/or obsolete documents; and suitably identified and maintained obsolete documents retained for legal and/or knowledge-preservation purposes.

A master list identifying the current revision status shall be maintained and readily available to preclude the use of invalid and/or obsolete documents.

2.4.3 Document and Data Changes

Document and data changes require the same control features as the original documents unless specifically designated otherwise.

A master list shall be established to identify the current revision of documents in order to control the issuance and revision status of the documents.

Document and data changes and modifications shall be identified in the document or the appropriate attachments, where practicable. ‹‹

2.5 Purchasing

2.5.1 General

Purchasing shall follow established methods to control the inventory purchasing cycle. This includes subcontractor evaluation, requisition, and purchasing activities. Verification of purchased materials, products, or services shall be a function of the servicing/stocking service center. All purchasing personnel are responsible for verifying that all purchased materials conform to specified requirements.

DXP locations are responsible for the purchase of products sold to the customer.

2.5.2 Evaluation of Subcontractors

The evaluation and selection criteria for subcontractors shall be established. The selection of the subcontractor shall be based on the type of product, the impact of the subcontracted product on the quality of the final product, and, where applicable, on the quality audit reports and/or quality records of the previously demonstrated capabilities and performance of the subcontractor, including nonconformance reports.

Quality records of acceptable subcontractors shall be established and maintained.

2.5.3 Purchasing Data

The purchase order and associated procurement documents shall contain data clearly describing the product ordered, including, where applicable or as specified by others:

- Scope of work/supply/service and any precise identification, such as type, class, grade, or item number

- Technical requirements/specifications, including applicable codes, standards, and regulations
- Quality requirements, including applicable codes, standards, and regulations; test, inspection, and acceptance criteria; quality assurance system(s); nonconformance reporting; and access to subcontractor's facilities
- Documentation required
- Packaging and shipping requirements
- Delivery date
- Contractual conditions, including prices, terms of payment, liquidated damages, warranty, liability, confidentiality, and termination clauses

Purchasing shall enforce the review and approval of purchasing documents.

2.5.4 Verification of Purchased Product

Purchased materials, products, or services shall be subjected to verification activities to ensure continued subcontractor conformance to purchase order requirements. Verification is generally performed and defined by service center personnel; thus, verification methods shall be DXP location-specific.

2.5 Purchasing...continued

2.5.4.1 Supplier Verification at Subcontractor's Premises

When required by contract, company representatives shall be afforded the right to verify at the subcontractor's facility that subcontracted products or services conform to specified requirements. The purchaser shall specify verification arrangements and the method of product release in the purchasing documents.

2.5.4.2 Customer Verification of Subcontracted Product

When required by contract, customer representatives shall be afforded the right to verify at the subcontractor's facility that subcontracted products or services conform to specified requirements. The purchaser shall specify verification arrangements and the method of product release in the purchasing documents. «

2.6 Control of Customer-Supplied Product

Individual service centers shall identify methods to plan, establish, and maintain control over the verification, storage, and maintenance of customer-supplied product or materials. These methods shall be designed to ensure that products or materials that are damaged, lost, or otherwise unacceptable for use shall be documented and reported to the customer. Records of customer notification shall be maintained.

Unless specified otherwise by the customer, the methods shall not be different from those specified by the service center in its procedures and instructions, where available.

Verification by the service center does not absolve the customer of the responsibility to provide acceptable product.

Control of customer-supplied product is a service center-specific responsibility. «

2.7 Product Identification and Traceability

Established methods shall be implemented and shall ensure that identification and traceability of materials and products are enforced. When specified in procurement documents, these requirements shall apply to subcontractors.

Identification shall be maintained on materials and products that become, or directly influence, the final product.

Traceability shall be maintained on materials and products as required by engineering standards and customer-specified requirements. Records shall be maintained for traceability purposes.

Product identification and traceability are controlled within DXP's ERP system. «

2.8 Process Control

Individual DXP locations shall specify their own production, installation, and/or servicing processes that directly affect quality and shall ensure that these processes are carried out under controlled conditions, where applicable.

Special processes performed by the servicing location, or its subcontractor, include welding, coating, machining, heat treating, and X-ray of welds. Service centers shall develop methods to ensure the required processing. If subcontracted, the requirements shall be specified to the subcontractor. Monitoring of the process, compliance with the specific method, and use of appropriate equipment and personnel shall ensure that specified requirements are met.

Records shall be maintained for qualified processes, equipment, and personnel.

