
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2017

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

(State or other jurisdiction of incorporation or organization)

13-0794380

(I.R.S. Employer Identification No.)

34 North Meramec Avenue, St. Louis, Missouri

(Address of principal executive offices)

63105

(Zip Code)

(314) 573 – 9200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock - Par Value \$1.00 Per Share with a Stated Value of \$20.00**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES ☐ NO ☒

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 such shorter period that the registrant was required to submit and post such files).

YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 ☐

Emerging growth company ☐

If an emerging company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

YES ☐ NO ☒

The aggregate stated value of the Common Stock beneficially owned with respect to rights of disposition by persons who are not affiliates (as defined in Rule 405 under the Securities Act of 1933) of the registrant on June 30, 2017, was \$349,986,940. Pursuant to a Voting Trust Agreement, dated as of March 3, 2017, approximately 81% of the outstanding shares of Common Stock was held of record by five Trustees who were each directors or officers of the registrant and who collectively exercised the voting rights with respect to such shares at such date. The registrant is 100% owned by its active and retired employees, and there is no public trading market for the registrant's Common Stock. See Item 5 of this Annual Report on Form 10-K.

The number of shares of Common Stock outstanding at March 1, 2018 was 19,505,812.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the documents listed below have been incorporated by reference into the indicated Part of this Annual Report on Form 10-K: Information Statement relating to the 2018 Annual Meeting of Shareholders – Part III, Items 10-14

Graybar Electric Company, Inc. and Subsidiaries
Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2017

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PART I

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements of Graybar Electric Company, Inc. and its Subsidiaries (collectively referred to as “Graybar” or the “Company” and sometimes referred to as “we”, “our”, or “us”), the notes thereto, and Management’s Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2017, included in this Annual Report on Form 10-K. 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 (the “PSLRA”), Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. 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 other similar expressions. We intend 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. Our 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 our 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 commodities; a sustained interruption in the operation of our information systems; cyber-attacks; increased funding requirements and expenses related to our pension plan; disruptions in our sources of supply; the inability, or limitations on our ability to borrow under our existing credit facilities or any replacements thereof; adverse legal proceedings or other claims; compliance with changing governmental regulations; and the inability, or limitations on our 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. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless otherwise required by applicable securities law. 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 United States Securities and Exchange Commission (the “SEC” or “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 this Annual Report on Form 10-K.

All dollar amounts in this Annual Report on Form 10-K are stated in thousands (\$000s) except for per share data.

Item 1. Business

The Company

Graybar is a leading North American distributor of electrical and communications and data networking products and is a provider of related supply chain management and logistics services. We primarily serve customers in the construction, industrial & utility, and commercial, institutional and government (“CIG”) vertical markets (“vertical” or “verticals”), with products and services that support new construction, infrastructure updates, building renovation, facility maintenance, repair and operations (“MRO”), and original equipment manufacturers (“OEM”).

Through a network of 289 locations across the United States and Canada, our 8,500 employees serve approximately 145,000 customers. Our business is primarily based in the United States (“U.S.”). We also have subsidiary operations with distribution facilities in Canada and Puerto Rico.

We distribute approximately one million products purchased from approximately 4,500 manufacturers and suppliers. We purchase all of the products we sell from others, and we neither manufacture nor contract to manufacture any products we sell.

We generally finance our inventory through the collection of trade receivables and trade accounts payable terms with our suppliers. We use short-term borrowing facilities to finance inventory purchases and other operating expenses when necessary, and we have not historically used long-term borrowings for this purpose.

In addition to our extensive product offering, we provide a wide range of supply chain management services that when combined with our network of locations are designed to deliver convenience, cost savings and improved efficiency for our customers.

We were incorporated in 1925 under the laws of the State of New York. Our active and retired employees own 100% of our stock. There is no public trading market for our common stock.

Our internet address is www.graybar.com. Our periodic filings with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, and amendments to those reports, are available without charge on our website www.graybar.com/company/about/sec-filings, as soon as reasonably practicable after we file the reports with the SEC. Additionally, a copy of our SEC filings can be obtained at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 on official business days or by calling the SEC at 1-800-SEC-0330. A copy of our electronically filed materials can also be obtained at: <http://www.sec.gov>.

