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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2013

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 000-00255

GRAYBAR ELECTRIC COMPANY, INC.
(Exact name of registrant as specified in its charter)

New York	**13-0794380**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
34 North Meramec Avenue, St. Louis, Missouri	**63105**
(Address of principal executive offices)	*(Zip Code)*

(314) 573 - 9200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES☒ NO☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files).

YES☒ NO☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer☐	Accelerated filer☐
Non-accelerated filer☒ (Do not check if a smaller reporting company)	Smaller reporting company☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES☐ NO☒

Common Stock Outstanding at July 31, 2013: 15,473,958
(Number of Shares)

Graybar Electric Company, Inc. and Subsidiaries
Quarterly Report on Form 10-Q
For the Period Ended June 30, 2013
(Unaudited)

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited)			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
(Stated in thousands, except per share data)	**2013**	2012	**2013**	2012
Gross Sales	**$ 1,473,765**	$ 1,386,830	**$ 2,761,670**	$ 2,672,216
Cash discounts	**(5,657)**	(5,413)	**(10,640)**	(10,552)
Net Sales	**1,468,108**	1,381,417	**2,751,030**	2,661,664
Cost of merchandise sold	**(1,204,143)**	(1,122,742)	**(2,251,233)**	(2,156,176)
Gross Margin	**263,965**	258,675	**499,797**	505,488
Selling, general and administrative expenses	**(218,379)**	(209,487)	**(432,159)**	(422,222)
Depreciation and amortization	**(9,000)**	(8,164)	**(18,017)**	(15,954)
Other income, net	**645**	30,181	**1,202**	32,073
Income from Operations	**37,231**	71,205	**50,823**	99,385
Interest expense, net	**(401)**	(683)	**(764)**	(1,460)
Income before Provision for Income Taxes	**36,830**	70,522	**50,059**	97,925
Provision for income taxes	**(14,904)**	(27,665)	**(20,154)**	(38,639)
Net Income	**21,926**	42,857	**29,905**	59,286
Less: Net income attributable to noncontrolling interests	**(35)**	(69)	**(68)**	(143)
Net Income attributable to Graybar Electric Company, Inc.	**$ 21,891**	$ 42,788	**$ 29,837**	$ 59,143
Net Income per share of Common Stock (A)	**$ 1.40**	$ 2.74	**$ 1.91**	$ 3.79
Cash Dividends per share of Common Stock (B)	**$ 0.30**	$ 0.30	**$ 0.60**	$ 0.60
Average Common Shares Outstanding (A)	**15,578**	15,625	**15,597**	15,616

(A) Adjusted for the declaration of a twenty percent (20%) stock dividend in 2012, shares related to which were issued in February 2013. Prior to the adjustment, the average common shares outstanding were 13,021 and 13,013 for the three and six months ended June 30, 2012, respectively.

(B) Cash dividends declared were $4,676 and $3,912 for the three months ended June 30, 2013 and 2012, respectively. Cash dividends declared were $9,376 and $7,833 for the six months ended June 30, 2013 and 2012, respectively.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(Unaudited)			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
(Stated in thousands)	**2013**	2012	**2013**	2012
Net Income	**$ 21,926**	$ 42,857	**$ 29,905**	$ 59,286
Other Comprehensive Income				
Foreign currency translation	**(2,587)**	(1,963)	**(4,182)**	(225)
Pension and postretirement benefits liability adjustment (net of tax of $2,754, $2,185, $5,322 and $4,286, respectively)	**4,326**	3,433	**8,358**	6,732
Total Other Comprehensive Income	**1,739**	1,470	**4,176**	6,507
Comprehensive Income	**$ 23,665**	$ 44,327	**$ 34,081**	$ 65,793
Comprehensive loss attributable to noncontrolling interests, net of tax	**57**	16	**92**	100
Comprehensive Income attributable to Graybar Electric Company, Inc.	**$ 23,722**	$ 44,343	**$ 34,173**	$ 65,893

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS

(Stated in thousands, except share and per share data)					**June 30, 2013**		December 31, 2012
ASSETS					(Unaudited)		
Current Assets							
Cash and cash equivalents				**$**	**44,498**	$	37,674
Trade receivables (less allowances of $7,098 and $6,868, respectively)					**860,666**		782,390
Merchandise inventory					**439,007**		416,753
Other current assets					**26,689**		25,442
Total Current Assets					**1,370,860**		1,262,259
Property, at cost							
Land					**66,801**		65,821
Buildings					**399,132**		393,399
Furniture and fixtures					**223,659**		212,650
Software					**76,906**		76,906
Capital leases					**13,252**		11,463
Total Property, at cost					**779,750**		760,239
Less – accumulated depreciation and amortization					**(414,519)**		(402,233)
Net Property					**365,231**		358,006
Other Non-current Assets					**79,110**		83,932
Total Assets				**$**	**1,815,201**	$	1,704,197
LIABILITIES							
Current Liabilities							
Short-term borrowings				**$**	**83,677**	$	71,116
Current portion of long-term debt					**2,514**		10,005
Trade accounts payable					**701,476**		573,252
Accrued payroll and benefit costs					**52,143**		109,250
Other accrued taxes					**18,923**		11,748
Other current liabilities					**70,871**		61,315
Total Current Liabilities					**929,604**		836,686
Postretirement Benefits Liability					**77,477**		77,036
Pension Liability					**158,607**		167,223
Long-term Debt					**2,368**		1,990
Other Non-current Liabilities					**20,283**		21,046
Total Liabilities					**1,188,339**		1,103,981
SHAREHOLDERS' EQUITY							
	Shares at						
Capital Stock	**June 30, 2013**	December 31, 2012					
Common, stated value $20.00 per share							
Authorized	**50,000,000**	20,000,000					
Issued to voting trustees	**13,217,044**	12,844,501					
Issued to shareholders	**2,779,499**	2,740,489					
In treasury, at cost	**(435,848)**	(84,566)					
Outstanding Common Stock	**15,560,695**	15,500,424			**311,214**		310,008
Advance Payments on Subscriptions to Common Stock					**805**		—
Retained Earnings					**474,231**		453,770
Accumulated Other Comprehensive Loss					**(162,478)**		(166,814)
Total Graybar Electric Company, Inc. Shareholders' Equity					**623,772**		596,964
Noncontrolling Interests					**3,090**		3,252
Total Shareholders' Equity					**626,862**		600,216
Total Liabilities and Shareholders' Equity				**$**	**1,815,201**	$	1,704,197

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited) Six Months Ended June 30,	
(Stated in thousands)	**2013**	2012
Cash Flows from Operations		
Net Income	**$ 29,905**	$ 59,286
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	**18,017**	15,954
Deferred income taxes	**(3,990)**	1,195
Net gains on disposal of property	**(28)**	(30,725)
Loss on impairment of property	**—**	257
Net income attributable to noncontrolling interests	**(68)**	(143)
Changes in assets and liabilities:		
Trade receivables	**(78,276)**	30,951
Merchandise inventory	**(22,254)**	(48,841)
Other current assets	**(535)**	1,572
Other non-current assets	**2,778**	(588)
Trade accounts payable	**128,224**	(10,549)
Accrued payroll and benefit costs	**(57,107)**	(64,232)
Other current liabilities	**14,058**	25,016
Other non-current liabilities	**4,742**	4,047
Total adjustments to net income	**5,561**	(76,086)
Net cash provided (used) by operations	**35,466**	(16,800)
Cash Flows from Investing Activities		
Proceeds from disposal of property	**123**	33,302
Capital expenditures for property	**(24,989)**	(21,652)
Net cash (used) provided by investing activities	**(24,866)**	11,650
Cash Flows from Financing Activities		
Net increase in short-term borrowings	**12,561**	58,543
Repayment of long-term debt	**(7,386)**	(35,101)
Principal payments under capital leases	**(1,516)**	(1,418)
Sale of common stock	**9,036**	8,323
Purchases of common stock	**(7,025)**	(4,736)
Purchases of noncontrolling interests' common stock	**(70)**	(2,808)
Dividends paid	**(9,376)**	(20,776)
Net cash (used) provided by financing activities	**(3,776)**	2,027
Net Increase (Decrease) in Cash	**6,824**	(3,123)
Cash, Beginning of Year	**37,674**	71,967
Cash, End of Period	**$ 44,498**	$ 68,844

Non-cash Investing and Financing Activities		
Acquisitions of equipment under capital leases	**$ 1,789**	$ 564

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, stated in thousands)