Individual branches are responsible for production, installation, and servicing process control. «

2.9 Inspection and Testing

2.9.1 General

Methods for inspection and testing activities shall be specified by the servicing location to verify that the specified requirements for the product are met. Inspection and testing records shall be maintained.

2.9.2 Receiving Inspection and Testing

Each DXP location shall ensure that incoming products shall not be used or processed (except in the circumstances described in 2.10.2.3) until they have been inspected or verified as conforming to specified requirements. Verification shall be in accordance with the branch quality plan and/or documented procedures, where available.

Individual DXP locations shall have established methods prescribing how incoming product, when released prior to verification for urgent production purposes shall be positively identified and recorded in order to permit immediate recall and replacement, in the event of nonconformity to specified requirements. Records shall be maintained.

2.9.3 In-Process Inspection and Testing

The product shall be inspected during the order preparation process as defined. Products shall be held until inspections and tests have been performed or documentary evidence has been received and verified. The products may be released under positive recall but must receive all required processing, including all required inspection and testing, prior to shipment.

2.9.4 Final Inspection and Testing

Final inspection and/or tests shall be performed on any products released for shipment to verify complete conformance to all specified requirements.

2.9.5 Inspection and Test Records

Records shall be maintained that provide evidence that the product has passed the specified inspections and/or tests within defined acceptance criteria and shall identify, where specifically required by prescribed methods, the DXP location's inspection authority responsible for the release of product.

Internal inspection and testing are DXP location-specific responsibilities.◀◀

2.10 Control of Inspection, Measuring, and Test Equipment

2.10.1 General

DXP service centers are responsible for the identification, maintenance, calibration, and control of their own inspection, measuring, and test equipment to allow the demonstration of product conformance.

DXP service centers records of available technical data pertaining to the measurement equipment shall be maintained and made available to the customer or customer's representative when specified as a requirement.

2.10.2 Control Procedure

Applicable service centers shall be responsible for the following:

- Determining the measurements to be made and the accuracy required, selecting the appropriate inspection, measuring, and test equipment capable of the necessary accuracy and precision.
- Inspection, measuring, and testing equipment that affects product quality shall be identified and calibrated at prescribed intervals, or prior to use, against certified equipment having a known valid relationship that is traceable to the National Institute of Standards Technology. Where traceability to the National Institute of Standards Technology is not applicable, the basis for calibration shall be defined.
- Defining the process employed for the calibration of inspection, measuring, and test equipment, including:
 1. Equipment type, in detail
 2. Unique identification or serial number
 3. Location
 4. Standard specified frequency of calibration
 5. Check method
 6. Acceptance criteria and nonconformance action to be taken
- The status of the equipment calibration shall be traceable through identification records.
- Records of calibration for all inspection, measuring, and test equipment.
- Assessing and documenting the validity of previous inspection and test results if inspection, measuring, and test equipment are found to be out of calibration.
- Ensuring that environmental conditions are suitable for any calibrations, inspections, measurements, and tests being performed.
- Preserving, storing, and handling measuring equipment in a manner that ensures that their accuracy, fitness, and precision are properly maintained.
- Safeguarding inspection, measuring, and test facilities, including both test software and test hardware, from inadvertent adjustments that might invalidate the calibration setting.

Each applicable location is responsible for the control of its own inspection, measuring, and test equipment. ‹‹

2.11 Inspection and Test Status

The conformance status of any product with regard to inspection and tests performed shall be identifiable, as prescribed by the servicing location.

Where required, records shall identify the inspection authority responsible for the release of the conforming product. This shall include customer representatives, when applicable.

Inspection and test status identification and control are the responsibility of individual service center, where applicable. ‹‹

2.12 Control of Nonconforming Product

2.12.1 General

DXP locations, as applicable, shall establish and ensure methods to prevent inadvertent processing or delivery of nonconforming materials or products. Controls shall provide for identification, documentation, evaluation, segregation (when practical), disposition of nonconforming product, and notification to the functions concerned.

2.12.2 Review and Disposition of Nonconforming Product

Review and authority for the disposition of nonconforming product and its implementation shall be defined by individual DXP locations. Upon review as outlined in the procedure, nonconforming product may be:

- Reworked to meet specified requirements
- Accepted with or without repair, by concession
- Regraded for alternative applications
- Rejected or scrapped

If required by contract, proposed use or repair of nonconforming product shall be reported for concession to the customer or customer's representative. Records to denote the actual condition of the accepted product shall include a description of the nonconformity that has been accepted and its repairs.

The reinspection of repaired and/or reworked product should be performed.