Competition

Our industry is comprised of thousands of local and regional distributors, along with several large national and global distributors. Graybar is among the largest distributors of electrical and communications and data networking products to the construction, industrial & utility, and CIG verticals in North America. Our industry is highly competitive, and we estimate that the top five distributors account for approximately 30% of the total U.S. market. Some of our largest competitors have greater global geographic scope, which may provide them an advantage, particularly with certain multi-national customers.

Our industry is influenced by economic and regulatory factors that impact rates of new construction, as well as customers' or end users' decisions to invest in renovation and expansion of facilities and infrastructure. The industry is also affected by changes in technology, both in the products that are typically sold through distribution and in the ways customers choose to transact business with distributors. Driven by customers' omnichannel buying preferences and their desire to increase efficiency and productivity, digitalization is becoming increasingly important to both manufacturers and distributors in our industry.

Our pricing reflects the value associated with the products and services that we provide. We consider our prices to be generally competitive. We believe that, while price is an important customer consideration, the services we provide distinguish us from many of our competitors, whether they are distributors or manufacturers selling directly to our customer base. We view our ability to quickly supply our customers with a broad range of products through conveniently located distribution facilities as a competitive advantage that customers value. However, if a customer is not looking for one distributor to provide a wide range of products and does not require prompt delivery or other services, a competitor that does not provide this level of service may be in a position to offer lower prices.

Markets Served

Graybar serves a wide range of customers within certain primary verticals. The largest of these verticals is construction, which accounted for more than half our sales in 2017. Customers within this vertical include various types of contractors and installers that perform new construction and renovation of commercial and industrial facilities and utility infrastructure.

Our next two largest verticals we serve are the industrial & utility and CIG. The industrial & utility vertical includes customers and products for MRO, OEM, broadband utility and electrical transmission and distribution infrastructure. The CIG vertical includes a broad range of commercial office, warehouse, and retail facilities, federal, state, and local governmental agencies, education and health care sectors.

The following table provides the approximate percentages of our net sales attributable to each of the verticals we serve:

Year Ended December 31,	2017	2016	2015
Construction	59.6%	58.9%	56.2%
Industrial & Utility	21.7%	20.7%	21.4%
Commercial, Institutional & Government	18.7%	20.4%	22.4%

Products and Suppliers

We distribute approximately one million products purchased from approximately 4,500 manufacturers and suppliers. Approximately 105,000 of these products are stocked in our warehouses, allowing us in most cases to provide customers with convenient, local access to the items they need every day. When the specialized nature or size of a particular shipment warrants, we arrange to ship products directly from our suppliers; otherwise, orders are filled from our own on-hand inventory. On a dollar volume basis, we filled approximately 50% of customer orders from our inventory in both 2017 and 2016.

Approximately 50% of the products we sold during 2017 were purchased from our top 25 suppliers. However, we generally have the ability to purchase from more than one supplier for any product type, which allows us to offer alternative sources of comparable products for nearly all products. The products we distribute can be generally identified as follows:

- Building and Industrial Wire and Cable
- Distribution Equipment
- LED and Incandescent Lighting
- Fluorescent Lighting
- Telecommunications Material
- Communication Wire and Cable
- Conduit and Tray
- Data Connectivity
- Electronic Equipment
- Fittings
- Data Cables and Cords
- Wiring Devices
- Fasteners
- Automation and Controls
- LED, Incandescent and Fluorescent Lamps
- Enclosures
- MRO Supplies

These products may be sold into any of the verticals we target, depending on a customer's or end user's needs. Our salesforce is empowered to sell any of these products or related services to any customer, in some cases with the support of specialists who are trained in specific industries and/or new technologies.

Maintaining strong relationships with our suppliers is important to our business, and we enjoy longstanding relationships with several of our suppliers (or their predecessors). However, most of our supplier agreements are nonexclusive national or regional distributorships, terminable upon 30 to 90 days' notice by either party.

Sales and Distribution

We sell products and services manufactured or provided by others primarily through a network of sales offices and distribution facilities located in thirteen geographical districts throughout the U.S. We operate multiple distribution facilities in each district, each of which carries an inventory of products and operates as a wholesale distributor for the territory in which it is located. Some districts have sales offices that do not carry inventory. In addition, we have seven national distribution centers and eleven regional distribution centers containing inventories of both standard and specialized products. Both the national distribution centers and regional distribution centers replenish inventories carried at our other U.S. distribution facilities and make shipments directly to customers. We also have subsidiary operations with distribution facilities located in the U.S. and Canada and a single distribution facility in Puerto Rico.