	Graybar Electric Company, Inc. Shareholders' Equity					
	Common Stock	**Common Stock Subscribed, Unissued**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Noncontrolling Interests**	**Total Shareholders' Equity**
December 31, 2011	$ 257,630	$ —	$ 458,139	$ (150,364)	$ 5,989	$ 571,394
Net income			59,143		143	59,286
Other comprehensive income				6,750	(243)	6,507
Stock issued	7,555					7,555
Stock purchased	(4,736)				(2,808)	(7,544)
Advance payments		768				768
Dividends declared			(7,833)			(7,833)
June 30, 2012	$ 260,449	$ 768	$ 509,449	$ (143,614)	$ 3,081	$ 630,133

	Graybar Electric Company, Inc. Shareholders' Equity					
	Common Stock	**Common Stock Subscribed, Unissued**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Noncontrolling Interests**	**Total Shareholders' Equity**
December 31, 2012	$ 310,008	$ —	$ 453,770	$ (166,814)	$ 3,252	$ 600,216
Net income			29,837		68	29,905
Other comprehensive income				4,336	(160)	4,176
Stock issued	8,231					8,231
Stock purchased	(7,025)				(70)	(7,095)
Advance payments		805				805
Dividends declared			(9,376)			(9,376)
June 30, 2013	$ 311,214	$ 805	$ 474,231	$ (162,478)	$ 3,090	$ 626,862

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Stated in thousands, except share and per share data)
(Unaudited)

1. DESCRIPTION OF THE BUSINESS

Graybar Electric Company, Inc. ("Graybar" or the "Company") is a New York corporation, incorporated in 1925. The Company is engaged in the distribution of electrical, communications and data networking ("comm/data") products and the provision of related supply chain management and logistics services, primarily to electrical and comm/data contractors, industrial plants, federal, state and local governments, commercial users, telephone companies, and power utilities in North America. All products sold by the Company are purchased by the Company from others, and the Company neither manufactures nor contracts to manufacture any products that it sells. The Company's business activity is primarily with customers in the United States of America ("U.S."). Graybar also has subsidiary operations with distribution facilities in Canada and Puerto Rico.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies conform to generally accepted accounting principles in the U.S. ("U.S. GAAP") and are applied on a consistent basis among all periods presented. Significant accounting policies are described below.

Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Graybar Electric Company, Inc., without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "Commission") applicable to interim financial reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations, although the Company believes that its disclosures are adequate to make the information presented not misleading. The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect reported amounts. The Company's condensed consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates. Certain reclassifications were made to prior year amounts to conform to the 2013 presentation. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2012, included in the Company's latest Annual Report on Form 10-K.

In the opinion of management, this quarterly report includes all adjustments, consisting of normal recurring accruals and adjustments, necessary for the fair presentation of the financial statements presented. Such interim financial information is subject to year-end adjustments. Results for interim periods are not necessarily indicative of results to be expected for the full year.

Principles of Consolidation

The consolidated financial statements include the accounts of Graybar Electric Company, Inc. and its subsidiary companies. All material intercompany balances and transactions have been eliminated. The ownership interests that are held by owners other than the Company in subsidiaries consolidated by the Company are accounted for and reported as noncontrolling interests.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Subsequent Events

The Company has evaluated subsequent events through the time of the filing of this Quarterly Report on Form 10-Q with the Commission. No material subsequent events have occurred since June 30, 2013 that require recognition or disclosure in these financial statements.

Revenue Recognition

Revenue is recognized when evidence of a customer arrangement exists, prices are fixed and determinable, product title, ownership and risk of loss transfers to the customer, and collectability is reasonably assured. Revenues recognized are primarily for product sales, but also include freight and handling charges. The Company's standard shipping terms are FOB shipping point, under which product title passes to the customer at the time of shipment. The Company does, however, fulfill some customer orders based on shipping terms of FOB destination, whereby title passes to the customer at the time of delivery. The Company also earns revenue for services provided to customers for supply chain management and logistics services. Service revenue is recognized when services are rendered and completed. Revenue is reported net of all taxes assessed by governmental authorities as a result of revenue-producing transactions, primarily sales tax.

Outgoing Freight Expenses

The Company records certain outgoing freight expenses as a component of selling, general and administrative expenses.

Cash and Cash Equivalents

The Company accounts for cash on hand, deposits in banks, and other short-term, highly liquid investments with an original maturity of three months or less as cash and cash equivalents.

Allowance for Doubtful Accounts

The Company performs ongoing credit evaluations of its customers, and a significant portion of its trade receivables is secured by mechanic's lien or payment bond rights. The Company maintains allowances to reflect the expected uncollectability of trade receivables based on past collection history and specific risks identified in the receivables portfolio. Although actual credit losses have historically been within management's expectations, additional allowances may be required if the financial condition of the Company's customers were to deteriorate.

Merchandise Inventory

The Company's inventory is stated at the lower of cost (determined using the last-in, first-out ("LIFO") cost method) or market. LIFO accounting is a method of accounting that, compared with other inventory accounting methods, generally provides better matching of current costs with current sales.

The Company makes provisions for obsolete or excess inventories as necessary to reflect reductions in inventory value.

Supplier Volume Incentives

The Company's agreements with many of its suppliers provide for the Company to earn volume incentives based on purchases during the agreement period. These agreements typically provide for the incentives to be paid quarterly or annually in arrears. The Company estimates amounts to be received from suppliers at the end of each reporting period based on the earnout level that the Company believes is probable of being achieved. The Company records the incentive ratably over the year as a reduction of cost of merchandise sold as the related inventory is sold. Changes in the estimated amount of incentives are treated as changes in estimate and are recognized in earnings in the period in which the change in estimate occurs. In the event that the operating performance of the Company's suppliers were to decline, however, there can be no assurance that amounts earned would be paid or that the volume incentives would continue to be included in future agreements.

Property and Depreciation

Property, plant and equipment are recorded at cost. Depreciation is expensed on a straight-line basis over the estimated useful lives of the related assets. Interest costs incurred to finance expenditures for major long-term construction projects are capitalized as part of the asset's historical cost and included in property, plant and equipment, then depreciated over the useful life of the asset. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Expenditures for maintenance and repairs are charged to expense when incurred, while the costs of significant improvements, which extend the useful life of the underlying asset, are capitalized.

Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of trade receivables. The Company performs ongoing credit evaluations of its customers, and a significant portion of its trade receivables is secured by mechanic's lien or payment bond rights. The Company maintains allowances for potential credit losses and such losses historically have been within management's expectations.

Fair Value

The Company endeavors to utilize the best available information in measuring fair value. U.S. GAAP has established a fair value hierarchy, which prioritizes the inputs used in measuring fair value. The tiers in the hierarchy include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own data inputs and assumptions. The Company has used fair value measurements to value its pension plan assets.

Foreign Currency Exchange Rate

The functional currency for the Company's Canadian subsidiary is the Canadian dollar. Accordingly, its balance sheet amounts are translated at the exchange rates in effect at the end of each reporting period and its statements of income amounts are translated at the average rates of exchange prevailing during the current period. Currency translation adjustments are included in accumulated other comprehensive loss.

Goodwill

The Company's goodwill and indefinite-lived intangible assets are not amortized, but rather tested annually for impairment. Goodwill is reviewed annually in the fourth quarter and/or when circumstances or other events might indicate that impairment may have occurred. The Company performs either a qualitative or quantitative assessment of goodwill impairment. The qualitative assessment considers several factors including the excess fair value over carrying value as of the last quantitative impairment test, the length of time since the last fair value measurement, the current carrying value, market conditions, actual performance compared to forecasted performance, and the current business outlook. If the qualitative assessment indicates that it is more likely than not that goodwill is impaired, the reporting unit is quantitatively tested for impairment. If a quantitative assessment is required, the fair value is determined using a variety of assumptions including estimated future cash flows of the reporting unit and applicable discount rates.

Income Taxes

The Company recognizes deferred tax assets and liabilities to reflect the future tax consequences of events that have been recognized in the financial statements or tax returns. Uncertainty exists regarding tax positions taken in previously filed tax returns still subject to examination and positions expected to be taken in future returns. A deferred tax asset or liability results from the temporary difference between an item's carrying value as reflected in the financial statements and its tax basis, and is calculated using enacted applicable tax rates. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent it believes that recovery is not likely, a valuation allowance is established. Changes in the valuation allowance, when recorded, are included in the provision for income taxes in the consolidated financial statements. The Company classifies interest expense and penalties as part of its provision for income taxes based upon applicable federal and state interest/underpayment percentages.

Other Postretirement Benefits

The Company accounts for postretirement benefits other than pensions by accruing the costs of benefits to be provided over the employees' periods of active service. These costs are determined on an actuarial basis. The Company's consolidated balance sheets reflect the funded status of postretirement benefits.