Control of nonconforming product is a service center responsibility. ‹‹

2.13 Corrective and Preventive Action

2.13.1 General

Each DXP service center prescribes the methods to implement corrective and preventive action of nonconformances or repetitive problem areas.

When evaluating nonconformances and proposed corrective or preventive actions, all processes, operations, records, and customer complaints shall be analyzed to detect and eliminate potential cause(s) of nonconformance.

Any changes to procedures, where available, resulting from corrective and preventive action shall be implemented and recorded.

2.13.2 Corrective Action

Corrective action shall include:

- Effective handling of customer complaints and reports of product nonconformances
- Investigation of the cause(s) of nonconformities relating to product, process, and quality system; records of the results of investigations should be kept
- How to determine the corrective action needed to eliminate the cause(s) of nonconformities
- Controls to ensure corrective action implementation and effectiveness

2.13.3 Preventive Action

Preventive action shall include:

- The use of appropriate sources of information that affect product quality, concessions, audit results, quality records, service reports, and customer complaints to detect, analyze, and eliminate potential causes of nonconformities
- The steps to follow in order to deal with any problems requiring preventive action
- Initiation of preventive action to ensure effectiveness
- Proof that relevant information on actions taken is submitted to the branch specific management review, where applicable

Corrective action and preventive action, relative to product available for purchase by the customer, are the servicing branch's responsibility. ‹‹

2.14 Handling, Storage, Packaging, Preservation, and Delivery

2.14.1 General

Effective handling, storage, packaging, preservation, and delivery of product available for purchase by the customer, shall be the responsibility of each DXP service center.

2.14.2 Handling

Effective handling of product to prevent damage or deterioration shall be implemented.

2.14.3 Storage

Stored materials and products shall be controlled and secured, as required, to prevent damage or deterioration. The condition of the materials or products shall be assessed at appropriate intervals.

2.14.4 Packaging

Packaging materials, methods, and marking processes shall conform to applicable specified requirements. As required, documentation shall be included with shipped products in order to verify identification at the receiving location.

2.14.5 Preservation

Appropriate preservation and segregation of product shall be applied.

2.14.6 Delivery

The protection of the quality of the product shall be ensured, and this protection shall be extended to include delivery to destination. ‹‹

2.15 Control of Quality Records

Methods for the identification, collection, indexing, access, filing, storage, maintenance, and disposition of quality records shall be established.

Records shall be maintained to demonstrate conformance to specified requirements and the effective implementation of the quality system, including pertinent quality records from subcontractors.

Records shall be legible, identifiable, retrievable, and stored in a manner that is protected from loss, damage, or deterioration.

Retention times of quality records shall be established and recorded.

Individual branches are responsible for the control of their specific quality records, except where submitted to the corporate quality department or the steering committee. ‹‹

2.16 Internal Quality Audits

Internal audits of the quality system shall be implemented. Requirements for corrective action and/or follow-up and preventive measures shall be defined, implemented, and reviewed for effectiveness.

The scheduled frequency (at a minimum, once per year) of the internal audits of each activity shall be based on the status and importance of the activity to be audited and shall be carried out by personnel independent of those having direct responsibility for the task being audited.

Records of the results of the audits shall be kept and brought to the attention of the appropriate personnel with defined responsibility for the area

or function audited. The management personnel responsible for the area or function shall take timely corrective action on deficiencies found during the audit. A formal summary of the audit is an essential inclusion of the input to management review activities.

Follow-up activities shall verify and record the implementation and effectiveness of the corrective action taken.

The person assigned responsibility for Quality Assurance shall ensure and control the internal quality audit system. «

2.17 Training

The company is responsible for identifying training needs and providing for the training of company personnel and specific tasks affecting quality. Personnel performing specific assigned activities shall be qualified on the basis of appropriate education, training, and/or experience, as required.

All management are responsible for ensuring that personnel in their specific area of responsibility receive proper training and qualification to perform their assigned tasks.

Records of training shall be maintained either at corporate headquarters or as required. «

2.18 Servicing

Certain DXP locations provide on-site servicing of equipment on a routine or on-call basis. When special requirements are specified by the customer, servicing activities shall be addressed and defined in the contract. Applicable branches are responsible for performing, verifying, and reporting service activities according to specified requirements. «

2.19 Statistical Techniques

2.19.1 Identification of Need

The need for company-wide statistical techniques for establishing, controlling, and verifying process capability and product characteristics shall be identified by the corporate quality department.

2.19.2 Procedures

The corporate quality department shall define the methods for the implementation, control, and application of identified statistical techniques. «



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