The sales and distribution facilities operated by us at December 31, 2017 are shown below:

U.S. Locations		
District	Number of Sales and Distribution Facilities*	National Distribution Centers
Atlanta	22	Austell, GA
Boston	13	Fresno, CA
California	22	Joliet, IL
Chicago	21	Richmond, VA
Dallas	19	Springfield, MO
Minneapolis	21	Stafford, TX
New York	13	Youngstown, OH
Phoenix	11	
Pittsburgh	20	
Richmond	18	
Seattle	12	
St. Louis	17	
Tampa	20	
*Includes Regional Distribution Centers		
U.S. Subsidiaries		
Advantage Industrial Automation, Inc.	3	
Cape Electrical Supply LLC	18	
Commonwealth Controls Corporation	1	
International Locations		
Graybar Electric Canada, Ltd. Halifax, Nova Scotia, Canada	30	
Graybar International, Inc. Carolina, Puerto Rico	1	

At December 31, 2017, we employed approximately 4,300 people in sales capacities. Approximately 2,700 of these sales personnel were inside and outside sales representatives working to generate sales with current and prospective customers. The remainder provided support services to our customers and our salesforce and consisted of customer service representatives.

We had orders on hand totaling \$989,671 and \$850,317 on December 31, 2017 and 2016, respectively. We expect that approximately 90% of the orders we had on hand at December 31, 2017 will be filled within the twelve-month period ending December 31, 2018. Generally, orders placed by customers and accepted by us have resulted in sales. However, customers from time to time request cancellation, and we have historically allowed such cancellations.

Foreign Sales

Sales to customers in foreign countries were made primarily by our subsidiaries in Canada and Puerto Rico and accounted for approximately 5% of consolidated sales in 2017, 2016, and 2015. Long-lived assets located outside the U.S. represented approximately 1% of our consolidated total assets at the end of 2017, 2016, and 2015. We do not have significant foreign currency exposure and, we do not believe there are any significant risks attendant to our foreign operations, other than those noted in Item 1A. Risk Factors.

Employees

At December 31, 2017, we employed approximately 8,500 people on a full-time basis. Approximately 150 of these people were covered by union contracts. We have not had a material work stoppage and consider our relations with our employees to be good.

Item 1A. Risk Factors

Our liquidity, financial condition, and results of operations are subject to various risks, including, but not limited to, those discussed below. The risks outlined below are those that we believe are currently the most significant, although additional risks not presently known to us or that we currently deem less significant may also impact our liquidity, financial condition, and results of operations.

Our sales fluctuate with general economic conditions, particularly in the residential, commercial, and industrial building construction industries. Our operating locations are widely distributed geographically across the U.S. and, to a lesser extent, Canada. Customers for our products and services are similarly diverse – we have approximately 145,000 customers, and our largest customer accounts for only 3% of our total sales. While our geographic and customer concentrations are relatively low, our results of operations are nonetheless dependent on favorable conditions in both the general economy and the construction industry. In addition, conditions in the construction industry are greatly influenced by the availability of project financing and the cost of borrowing.

Our results of operations are impacted by changes in industrial commodity prices. Many of the products we sell are subject to wide and frequent price fluctuations because they are composed primarily of copper, steel, or petroleum-based resins, including poly-vinyl chlorides ("PVC"), industrial commodities that have been subject to price volatility during the past several years. Examples of such products include wire and cable, conduit, enclosures, and fittings. Our gross margin rate on these products is relatively constant over time, though not necessarily in the short term. Therefore, as the cost of these products to us declines, pricing to our customers may decrease. This impacts our results of operations by lowering both overall sales and gross margin.

Our daily activities are highly dependent on the uninterrupted operation of our information systems. We are a recognized industry leader for our use of information technology in all areas of our business – sales, customer service, inventory management, finance, accounting, and human resources. We maintain redundant information systems as part of our disaster recovery program and, if necessary, are able to operate in many respects using a paper-based system to help mitigate a complete interruption in our information processing capabilities. Nonetheless, our information systems remain vulnerable to natural disasters, wide-area telecommunications or power utility outages, terrorist or cyber-attack, or other major disruptions. A sustained interruption in the functioning of our information systems, however unlikely, could lower operating income by negatively impacting sales, expenses, or both.