Pension Plan

The Company sponsors a noncontributory defined benefit pension plan accounted for by accruing the cost to provide the benefits over the employees' periods of active service. These costs are determined on an actuarial basis. The Company's consolidated balance sheets reflect the funded status of the defined benefit pension plan.

New Accounting Standards

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU” or “Update”) 2013-02, “Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income”, which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (“AOCI”). The Update requires that the Company present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of AOCI based on its source and the income statement line items affected by the reclassification. The Company adopted this Update as of January 1, 2013 and the adoption did not have any impact on the Company's results of operations, financial position, or cash flows during the quarter and year ended June 30, 2013, other than additional disclosures contained in Note 7.

3. INCOME TAXES

The Company determines its deferred tax assets and liabilities based upon the difference between the financial statement and tax bases of its assets and liabilities, calculated using enacted applicable tax rates. The Company then assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent it believes that recovery is not likely, a valuation allowance is established. Changes in the valuation allowance, when recorded, are included in the provision for income taxes in the condensed consolidated financial statements.

The Company classifies interest expense and penalties as part of its provision for income taxes based upon applicable federal and state interest/underpayment percentages. The Company has accrued $1,238 and $1,195 in interest and penalties in its condensed consolidated balance sheets at June 30, 2013 and December 31, 2012, respectively. Interest was computed on the difference between the provision for income taxes recognized in accordance with U.S. GAAP and the amount of benefit previously taken or expected to be taken in the Company’s federal, state, and local income tax returns.

The Company's federal income tax returns for the tax years 2008 and forward are available for examination by the United States Internal Revenue Service (“IRS”). The IRS completed its examination of the Company's 2008 and 2009 federal income tax returns. On May 1, 2013, the Company received the revenue agent's report, commonly referred to as a “30-day letter”. The Company disputes some of the proposed adjustments raised in the revenue agent's report and has filed a protest. In July, the Company received the revenue agent's rebuttal and is currently awaiting appeal proceedings. The Company continues to believe its reserve for uncertain tax benefits is adequate at June 30, 2013. The Company has agreed to extend its federal statute of limitations for the 2008 tax year until May 31, 2014. In addition, an examination by the IRS of the Company's 2010 and 2011 federal income tax returns commenced in April 2013.

The Company's state income tax returns for 2008 through 2012 remain subject to examination by various state authorities, with the latest period closing on December 31, 2017. The Company has not extended the statutes of limitations with respect to years prior to 2008. Such statutes of limitations will expire on or before December 31, 2013, unless extended.

The Company’s unrecognized tax benefits of $3,689 and $3,530 at June 30, 2013 and December 31, 2012, respectively, are uncertain tax positions that would impact the Company’s effective tax rate if recognized. The Company is periodically engaged in tax return examinations, reviews of statute of limitations periods, and settlements surrounding income taxes. The Company does not anticipate a material change in its unrecognized tax benefits during the next twelve months.

4. CAPITAL STOCK

The Company's capital stock is one hundred percent (100%) owned by its active and retired employees, and there is no public trading market for its common stock. Since 1928, substantially all of the issued and outstanding shares of common stock have been held of record by voting trustees under successive voting trust agreements. Under applicable state law, a voting trust may not have a term greater than ten years. At June 30, 2013, approximately eighty-three percent (83%) of the common stock was held in a voting trust that expires by its terms on March 15, 2017. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record.

No shareholder may sell, transfer, or otherwise dispose of shares of common stock or the voting trust interests issued with respect thereto (“common stock”, “common shares”, or “shares”) without first offering the Company the option to purchase such shares at the price at which the shares were issued. The Company also has the option to purchase at the issue price the common stock of any holder who dies or ceases to be an employee of the Company for any cause other than retirement on a Company pension. The Company has always exercised its purchase option and expects to continue to do so. All outstanding shares of the Company have been issued at $20.00 per share.

At the Company's annual meeting of shareholders on June 13, 2013, the shareholders approved an amendment to the Company's amended Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 20,000,000 to 50,000,000 shares.

5. REVOLVING CREDIT FACILITY

On June 30, 2013 and December 31, 2012, the Company and Graybar Canada Limited, the Company's Canadian operating subsidiary ("Graybar Canada"), had an unsecured, five-year, $500,000 revolving credit agreement maturing in September 2016 with Bank of America, N.A. and other lenders named therein, which includes a combined letter of credit sub-facility of up to $50,000, a U.S. swing line loan facility of up to $50,000, and a Canadian swing line loan facility of up to $20,000 (the "Credit Agreement"). The Credit Agreement also includes a $100,000 sublimit (in U.S. or Canadian dollars) for borrowings by Graybar Canada and contains an accordion feature, which allows the Company to request increases in the aggregate borrowing commitments of up to $200,000.

On May 29, 2013, the Company and Graybar Canada Limited amended the Credit Agreement to clarify that the Canadian Dealer Offered Rate ("CDOR") would replace Canadian LIBOR, which was discontinued by the British Bankers' Association after May 31, 2013. Effective on the amendment date, borrowings by the Canadian borrower denominated in Canadian dollars under the Credit Agreement bear interest based on, at the Canadian borrower's election, either (i) the base rate (as defined in the Credit Agreement), or (ii) CDOR, in each case plus an applicable margin, as set forth in the pricing grid detailed in the Credit Agreement. Borrowings by the Company are unaffected by this amendment to the Credit Agreement.

At June 30, 2013, the Company had total letters of credit of $8,898 outstanding, of which $723 were issued under the $500,000 revolving credit facility. At December 31, 2012, the Company had total letters of credit of $8,938 outstanding, of which $763 were issued under the $500,000 revolving credit facility. The letters of credit are used primarily to support certain workers compensation insurance policies.

There were $83,677 and $71,116 in short-term borrowings outstanding under the revolving credit facility at June 30, 2013 and December 31, 2012, respectively.

6. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company has a noncontributory defined benefit pension plan covering substantially all full-time employees. The plan provides retirement benefits based on an employee's average earnings and years of service. Employees become one hundred percent (100%) vested after three years of service, regardless of age. The Company's plan funding policy is to make contributions provided that the total annual contributions will not be less than the Employee Retirement Income Security Act ("ERISA") and the Pension Protection Act of 2006 minimums or greater than the maximum tax-deductible amount, to review contribution and funding strategy on a regular basis, and to allow discretionary contributions to be made by the Company from time to time. The assets of the defined benefit pension plan are invested primarily in fixed income and equity securities, money market funds, and other investments.

The Company provides certain postretirement health care and life insurance benefits to retired employees. Substantially all of the Company's employees may become eligible for postretirement medical benefits if they reach the age and service requirements of the retiree medical plan and retire on a service pension under the defined benefit pension plan. Benefits are provided through insurance coverage, with premiums based on the benefits paid during the year. The Company funds postretirement benefits on a pay-as-you-go basis, and accordingly, there were no assets held in the postretirement benefits plan at June 30, 2013 and December 31, 2012.

The net periodic benefit cost for the three and six months ended June 30, 2013 and 2012 included the following components:

	Pension Benefits		Postretirement Benefits	
	Three Months Ended June 30,		Three Months Ended June 30,	
Components of Net Periodic Benefit Cost	**2013**	2012	**2013**	2012
Service cost	**$ 5,534**	$ 5,532	**$ 647**	$ 518
Interest cost	**5,982**	6,123	**711**	828
Expected return on plan assets	**(5,979)**	(5,910)	—	—
Amortization of:				
Net actuarial loss	**6,860**	5,408	**422**	435
Prior service cost (gain)	**338**	340	**(540)**	(565)
Net periodic benefit cost	**$ 12,735**	$ 11,493	**$ 1,240**	$ 1,216

	Pension Benefits		Postretirement Benefits	
	Six Months Ended June 30,		Six Months Ended June 30,	
Components of Net Periodic Benefit Cost	**2013**	2012	**2013**	2012
Service cost	**$ 12,059**	$ 11,107	**$ 1,322**	$ 1,168
Interest cost	**11,957**	12,448	**1,436**	1,678
Expected return on plan assets	**(11,954)**	(11,835)	**—**	—
Amortization of:				
Net actuarial loss	**13,185**	10,558	**897**	860
Prior service cost (gain)	**688**	690	**(1,090)**	(1,090)
Net periodic benefit cost	**$ 25,935**	$ 22,968	**$ 2,565**	$ 2,616

The Company made contributions to its defined benefit pension plan totaling $10,000 during each of the three-month periods ended June 30, 2013 and 2012. Contributions made during the six-month periods ended June 30, 2013 and 2012 each totaled $20,000. Additional contributions totaling $20,800 are expected to be paid during the remainder of 2013.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following represents amounts reclassified out of accumulated other comprehensive income (loss) for the three months ended June 30, 2013 and 2012:

	Three Months Ended June 30, 2013			Three Months Ended June 30, 2012		
	Amortization of Pension and Other Postretirement Benefits Items			Amortization of Pension and Other Postretirement Benefits Items		
	Actuarial Losses Recognized	Prior Service Costs Recognized	Total	Actuarial Losses Recognized	Prior Service Costs Recognized	Total
Affected Line in Condensed Consolidated Statement of Income:						
Selling, general and administrative expenses	**$ 7,282**	**$ (202)**	**$ 7,080**	$ 5,843	$ (225)	$ 5,618
Tax expense	**(2,833)**	**79**	**(2,754)**	(2,273)	88	(2,185)
Total reclassifications for the period, net of tax	**$ 4,449**	**$ (123)**	**$ 4,326**	$ 3,570	$ (137)	$ 3,433

The following represents amounts reclassified out of accumulated other comprehensive income (loss) for the six months ended June 30, 2013 and 2012:

	Six Months Ended June 30, 2013			Six Months Ended June 30, 2012		
	Amortization of Pension and Other Postretirement Benefits Items			Amortization of Pension and Other Postretirement Benefits Items		
	Actuarial Losses Recognized	**Prior Service Costs Recognized**	**Total**	**Actuarial Losses Recognized**	**Prior Service Costs Recognized**	**Total**
Affected Line in Condensed Consolidated Statement of Income:						
Selling, general and administrative expenses	**$ 14,082**	**$ (402)**	**$ 13,680**	$ 11,418	$ (400)	$ 11,018
Tax expense	**(5,478)**	**156**	**(5,322)**	(4,442)	156	(4,286)
Total reclassifications for the period, net of tax	**$ 8,604**	**$ (246)**	**$ 8,358**	$ 6,976	$ (244)	$ 6,732

The following tables represent the activity included in accumulated other comprehensive income (loss) for the three months ended June 30, 2013 and 2012:

	Three Months Ended June 30, 2013			Three Months Ended June 30, 2012		
	Foreign Currency	**Pension and Other Postretirement Benefits**	**Total**	**Foreign Currency**	**Pension and Other Postretirement Benefits**	**Total**
Beginning balance April 1	**$ 10,513**	**$ (174,822)**	**$ (164,309)**	$ 11,953	$ (157,122)	$ (145,169)
Other comprehensive income before reclassifications	**(2,495)**	**—**	**(2,495)**	(1,878)	—	(1,878)
Amounts reclassified from accumulated other comprehensive income	**—**	**4,326**	**4,326**	—	3,433	3,433
Net current-period other comprehensive income	**(2,495)**	**4,326**	**1,831**	(1,878)	3,433	1,555
Ending balance June 30	**$ 8,018**	**$ (170,496)**	**$ (162,478)**	$ 10,075	$ (153,689)	$ (143,614)

The following tables represent the activity included in accumulated other comprehensive income (loss) for the six months ended June 30, 2013 and 2012:

	Six Months Ended June 30, 2013			Six Months Ended June 30, 2012		
	Foreign Currency	**Pension and Other Postretirement Benefits**	**Total**	**Foreign Currency**	**Pension and Other Postretirement Benefits**	**Total**
Beginning balance January 1	**$ 12,040**	**$ (178,854)**	**$ (166,814)**	$ 10,057	$ (160,421)	$ (150,364)
Other comprehensive income before reclassifications	**(4,022)**	**—**	**(4,022)**	18	—	18
Amounts reclassified from accumulated other comprehensive income	**—**	**8,358**	**8,358**	—	6,732	6,732
Net current-period other comprehensive income	**(4,022)**	**8,358**	**4,336**	18	6,732	6,750
Ending balance June 30	**$ 8,018**	**$ (170,496)**	**$ (162,478)**	$ 10,075	$ (153,689)	$ (143,614)

8. ASSETS HELD FOR SALE

The Company considers properties to be assets held for sale when all of the following criteria are met: i) a formal commitment to a plan to sell a property has been made and exercised; ii) the property is available for sale in its present condition; iii) actions required to complete the sale of the property have been initiated; iv) sale of the property is probable and the Company expects the sale will occur within one year; and v) the property is being actively marketed for sale at a price that is reasonable given its current market value.

Upon designation as an asset held for sale, the Company records the carrying value of each property at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and depreciation of the property ceases. The net book value of assets held for sale was $7,660 and $3,034 at June 30, 2013 and December 31, 2012, respectively, and is recorded in net property in the condensed consolidated balance sheets.

The Company reviews long-lived assets held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For assets classified as held and used, impairment may occur if projected undiscounted cash flows are not adequate to cover the carrying value of the assets. In such cases, additional analysis is conducted to determine the amount of the loss to be recognized. The impairment loss is calculated as the difference between the carrying amount of the asset and its estimated fair value. The analysis requires estimates of the amount and timing of projected cash flows and, where applicable, selection of an appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed necessary.

For assets held for sale, impairment occurs whenever the net book value of the property listed for sale exceeds the expected selling price less estimated selling expenses. The Company recorded no impairment charges during the three- and six-month periods ended June 30, 2013. The Company recorded impairment losses totaling $82 and $257, respectively, to account for the expected losses on two of the properties held for sale during the three- and six-month periods ended June 30, 2012. The impairment losses are included in other income, net in the condensed consolidated statement of income for the three and six months ended June 30, 2012.

9. COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are subject to various claims, disputes, and administrative and legal matters incidental to the Company's past and current business activities. As a result, contingencies may arise resulting from an existing condition, situation, or set of circumstances involving an uncertainty as to the realization of a possible loss.

The Company accounts for loss contingencies in accordance with U.S. GAAP. Estimated loss contingencies are accrued only if the loss is probable and the amount of the loss can be reasonably estimated. With respect to a particular loss contingency, it may be probable that a loss has occurred, but the estimate of the loss is a wide range. If the Company deems some amount within the range to be a better estimate than any other amount within the range, that amount will be accrued. However, if no amount within the range is a better estimate than any other amount, the minimum amount of the range is accrued. While the Company believes that none of these claims, disputes, and administrative and legal matters will have a material adverse effect on its financial position, these matters are uncertain and the Company cannot at this time determine whether the financial impact, if any, of these matters will be material to its results of operations in the period during which such matters are resolved or a better estimate becomes available.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our accompanying unaudited condensed consolidated financial statements and notes thereto, and our audited consolidated financial statements, notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2012, included in our Annual Report on Form 10-K for such period as filed with the United States ("U.S.") Securities and Exchange Commission (the "Commission"). The results shown herein are not necessarily indicative of the results to be expected in any future periods.

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). These forward-looking statements generally are identified by the words "believes", "projects", "expects", "anticipates", "estimates", "intends", "strategy", "plan", "may", "will", "would", "will be", "will continue", "will likely result", and similar expressions. The Company intends such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the PSLRA. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse impact on the Company's operations and future prospects on a consolidated basis include, but are not limited to: general economic conditions, particularly in the residential, commercial, and industrial building construction industries; volatility in the prices of industrial metal commodities; disruptions in the Company's sources of supply; a sustained interruption in the operation of the Company's information systems; increased funding or expenses related to Company's pension plan; adverse legal proceedings or other claims; and the inability, or limitations on the Company's ability, to raise debt or equity capital. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. The Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially impact our financial results, is included herein and in our other filings with the Commission. Actual results and the timing of events could differ materially from the forward-looking statements as a result of certain factors, a number of which are outlined in Item 1A., "Risk Factors", of the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

All dollar amounts, except per share data, are stated in thousands ($000s) in the following discussion and accompanying tables.

Background

Graybar Electric Company, Inc. ("Graybar" or the "Company") is a New York corporation, incorporated in 1925. The Company is engaged in the distribution of electrical, communications and data networking ("comm/data") products, and the provision of related supply chain management and logistics services, primarily to electrical and comm/data contractors, industrial plants, federal, state, and local governments, commercial users, telephone companies, and power utilities in North America. All products sold by the Company are purchased by the Company from others, and the Company neither manufactures nor contracts to manufacture any products it sells. The Company's business activity is primarily with customers in the U.S. Graybar also has subsidiary operations with distribution facilities in Canada and Puerto Rico.

The Company's capital stock is one hundred percent (100%) owned by its active and retired employees, and there is no public trading market for its common stock. No shareholder may sell, transfer, or otherwise dispose of shares of common stock or the voting trust interests issued with respect thereto ("common stock", "common shares", or "shares") without first offering the Company the option to purchase such shares at the price at which shares were issued. The Company also has the option to purchase at the issue price the common stock of any holder who dies or ceases to be an employee of the Company for any cause other than retirement on a Company pension. The Company has always exercised its purchase option and expects to continue to do so. All outstanding shares of the Company have been issued at $20.00 per share.