Our business and our reputation could be adversely affected by the failure to protect sensitive customer, employee or vendor data or to comply with evolving regulations relating to obligations to protect systems, assets and data from the threat of cyber-attacks. Cyber-attacks designed to gain access to sensitive information by breaching mission-critical systems of large organizations are constantly evolving, and high profile electronic security breaches leading to unauthorized release of confidential information have occurred recently at a number of major U.S. companies, despite widespread recognition of the cyber-attack threat and improved data protection methods. While we have invested in the protection of our information technology and maintain what we believe are adequate security procedures and controls over financial and other individually identifiable customer, employee and vendor data provided to us, our business model is evolving rapidly and increasingly requires us to receive, retain and transmit certain information, including individually identifiable information, that our customers provide to purchase products or services, register on our websites, or otherwise communicate and interact with us. All of these risks are also applicable where we rely on outside vendors to provide services, which may operate in a cloud environment. We are dependent on these third party vendors to operate secure and reliable systems. A breach in our systems or those of our third party providers that results in the unauthorized release of individually identifiable customer or other sensitive data could have a material adverse effect on our reputation and lead to financial losses from remedial actions, loss of business or potential liability. An electronic security breach resulting in the unauthorized release of sensitive data from our information systems could also materially increase the costs we already incur to protect against such risks. While we also seek to obtain assurances that third parties we interact with will protect confidential information, there is a risk that the confidentiality of data held or accessed by third parties may be compromised. In addition, as the regulatory environment relating to a company's obligation to protect such sensitive data becomes more strict, a material failure on our part to comply with applicable regulations could subject us to fines or other regulatory sanctions and potentially to lawsuits.

We may experience losses or be subject to increased funding and expenses related to our pension plan. A decline in the market value of plan assets or a change in the interest rates used to measure the required minimum funding levels and the pension obligation may increase the funding requirements of our defined benefit pension plan, the pension obligation itself, and pension expenses. Government regulations may accelerate the timing and amounts required to fund the plan. Demographic changes in our workforce, including longer life expectancies, increased numbers of retirements, and age at retirement may also cause funding requirements, pension expenses, and the pension obligation to be higher than expected. Any or all of these factors could have a negative impact on our liquidity, financial position, and/or our results of operations.

We purchase all of the products we sell to our customers from other parties. As a wholesale distributor, our business and financial results are dependent on our ability to purchase products from manufacturers not controlled by us that we, in turn, sell to our customers. Approximately 50% of our purchases are made from only 25 manufacturers. A sustained disruption in our ability to source product from one or more of the largest of these vendors might have a material impact on our ability to fulfill customer orders, resulting in lost sales and, in rare cases, damages for late or non-delivery.

Our borrowing agreements contain financial covenants and certain other restrictions on our activities and those of our subsidiaries. Our revolving credit facility and our private placement shelf agreements impose contractual limits on, among other things, indebtedness, liens, changes in the nature of business, investments, mergers and acquisitions, the issuance of equity securities, the disposition of assets and the dissolution of certain subsidiaries, transactions with affiliates, restricted payments (subject to incurrence tests, with certain exceptions), as well as securitizations and factoring transactions. In addition, we are required to maintain acceptable financial ratios relating to debt leverage and interest coverage. Our failure to comply with these obligations may cause an event of default and may trigger an acceleration of the debt owed to our creditors or limit our ability to obtain additional credit under these facilities. While we expect to remain in compliance with the terms of our credit facility and our private placement shelf agreements, our failure to do so could have a negative impact on our ability to borrow funds and maintain acceptable levels of cash flow from financing activities.

We are subject to legal proceedings and other claims arising out of the conduct of our business. These proceedings and claims relate to public and private sector transactions, product liability, contract performance, and employment matters. On the basis of information currently available to us, we do not believe that existing proceedings and claims will have a material impact on our financial position or results of operations. However, litigation is unpredictable, and we could incur judgments or enter into settlements for current or future claims that could adversely affect our financial position or our results of operations in a particular period.

More specifically, with respect to asbestos litigation, as of December 31, 2017, 3,327 individual cases and 66 multiple-plaintiff cases are pending that allege actual or potential asbestos-related injuries resulting from the use of or exposure to products allegedly sold by us. Additional claims will likely be filed against us in the future. Our insurance carriers have historically borne virtually all costs and liability with respect to this litigation and are continuing to do so. Accordingly, our future liability with respect to pending and unasserted claims is dependent on the continued solvency of our insurance carriers. Other factors that could impact this liability are: the number of future claims filed against us; the defense and settlement costs associated with these claims; changes in the litigation environment, including changes in federal or state law governing the compensation of asbestos claimants; adverse jury verdicts in excess of historic settlement amounts; and bankruptcies of other asbestos defendants. Because any of these factors may change, our future exposure is unpredictable, and it is possible that we may incur costs that would have a material adverse impact on our liquidity, financial position, or results of operations in future periods.

Compliance with changing government regulations may result in increased costs and risks to the company. Our public company and multi-national customers are increasingly subject to government regulation globally. Existing and future laws and regulations may impede our growth. These regulations and laws may cover, among other things, taxation, privacy, data protection, pricing, content, copyrights, distribution, energy consumption, environmental regulation, electronic contracts, communications and marketing, consumer protection, the design and operation of websites, and the characteristics and quality of products and services. Unfavorable regulations and laws could diminish the demand for our products and services and increase our cost of doing business. If we are not able to obtain for certain customers the information that they require in part as a result of these regulations, they may limit their business with us.

For example, in the U.S., as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC promulgated disclosure requirements for companies that manufacture or contract to manufacture goods regarding the inclusion and origin of certain minerals in those products. Some of our customers that purchase products from us for inclusion in the products that they sell wish to rely on us to provide critical data regarding the parts they purchase, including conflict mineral and other responsive information to these regulations. We sell over one million products from approximately 4,500 manufacturers and suppliers, and we may not be able to easily verify the origins for conflict or other minerals used in the products we sell. Our suppliers, and especially those suppliers which are not themselves subject to direct regulation, may not provide conflict mineral and other regulatory information in a useful and systematic manner, if at all. On the other hand, some customers may demand that the products they purchase be "DRC conflict-free". Additionally, other customers may demand that we provide additional information (for which we also must depend on the manufacturer) to assist them in their compliance obligations under the laws of countries where we do not do business. These regulatory and customer-driven requirements may increase our operating costs, and, due to competitive pressures, we may not be able to increase our prices sufficiently to avoid a reduction in our income from operations.

The value of our common stock is dependent primarily upon the regular payment of dividends, which are paid at the discretion of our Board of Directors. The purchase price for our common stock under our purchase option is the same as the issue price. Accordingly, as long as Graybar exercises its option to purchase, appreciation in the value of an investment in our common stock is dependent solely on our ability and our Board of Directors' willingness to declare stock dividends. Although cash dividends have been paid on the common stock each year since 1929, as with any corporation's common stock, payment of dividends is subject to the discretion of our Board of Directors.

There is no public trading market for our common stock. Our common stock is 100% owned by active and retired employees. Common stock may not be sold by the holder thereof, except after first offering it to us. We have always exercised this purchase option in the past and expect to continue to do so. As a result, no public trading market for our common stock exists, nor is one expected to develop. This lack of a public trading market for our common stock may limit our ability to raise large amounts of equity capital, which could constrain our long-term business growth.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We operate in thirteen geographical districts in the U.S., each of which maintains multiple distribution facilities that consist primarily of warehouse space. A small portion of each distribution facility is used for offices. Some districts have sales offices that do not carry an inventory of products. The number of facilities, excluding the seven national distribution centers and eleven regional distribution centers, in a district varies from eleven to twenty-two and totals 218 for all districts. The facilities range in size from 800 to 132,000 square feet, with the average being 31,000 square feet. We own 116 of these facilities and lease 102 of them for varying terms, with the majority having a remaining lease term of less than five years.

We have seven national distribution centers ranging in size from 160,000 to 240,000 square feet. Five of the national distribution centers are owned and two are leased. The remaining lease terms on these two leased facilities are one and four years, respectively.

We also have eleven regional distribution centers ranging in size from 130,000 to 240,000 square feet. Five of the eleven regional distribution centers are owned and the other six are leased. The remaining lease terms on the leased regional distribution centers are between two and ten years.

We also have three U.S. subsidiaries with eight owned facilities and fourteen leased distribution facilities. The leased facilities have remaining lease terms between one and nine years. The facilities range in size from 5,000 to 42,000 square feet.

We maintain thirty distribution facilities in Canada, of which nineteen are owned and eleven are leased. The majority of the leased facilities have a remaining lease term of less than five years. The facilities range in size from 5,000 to 60,000 square feet. We have a 22,000 square foot facility in Puerto Rico, the lease on which expires in 2019.

Our headquarters are located in St. Louis, Missouri in an 83,000 square foot building owned by us. We also own a 200,000 square foot operations and administration center in St. Louis.