Business Overview

The U.S. economy was sluggish in the second quarter registering a rate of growth of approximately 1.7% in annualized gross domestic product. Growth in consumer spending was muted in the first half of 2013 primarily due to continued high unemployment and tax increases. Improvement, albeit slight, is expected through the end of the year as the effects of the U.S. Government sequester continue to weigh on the economy.

Graybar's net sales rose 3.4% during the six months ended June 30, 2013, compared to the same period in 2012. Gross margin decreased 1.1% during the first half of 2013, compared to the six months ended June 30, 2012. Growth in net sales and gross margin improved to 6.3% and 2.0%, respectively, during the second quarter of 2013, compared to the same period in 2012. For the six months ended June 30, 2013, gross margin decreased due to increased competitive pressures and higher product costs. This resulted in a decline in gross margin as a percentage of net sales to 18.2% for the six months ended June 30, 2013 from 19.0% for the same period in 2012.

The Company expects organic growth in net sales to outpace the forecasted rate of growth of the U.S. gross domestic product during 2013.

Consolidated Results of Operations

The following table sets forth certain information relating to the operations of the Company stated in thousands of dollars and as a percentage of net sales for the three and six months ended June 30, 2013 and 2012:

	Three Months Ended June 30, 2013		Three Months Ended June 30, 2012	
	Dollars	**Percent**	Dollars	Percent
Net Sales	**$ 1,468,108**	**100.0%**	$ 1,381,417	100.0%
Cost of merchandise sold	**(1,204,143)**	**(82.0)**	(1,122,742)	(81.3)
Gross Margin	**263,965**	**18.0**	258,675	18.7
Selling, general and administrative expenses	**(218,379)**	**(14.9)**	(209,487)	(15.2)
Depreciation and amortization	**(9,000)**	**(0.6)**	(8,164)	(0.5)
Other income, net	**645**	**—**	30,181	2.2
Income from Operations	**37,231**	**2.5**	71,205	5.2
Interest expense, net	**(401)**	**—**	(683)	(0.1)
Income before Provision for Income Taxes	**36,830**	**2.5**	70,522	5.1
Provision for income taxes	**(14,904)**	**(1.1)**	(27,665)	(2.0)
Net Income	**21,926**	**1.4**	42,857	3.1
Less: Net income attributable to noncontrolling interests	**(35)**	**—**	(69)	—
Net Income attributable to Graybar Electric Company, Inc.	**$ 21,891**	**1.4%**	$ 42,788	3.1%

	Six Months Ended June 30, 2013		Six Months Ended June 30, 2012	
	Dollars	**Percent**	Dollars	Percent
Net Sales	**$ 2,751,030**	**100.0%**	$ 2,661,664	100.0%
Cost of merchandise sold	**(2,251,233)**	**(81.8)**	(2,156,176)	(81.0)
Gross Margin	**499,797**	**18.2**	505,488	19.0
Selling, general and administrative expenses	**(432,159)**	**(15.7)**	(422,222)	(15.9)
Depreciation and amortization	**(18,017)**	**(0.7)**	(15,954)	(0.6)
Other income, net	**1,202**	**—**	32,073	1.2
Income from Operations	**50,823**	**1.8**	99,385	3.7
Interest expense, net	**(764)**	**—**	(1,460)	(0.1)
Income before Provision for Income Taxes	**50,059**	**1.8**	97,925	3.6
Provision for income taxes	**(20,154)**	**(0.7)**	(38,639)	(1.4)
Net Income	**29,905**	**1.1**	59,286	2.2
Less: Net income attributable to noncontrolling interests	**(68)**	**—**	(143)	—
Net Income attributable to Graybar Electric Company, Inc.	**$ 29,837**	**1.1%**	$ 59,143	2.2%

Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2012

Net sales totaled $1,468,108 for the quarter ended June 30, 2013, compared to $1,381,417 for the quarter ended June 30, 2012, an increase of $86,691, or 6.3%. Net sales to the electrical market sector for the three months ended June 30, 2013 increased 9.4%, while net sales to the comm/data market sector decreased 0.8%, compared to the same three-month period of 2012.

Gross margin increased $5,290, or 2.0%, to $263,965 from $258,675 primarily due to increased net sales in the second quarter of 2013, compared to the same period of 2012. The Company's gross margin as a percent of net sales totaled 18.0% for the three months ended June 30, 2013, down from 18.7% for the three months ended June 30, 2012.

Selling, general and administrative expenses increased $8,892, or 4.2%, to $218,379 in the second quarter of 2013 from $209,487 in the second quarter of 2012, due to higher employment related expenses for the three months ended June 30, 2013. Selling, general and administrative expenses as a percentage of net sales were 14.9% in the second quarter of 2013, down from 15.2% of net sales in the second quarter of 2012.

Depreciation and amortization expenses for the three months ended June 30, 2013 increased $836, or 10.2%, to $9,000 from $8,164 in the second quarter of 2012 due to an increase in property, at cost. Depreciation and amortization expenses as a percentage of net sales totaled 0.6% for the three months ended June 30, 2013, compared to 0.5% of net sales for the three months ended June 30, 2012.

Other income, net totaled $645 for the three months ended June 30, 2013, compared to $30,181 for the three months ended June 30, 2012. Other income, net consists primarily of gains on the disposal of property, trade receivable interest charges to customers, and other miscellaneous income items related to the Company's business activities. The decrease in other income, net was due to gains on the disposal of real property of $29,494 that occurred during the three month period ended June 30, 2012 that did not repeat for the three month period ended June 30, 2013.

Income from operations totaled $37,231 for the three months ended June 30, 2013, a decrease of $33,974, or 47.7%, from $71,205 for the three months ended June 30, 2012. The decrease was due to the substantial decrease in other income, net, as well as increases in selling, general and administrative expenses and depreciation and amortization expenses, partially offset with the increase in gross margin.

Interest expense, net declined $282, or 41.3%, to $401 for the three months ended June 30, 2013 from $683 for the three months ended June 30, 2012. This reduction was due to a lower level of outstanding long-term debt in the second quarter of 2013, compared to the same period of 2012. Long-term debt outstanding, including the current portion, was $4,882 at June 30, 2013, compared to $15,880 at June 30, 2012.

The decrease in income from operations and lower interest expense, net resulted in income before provision for income taxes of $36,830 for the three months ended June 30, 2013, a decrease of $33,692, or 47.8%, compared to $70,522 for the three months ended June 30, 2012.

The Company's total provision for income taxes decreased $12,761, or 46.1%, to $14,904 for the three months ended June 30, 2013, compared to $27,665 for the same period of 2012. The Company's effective tax rate was 40.5% for the three months ended June 30, 2013, up from 39.2% for the same period of 2012. This increase was attributable to the impact of permanent items on projected pretax income, as well as anticipated state taxes, for the three months ended June 30, 2013, compared to the three months ended June 30, 2012.

Net income attributable to Graybar Electric Company, Inc. for the three months ended June 30, 2013 decreased $20,897, or 48.8%, to $21,891 from $42,788 for the three months ended June 30, 2012.

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Net sales totaled $2,751,030 for the six-month period ended June 30, 2013, compared to $2,661,664 for the six-month period ended June 30, 2012, an increase of $89,366, or 3.4%. Net sales to the electrical market sector for the six months ended June 30, 2013, increased 5.4%, while net sales to the comm/data sector decreased 1.5%, compared to the same six-month period of 2012.

Gross margin decreased $5,691, or 1.1%, to $499,797 from $505,488 primarily due to higher product costs as well as increased competitive pressures in the first six months of 2013, compared to the same period of 2012. The Company's gross margin as a percent of net sales decreased to 18.2% for the six months ended June 30, 2013 from 19.0% for the same period of 2012.

Selling, general and administrative expenses increased $9,937, or 2.4%, to $432,159, for the six-month period ended June 30, 2013, compared to $422,222 for the six-month period ended June 30, 2012, mainly due to higher employment-related costs. Selling, general and administrative expenses as a percentage of net sales for the six-month period ended June 30, 2013 were 15.7%, down from 15.9% for the same six-month period of 2012.

Depreciation and amortization expenses for the six months ended June 30, 2013 increased $2,063, or 12.9%, to $18,017 from $15,954 for the same six-month period in 2012 due to an increase in property, at cost. Depreciation and amortization expenses as a percentage of net sales totaled 0.7% for the six months ended June 30, 2013, compared to 0.6% for the same six-month period in 2012.

Other income, net totaled $1,202 for the six-month period ended June 30, 2013, compared to $32,073 for the six months ended June 30, 2012. Other income, net consists primarily of gains on the disposal of property, trade receivable interest charges to customers, and other miscellaneous income items related to the Company's business activities. The decrease in other income, net for the six months ended June 30, 2013 was due to a substantial decrease in net gains on the disposal of property. Gains on the disposal of property were $28 for the six months ended June 30, 2013, compared to gains on the disposal of property of $30,725 for the same period of 2012. There were also $257 in impairment losses recorded during the six months ended June 30, 2012. There were no impairment losses recorded for the six months ended June 30, 2013.

Income from operations totaled $50,823 for the six-month period ended June 30, 2013, a decrease of $48,562, or 48.9%, from $99,385 for the six-month period ended June 30, 2012. The decrease was due to the substantial decrease in other income, net, as well as the decrease in gross margin, and increases in selling, general and administrative expenses and depreciation and amortization expenses.

Interest expense, net declined $696, or 47.7%, to $764 for the six-month period ended June 30, 2013 from $1,460 for the six months ended June 30, 2012. This reduction was due to a lower level of outstanding long-term debt during the six months ended June 30, 2013, compared to the same period of 2012. Long-term debt outstanding, including the current portion, was $4,882 at June 30, 2013, compared to $15,880 at June 30, 2012.

The decrease in income from operations and lower interest expense, net resulted in income before provision for income taxes of $50,059 for the six-month period ended June 30, 2013, a decrease of $47,866, or 48.9%, compared to $97,925 for the six-month period ended June 30, 2012.

The Company's total provision for income taxes decreased $18,485, or 47.8%, to $20,154 for the six months ended June 30, 2013, compared to $38,639 for the same period in 2012. The Company's effective tax rate was 40.3% for the six months ended June 30, 2013, up from 39.5% for the same period in 2012. This increase was attributable to impact of permanent items on forecasted levels of pretax income, as well as anticipated state taxes for the six months ended June 30, 2013, compared to June 30, 2012.

Net income attributable to Graybar Electric Company, Inc. for the six-month period ended June 30, 2013 decreased $29,306, or 49.6%, to $29,837 from $59,143 for the six months ended June 30, 2012.

Financial Condition and Liquidity

The Company has historically funded its working capital requirements using cash flows generated by the collection of trade receivables and trade accounts payable terms with its suppliers, supplemented by short-term bank lines of credit. Capital assets have been financed primarily by short-term bank lines of credit and long-term debt.

Operating Activities

Net cash provided by operations was $35,466 for the six-month period ended June 30, 2013, compared to net cash used by operations of $16,800 during the six months ended June 30, 2012. Positive cash flows from operations for the six months ended June 30, 2013 were primarily due to net income of $29,905, an increase in trade accounts payable of $128,224, partially offset by an increase in trade receivables of $78,276, increase in merchandise inventory of $22,254 and a decrease in accrued payroll and benefit costs of $57,107.

The average number of days of sales in trade receivables for the three-month period ended June 30, 2013 increased moderately compared to the same three-month period ended June 30, 2012. Merchandise inventory turnover improved modestly for the three months ended June 30, 2013, compared to the three months ended June 30, 2012, due to higher sales volume partially offset by increased merchandise inventory levels at June 30, 2013 compared to June 30, 2012.

Current assets exceeded current liabilities by $441,256 at June 30, 2013, an increase of $15,683, or 3.7%, from $425,573 at December 31, 2012.

Investing Activities

Net cash used by investing activities totaled $24,866 for the six months ended June 30, 2013, compared to net cash provided by investing activities of $11,650 for the same period of 2012. Capital expenditures for property were $24,989 and $21,652, and proceeds from the disposal of property were $123 and $33,302, for the six months ended June 30, 2013 and 2012, respectively. The proceeds received for the six months ended June 30, 2013 were primarily from the sale of personal property. Proceeds received during the six months ended June 30, 2012 were primarily from the sale of real property.

Financing Activities

Net cash used by financing activities totaled $3,776 for the six months ended June 30, 2013, compared to net cash provided by financing activities of $2,027 for the six months ended June 30, 2012.

Cash provided by short-term borrowings was $12,561 and $58,543 for the six months ended June 30, 2013 and 2012, respectively. The Company made payments due on long-term debt of $7,386 and on capital lease obligations of $1,516 during the six months ended June 30, 2013. During the six months ended June 30, 2012, the Company made payments on long-term debt of $35,101 and capital lease obligations of $1,418.

Cash provided by the sale of common stock amounted to $9,036 and $8,323, and purchases of stock to be held in treasury were $7,025 and $4,736, for the six months ended June 30, 2013 and 2012, respectively. Cash dividends paid were $9,376 and $20,776 for the six months ended June 30, 2013 and 2012, respectively. The decrease in cash dividends paid for the six months ended June 30, 2013, was due to the decision to pay the fourth quarter cash dividend in 2012 as opposed to the first quarter of 2013.

Cash paid for noncontrolling interests' common stock totaled $70 and $2,808 during the six months ended June 30, 2013 and 2012, respectively.

Cash and cash equivalents were $44,498 at June 30, 2013, compared to $37,674 at December 31, 2012, an increase of $6,824, or 18.1%.

Liquidity

On June 30, 2013 and December 31, 2012, the Company and Graybar Canada Limited, the Company's Canadian operating subsidiary (“Graybar Canada”), had an unsecured, five-year, $500,000 revolving credit agreement maturing in September 2016 with Bank of America, N.A. and other lenders named therein, which includes a combined letter of credit sub-facility of up to $50,000, a U.S. swing line loan facility of up to $50,000, and a Canadian swing line loan facility of up to $20,000 (the "Credit Agreement"). The Credit Agreement also includes a $100,000 sublimit (in U.S. or Canadian dollars) for borrowings by Graybar Canada and contains an accordion feature, which allows the Company to request increases in the aggregate borrowing commitments of up to $200,000. There were $83,677 and $71,116 in short-term borrowings outstanding under the revolving credit facility at June 30, 2013 and December 31, 2012, respectively.

On May 29, 2013, the Company and Graybar Canada Limited amended the Credit Agreement to clarify that the Canadian Dealer Offered Rate ("CDOR") would replace Canadian LIBOR, which was discontinued by the British Bankers' Association after May 31, 2013. Effective on the amendment date, borrowings by the Canadian borrower denominated in Canadian dollars under the Credit Agreement bear interest based on, at the Canadian borrower's election, either (i) the base rate (as defined in the Credit Agreement), or (ii) CDOR, in each case plus an applicable margin, as set forth in the pricing grid detailed in the Credit Agreement. Borrowings by the Company are unaffected by this amendment to the Credit Agreement.

At June 30, 2013, the Company had total letters of credit of $8,898 outstanding, of which $723 were issued under the $500,000 revolving credit facility. At December 31, 2012, the Company had total letters of credit of $8,938 outstanding, of which $763 were issued under the $500,000 revolving credit facility. The letters of credit are used primarily to support certain workers compensation insurance policies.

At June 30, 2013, the Company had unused lines of credit amounting to $416,323 available, compared to $428,884 at December 31, 2012. These lines are available to meet the short-term cash requirements of the Company, and certain committed lines of credit had annual fees of up to 35 basis points (0.35%) of the committed lines of credit.

Short-term borrowings outstanding during the six months ended June 30, 2013 and 2012 ranged from a minimum of $27,530 and $35,105 to a maximum of $107,775 and $111,032, respectively.

The revolving credit facility and certain other note agreements contain various affirmative and negative covenants. The Company is also required to maintain certain financial ratios as defined in the agreements. The Company was in compliance with all covenants under these agreements as of June 30, 2013 and December 31, 2012.

New Accounting Standards Updates

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" or "Update") 2013-02, "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income", which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income ("AOCI"). The Update requires that the Company present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of AOCI based on its source and the income statement line items affected by the reclassification. The Company adopted this Update as of January 1, 2013 and the adoption did not have any impact on the Company's results of operations, financial position, or cash flows during the thre eand six month ended June 30, 2013 other than additional disclosures contained in Note 7 in the Notes to Condensed Consolidated Financial Statements.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively the "Acts") were enacted by the U.S. Congress in March 2010. The Acts have both short- and long-term implications for benefit plan standards. Implementation of this legislation is planned to occur in phases through 2018.

The Company's healthcare costs have increased due to the Acts' raising of the maximum eligible age for covered dependents to receive benefits. Moreover, the elimination of the lifetime dollar limits per covered individual, as well as other standard requirements of the Acts, will also likely cause the Company's healthcare costs to increase in the future. In 2013, the Company is accruing for increased costs due to annual fees imposed by the Acts. The excise tax on "high cost" healthcare plans in 2018 may cause the Company's healthcare costs to increase further.