Item 3. Legal Proceedings

There are presently no pending legal proceedings that are expected to have a material impact on the Company or its subsidiaries.

Item 4. Mine Safety Disclosures

Not applicable.

Supplemental Item. Executive Officers of the Registrant

The following table lists the name, age as of March 1, 2018, position, offices and certain other information with respect to our executive officers. The term of office of each executive officer will expire upon the appointment of his or her successor by the Board of Directors.

Name	Age	Business experience last five years
S. S. Clifford	47	Senior Vice President - Supply Chain Management, February 2015 to present; Vice President - Chief Information Officer, April 2010 to January 2015.
M. W. Geekie	56	Senior Vice President, Secretary and General Counsel, August 2008 to present.
R. R. Harwood	61	Senior Vice President and Chief Financial Officer, January 2013 to present.
W. P. Mansfield	55	Senior Vice President - Marketing, May 2017 to present; Senior Vice President - Sales and Marketing, April 2014 to April 2017; Vice President - Marketing, April 2012 to March 2014.
D. G. Maxwell	59	Senior Vice President - Sales, May 2017 to present; Regional Vice President, January 2015 to April 2017; District Vice President - California District, July 2003 to December 2014.
K. M. Mazzarella	57	Chairman of the Board, January 2013 to present; President and Chief Executive Officer, June 2012 to present.
B. L. Propst	48	Senior Vice President – Human Resources, June 2009 to present.
J. N. Reed	60	Vice President and Treasurer, April 2000 to present.

On December 15, 2017, J.N. Reed, as Vice President and Treasurer announced his intention to retire as an officer on April 1, 2018. T. E. Carpenter has been elected as Mr. Reed's replacement effective April 1, 2018. Prior to the election, Mr. Carpenter served the Company as Assistant Treasurer from August 2005 to March 2018.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is 100% owned by active and retired employees, and there is no public trading market for our 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 New York law, a voting trust may not have a term greater than ten years. Accordingly, a new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027. At December 31, 2017, approximately 82% of the common stock was held in the 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. Shareholders may elect to participate in the voting trust at any time during the term of the voting trust.

No holder of our common stock or voting trust interests representing our common stock ("common stock", "common shares", or "shares") may sell, transfer or otherwise dispose of any shares without first offering us the option to purchase those shares at the price at which they were issued. Additionally, before the shareholder action described in the next sentence became effective, a shareholder was entitled to any cash dividends accrued for the quarter in which the purchase offer is made, adjusted pro rata for the number of days such shares were held prior to the dividend record date. On June 8, 2017, the shareholders voted to remove this adjustment for accruing dividends on the common stock. We also have the option to purchase at the issue price the common shares of any shareholder who ceases to be an employee for any reason other than death or "retirement" (as defined in our amended restated certificate of incorporation), and on the first anniversary of any holder's death. In the past, we have always exercised these purchase options, and we expect to continue to do so in the foreseeable future. However, we can make no assurance that we will continue to exercise our purchase option in the future. All outstanding shares have been issued at \$20.00 per share.

The following table sets forth information regarding purchases of common stock by the Company, all of which were made 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
October 1 to October 31, 2017	46,403	\$20.00	N/A
November 1 to November 30, 2017	42,489	\$20.00	N/A
December 1 to December 31, 2017	24,243	\$20.00	N/A
Total	113,135	\$20.00	N/A

Capital Stock at December 31, 2017

Title of Class	Number of Security Holders	Number of Shares
Voting Trust Interests issued with respect to Common Stock	4,783	15,905,251
Common Stock	2,170	3,479,087
Total	6,953	19,384,338

Dividend Data (in dollars per share)		Year Ended December 31,	
Period		2017	2016
First Quarter	\$	0.30	\$ 0.30
Second Quarter		0.30	0.30
Third Quarter		0.30	0.30
Fourth Quarter		1.10	2.10
Total	\$	2.00	\$ 3.00

On December 13, 2017, our Board of Directors declared a 10% stock dividend to shareholders of record on December 18, 2017. Shares representing this dividend were issued on February 2, 2018.

On December 8, 2016, our Board of Directors declared a 5% stock dividend to shareholders of record on December 19, 2016. Shares representing this dividend were issued on February 3, 2017.

Item 6. Selected Financial Data

This summary should be read in conjunction with the accompanying consolidated financial statements and the notes to the consolidated financial statements included in Item 8., “Financial Statements and Supplementary Data”, of this Annual Report on Form 10-K.