The Company expects the general trend in healthcare costs to continue to rise, and the effects of the Acts, and any future legislation, could materially impact the cost of providing healthcare benefits for many employers, including the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in the policies, procedures, controls, or risk profile from those provided in Item 7A., "Quantitative and Qualitative Disclosures About Market Risk", of the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2013, was performed under the supervision and with the participation of the Company's management. Based on that evaluation, the Company's management, including the Principal Executive Officer and Principal Financial Officer, concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use Of Proceeds.

The Company's capital stock is one hundred percent (100%) owned by its active and retired employees, and there is no public trading market for its common stock. Since 1928, substantially all of the issued and outstanding shares of common stock have been held of record by voting trustees under successive voting trust agreements. Under applicable state law, a voting trust may not have a term greater than ten years. The 2007 Voting Trust Agreement expires by its terms on March 15, 2017. At June 30, 2013, approximately eighty-three percent (83%) of the common stock was held in this voting trust. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record.

No shareholder may sell, transfer, or otherwise dispose of shares of common stock or the voting trust interests issued with respect thereto (“common stock”, “common shares”, or “shares”) without first offering the Company the option to purchase such shares at the price at which the shares were issued. The Company also has the option to purchase at the issue price the common stock of any holder who dies or ceases to be an employee of the Company for any cause other than retirement on a Company pension. The Company has always exercised its purchase option and expects to continue to do so. All outstanding shares of the Company have been issued at $20.00 per share.

The following table sets forth information regarding purchases of common stock by the Company pursuant to the foregoing provisions:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs
April 1 to April 30, 2013	92,800	$20.00	N/A
May 1 to May 31, 2013	55,530	$20.00	N/A
June 1 to June 30, 2013	55,236	$20.00	N/A
Total	203,566	$20.00	N/A

Item 5. Other Information.

(a) At its meeting on June 13, 2013, the Board of Directors appointed Mr. Randall R. Harwood as the Company's principal accounting officer. Mr. Harwood, age 57, joined the Company's Board of Directors in 2009 and also serves on the Executive, Compensation, Finance and Employees' Benefit Committees of the Board as well as on the IT Committee of the Company. He is a successor Voting Trustee under the Voting Trust. Mr. Harwood is employed by the Company as Senior Vice President and Chief Financial Officer, the Company's principal financial officer, a position he assumed on January 1, 2013.

Item 6. Exhibits.

(a) Exhibits furnished in accordance with provisions of Item 601 of Regulation S-K.

(3) (i) Articles of Incorporation

(a) Restated Certificate of Incorporation, as amended, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated June 13, 2013 (Commission File No. 000-00255) and incorporated herein by reference.

(ii) Bylaws

(a) By-laws as amended through March 14, 2013, filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated March 14, 2013 (Commission File No. 000-00255) and incorporated herein by reference.

(10) First Amendment to Credit Agreement, dated as of May 29, 2013 among the Company, as parent borrower and a guarantor, Graybar Canada Limited, as borrower, certain domestic subsidiaries of parent borrower, as the subsidiary guarantors, and Bank of America, N.A., as domestic administrative agent, domestic swing line lender and domestic L/C Issuer and Bank of America, N.A., acting through its Canada branch, as Canadian administrative agent, Canadian swing line lender and Canadian L/C Issuer, and the other lenders party thereto.

(31) Rule 13a-14(a)/15d-14(a) Certifications

(31.1) Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Principal Executive Officer.

(31.2) Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Principal Financial Officer.

(32) Section 1350 Certifications

(32.1) Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Principal Executive Officer.

(32.2) Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Principal Financial Officer.

101.INS* XBRL Instance Document

101.SCH* XBRL Taxonomy Extension Schema Document

101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB* XBRL Taxonomy Extension Label Linkbase Document

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

** In accordance with Rule 406T of Regulation S-T promulgated by the Securities and Exchange Commission, Exhibit 101 is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under those sections.*

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRAYBAR ELECTRIC COMPANY, INC.

August 12, 2013	/s/ KATHLEEN M. MAZZARELLA
Date	Kathleen M. Mazzarella President and Chief Executive Officer (Principal Executive Officer)
August 12, 2013	/s/ RANDALL R. HARWOOD
Date	Randall R. Harwood Senior Vice President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

Exhibits

(3(i)) Articles of Incorporation

(a) Restated Certificate of Incorporation, as amended, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated June 13, 2013 (Commission File No. 000-00255) and incorporated herein by reference.

(3(ii)) Bylaws

(a) By-laws as amended through March 14, 2013, filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated March 14, 2013 (Commission File No. 000-00255) and incorporated herein by reference.

(10) First Amendment to Credit Agreement, dated as of May 29, 2013 among the Company, as parent borrower and a guarantor, Graybar Canada Limited, as borrower, certain domestic subsidiaries of parent borrower, as the subsidiary guarantors, and Bank of America, N.A., as domestic administrative agent, domestic swing line lender and domestic L/C Issuer and Bank of America, N.A., acting through its Canada branch, as Canadian administrative agent, Canadian swing line lender and Canadian L/C Issuer, and the other lenders party thereto.

(31.1) Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Principal Executive Officer.

(31.2) Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Principal Financial Officer.

(32.1) Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Principal Executive Officer.

(32.2) Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Principal Financial Officer.

101.INS* XBRL Instance Document

101.SCH* XBRL Taxonomy Extension Schema Document

101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB* XBRL Taxonomy Extension Label Linkbase Document

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

** In accordance with Rule 406T of Regulation S-T promulgated by the Securities and Exchange Commission, Exhibit 101 is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under those sections.*

FIRST AMENDMENT

TO

CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of May 29, 2013 (the "First Amendment Effective Date") among **GRAYBAR ELECTRIC COMPANY, INC.**, a New York corporation (the "Parent Borrower"), Graybar Canada Limited, a company duly formed by amalgamation under the Companies Act of the Province of Nova Scotia (the "Canadian Borrower"; together with the Parent Borrower, the "Borrowers"), the Guarantors party hereto, the Lenders party hereto, **BANK OF AMERICA, N.A.**, as Domestic Administrative Agent, Domestic Swing Line Lender and Domestic L/C Issuer and **BANK OF AMERICA, N.A.**, acting through its Canada branch, as Canadian Administrative Agent, Canadian Swing Line Lender and Canadian L/C Issuer.

RECITALS

WHEREAS, the Borrowers, the Guarantors, the Lenders, the Domestic Administrative Agent and the Canadian Administrative Agent are party to that certain Credit Agreement dated as of September 28, 2011 (as amended or modified from time to time, the "Credit Agreement"). Unless otherwise defined herein or the context otherwise requires, terms used in this Amendment, including its preamble and recitals, have the meanings provided in the Credit Agreement.

WHEREAS, the Credit Parties and the Lenders have agreed to amend certain provisions of the Credit Agreement as more fully set forth below.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

I. AMENDMENTS TO CREDIT AGREEMENT.

Subject to the satisfaction of the conditions precedent set forth in Article II, Section 3 below, from and after the First Amendment Effective Date, the Credit Agreement is hereby amended in the following respects:

1. Section 1.01 of the Credit Agreement is hereby amended by amending the definition of "CDOR Rate" to read as follows:

> "CDOR Rate" means the rate per annum equal to the average of the annual yield rates applicable to Canadian Dollar banker's acceptances at or about 10:00 a.m. (Toronto, Ontario time) on the first day of such Interest Period (or if such day is not a Business Day, then on the immediately preceding Business Day) on the "CDOR Page" (or any display substituted therefor) of Reuters Monitor Money Rates Service (or such other page or commercially available source displaying Canadian interbank bid rates for Canadian Dollar bankers' acceptances as may be designated by the Administrative Agent from time to time) for a term equivalent to such Interest Period (or if such Interest Period is not equal to a number of months, for a term equivalent to the number of months closest to such Interest Period); and if such rates are not available on the Reuters Screen CDOR Page (or any such other display or page) on any particular day, then the CDOR Rate on that day shall be calculated as the rate applicable to Canadian Dollar denominated bankers' acceptances quoted by the Canadian Administrative Agent as of 10:00 a.m. Toronto, Ontario local time on such day (or if such day is not a Business Day, then as quoted by the Canadian Administrative Agent on the immediately preceding Business Day) for a term equivalent to such Interest Period (or if such Interest Period is not equal to a number of months, for a term equivalent to the number of months closest to such Interest Period).

2. Section 1.01 of the Credit Agreement is hereby amended by amending the definition of "Daily Floating Eurodollar Rate" to read as follows:

> "Daily Floating Eurodollar Rate" means (A) with respect to any Swing Line Loan denominated in Dollars, for each day that it is a Daily Floating Eurodollar Rate Swing Line Loan, the rate per annum equal to BBA LIBOR as published by Reuters (or such other commercially available source providing quotations of BBA LIBOR as may be designated by the Domestic Administrative Agent from time to time) at approximately 11:00 a.m. (London time) determined two Business Days prior to such date for deposits in the relevant currency with a term equivalent to one (1) month; provided, that if such rate is not available at such time for any reason, then the "Daily Floating Eurodollar Rate" shall be the rate per annum determined by the Domestic Administrative Agent in accordance with its usual practice to be the rate at which deposits in U.S. Dollars in same day funds in the approximate amount of the Daily Floating Eurodollar Rate Swing Line Loan being made, continued or converted by the applicable Swing Line Lender and with a term equivalent to one (1) month would be offered by the Domestic Swing Line Lender's London Branch to major banks in the London

interbank Eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior and (B) with respect to any Swing Line Loan denominated in Canadian Dollars, for each day that it is a Daily Floating Eurodollar Rate Swing Line Loan, the 1-month CDOR Rate.

3. Section 1.01 of the Credit Agreement is hereby amended by amending the definition of "Eurodollar Base Rate" to read as follows:

"Eurodollar Base Rate" means:

(a) (i) for any Interest Period with respect to a Eurodollar Rate Loan denominated in Dollars, the rate per annum equal to (i) the British Bankers Association LIBOR Rate or the successor thereto if the British Bankers Association is no longer making a LIBOR rate available ("BBA LIBOR"), as published by Reuters (or such other commercially available source providing quotations of BBA LIBOR as may be designated by the applicable Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for deposits in the relevant currency (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period or (ii) if such rate is not available at such time for any reason, the rate per annum determined by the applicable Administrative Agent to be the rate at which deposits in the relevant currency for delivery on the first day of such Interest Period in Same Day Funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the London or other interbank offshore market for such currency at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period; and

(ii) for any Interest Period with respect to a Eurodollar Rate Loan denominated in Canadian Dollars, the rate per annum equal to the CDOR Rate; and

(b) for any interest rate calculation with respect to a Base Rate Loan on any date, the rate per annum equal to (i) BBA LIBOR, at approximately 11:00 a.m. London time determined two Business Days prior to such date for Dollar deposits being delivered in the London interbank market for a term of one month commencing that day or (ii) if such published rate is not available at such time for any reason, the rate per annum determined by the applicable Administrative Agent to be the rate at which deposits in Dollars for delivery on the date of determination in same day funds in the approximate amount of the Base Rate Loan being made or maintained with a term equal to one month would be offered by Bank of America's London Branch to major banks in the London interbank eurodollar market at their request at the date and time of determination.

II. MISCELLANEOUS

1. Representations and Warranties. Each of the Credit Parties represents and warrants to the Lenders and each Administrative Agent as follows:

(i) It has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(ii) This Amendment has been duly executed and delivered by such Credit Party and constitutes such Credit Party's legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be limited (x) by general principles of equity and conflicts of laws (whether enforcement is sought by proceedings in equity or at law) or (y) by Debtor Relief Laws.

(iii) No consent, approval, authorization or order of, or filing, registration or qualification with, any Governmental Authority or any other Person is required in connection with the execution, delivery or performance by such Credit Party of this Amendment (except for those which have been obtained on or prior to the First Amendment Effective Date**.**

(iv) The representations and warranties of the Credit Parties set forth in <u>Article VI</u> of the Credit Agreement are true and correct in all material respects as of the date hereof (except those that expressly relate to an earlier date) and all of the provisions of the Credit Documents, except as amended hereby, are in full force and effect.

2. <u>Effect of Amendment</u>. Except as expressly modified and amended in this Amendment, all of the terms, provisions and conditions of the Credit Documents shall remain unchanged and in full force and effect. The Credit Documents and any and all other documents heretofore, now or hereafter executed and delivered pursuant to the terms of the Credit Agreement are hereby amended so that any reference to the Credit Agreement shall mean a reference to the Credit Agreement as amended hereby.

3. <u>Condition Precedent</u>. This Amendment shall become effective upon receipt by the Domestic Administrative Agent of counterparts of this Amendment, duly executed by: an authorized officer of each Credit Party hereto, the Domestic Administrative Agent, the Canadian Administrative Agent, and the Required Lenders.

4. <u>Counterparts</u>. This Amendment may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by electronic attachment (e.g., ".pdf" or ".tif" attachment) shall be effective as an original.

5. <u>GOVERNING LAW</u>. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THAT WOULD REQUIRE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

6. <u>Binding Effect</u>. This Amendment, the Credit Agreement as amended hereby and the other Credit Documents embody the entire agreement between the parties and supersede all prior agreements and understandings,

if any, relating to the subject matter hereof, and represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

7. Severability. If any provision of this Amendment is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

[Signature Pages Follow]

FIRST AMENDMENT TO CREDIT AGREEMENT

GRAYBAR ELECTRIC COMPANY, INC.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

PARENT BORROWER: GRAYBAR ELECTRIC COMPANY, INC.,

a New York corporation,

as a Borrower and as a Guarantor

By: /s/ Randall R. Harwood

Name: Randall R. Harwood

Title: Senior VP and Chief Financial Officer

CANADIAN BORROWER: GRAYBAR CANADA LIMITED,

a company duly formed by amalgamation

under the *Companies Act* of the Province of Nova Scotia

By: /s/ Jon N. Reed

Name: Jon N. Reed

Title: Authorized Signer

DOMESTIC ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.,

as Domestic Administrative Agent

By: /s/ Anthony W. Kell

Name: _Anthony W. Kell_____

Title: _Vice President_______________

CANADIAN ADMINISTRATIVE AGENT:

bank of america, n.a., acting through its Canada branch,

as Canadian Administrative Agent

By: /s/ Medina Sales de Andrade

Name: Medina Sales de Andrade

Title: Vice President

LENDERS: BANK OF AMERICA, N.A.,

as a Lender, Domestic L/C Issuer and Domestic Swing Line Lender

By: /s/ David McCauley

Name: David McCauley

Title: Senior Vice President

BANK OF AMERICA, N.A., acting through its Canada branch,

as Canadian L/C Issuer and Canadian Swing Line Lender

By:_ /s/ Medina Sales de Andrade

Name: Medina Sales de Andrade

Title: Vice President

JPMORGAN CHASE BANK, N.A.,

as a Lender

By: /s/ Suzanne Ergastolo

Name: Suzanne Ergastalo

Title: Vice President

JPMORGAN CHASE BANK, N.A., TORONTO BRANCH

as a Lender

By: /s/ Michael N. Tam

Name: Michael N. Tam

Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,

as a Lender

By: /s/ Thomas S. Sherman

Name: Thomas S. Sherman

Title: Senior Vice President

SUNTRUST BANK,

as a Lender

By: /s/ Baerbel Freudenthaler

Name: Baerbel Freudenthaler

Title: Director

U.S. BANK NATIONAL ASSOCIATION,

as a Lender

By:

Name:

Title:

COMMERCE BANK,

as a Lender

By: /s/ Peter M. Ouchi

Name: Peter M. Ouchi

Title: Vice President

REGIONS BANK,

as a Lender

By: /s/ John Holland

Name: John Holland

Title: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as a Lender

By: /s/ Siamak Saidi

Name: Siamak Saidi

Title: Director

FIFTH THIRD BANK,

as a Lender

By:

Name:

Title:

COMERICA BANK,

as a Lender

By: /s/ Mark J. Leveille

Name: Mark J. Leveille

Title: Vice President

UMB BANK, N.A.,

as a Lender

By:

Name:

Title:

Exhibit 31.1

CERTIFICATION

I, Kathleen M. Mazzarella, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of Graybar Electric Company, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 12, 2013	/s/ KATHLEEN M. MAZZARELLA
Date	Kathleen M. Mazzarella
	President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Randall R. Harwood, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of Graybar Electric Company, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 12, 2013	/s/ RANDALL R. HARWOOD
Date	Randall R. Harwood
	Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kathleen M. Mazzarella, President and Chief Executive Officer of Graybar Electric Company, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2013 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 12, 2013	/s/ KATHLEEN M. MAZZARELLA
Date	Kathleen M. Mazzarella President and Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Randall R. Harwood, Senior Vice President and Chief Financial Officer of Graybar Electric Company, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 12, 2013	/s/ RANDALL R. HARWOOD
Date	Randall R. Harwood Senior Vice President and Chief Financial Officer (Principal Financial Officer)