Five Year Summary of Selected Consolidated Financial Data

(Stated in thousands, except for per share data)

For the Years Ended December 31,	2017	2016	2015	2014	2013
Gross Sales	\$ 6,662,385	\$ 6,413,206	\$ 6,136,343	\$ 6,004,179	\$ 5,682,084
Cash Discounts	(31,158)	(28,174)	(26,044)	(25,318)	(22,943)
Net Sales	\$ 6,631,227	\$ 6,385,032	\$ 6,110,299	\$ 5,978,861	\$ 5,659,141
Gross Margin	\$ 1,261,307	\$ 1,208,363	\$ 1,154,745	\$ 1,118,547	\$ 1,044,156
Net Income attributable to Graybar Electric Company, Inc.	\$ 71,608	\$ 93,079	\$ 91,068	\$ 87,428	\$ 81,063
Average common shares outstanding ^(A)	19,367	19,125	18,901	18,762	18,866
Net Income attributable to Graybar Electric Company, Inc. per share of Common Stock ^(A)	\$ 3.70	\$ 4.87	\$ 4.82	\$ 4.66	\$ 4.30
Cash Dividends per share of Common Stock	\$ 2.00	\$ 3.00	\$ 3.00	\$ 4.00	\$ 2.40
Total assets	\$ 2,261,357	\$ 2,099,232	\$ 2,049,543	\$ 1,939,113	\$ 1,779,505
Total liabilities	\$ 1,499,809	\$ 1,368,343	\$ 1,361,397	\$ 1,257,132	\$ 1,108,724
Shareholders' equity	\$ 761,548	\$ 730,889	\$ 688,146	\$ 681,981	\$ 670,781
Working capital ^(B)	\$ 495,496	\$ 440,233	\$ 445,443	\$ 444,138	\$ 445,196
Long-term debt	\$ 7,048	\$ 7,271	\$ 10,272	\$ 11,595	\$ 2,731

^(A) All periods adjusted for the declaration of a 10% stock dividend declared in December 2017, a 5% stock dividend declared in December 2016, a 2.5% stock dividend declared in December 2015, and a 2.5% stock dividend declared in December 2013. Prior to these adjustments, the average common shares outstanding for the years ended December 31, 2016, 2015, 2014, and 2013 were 17,386, 16,364, 15,848, and 15,936, respectively.

^(B) Working capital is defined as total current assets less total current liabilities.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis provides a narrative description of the Company's results of operations, financial condition, liquidity, and cash flows for the three-year period ended December 31, 2017. This discussion should be read in conjunction with the accompanying consolidated financial statements and the notes to the consolidated financial statements included in Item 8., “Financial Statements and Supplementary Data”, of this Annual Report on Form 10-K.

Business Overview

We set a record in annual sales for the Company for the year ended December 31, 2017. Our net sales totaled \$6,631,227, an increase of \$246,195, or 3.9%, compared to net sales of \$6,385,032 for the year ended December 31, 2016. Net sales in our construction vertical increased 5.1%, while net sales in our industrial & utility vertical increased 9.2%. Our CIG vertical net sales decreased 5.0%.

Gross margin increased \$52,944, or 4.4%, to \$1,261,307 for the year ended December 31, 2017, when compared to gross margin of \$1,208,363 for the same twelve-month period last year. Gross margin rate for the year ended December 31, 2017 was 19.0% compared to 18.9% at December 31, 2016 as a result of our pricing and product diversification initiatives and our acquisition of Cape Electrical Supply LLC ("Cape Electric") in 2016.

Income before provision for income taxes increased \$14,049, or 9.2%, to \$167,548 for the year ended December 31, 2017, compared to \$153,499 for the year ended December 31, 2016. The increase in income before provision for income taxes was primarily due to our growth in gross margin and increased other income, net which outpaced our increases in selling, general and administrative expenses and depreciation and amortization expenses.

In the fourth quarter of 2017, the President of the United States signed into the Tax Cuts and Jobs Act ("TCJA"). This legislation significantly changed U.S. tax law by, among other things, lowering the U.S. federal corporate income tax rate from a maximum of 35% to a flat 21% rate. Other effects of the TCJA are discussed in the ("Income Taxes" note to our consolidated financial statements). We recognized an additional \$28,840 of provisional non-cash income tax expense in our consolidated statement of income for the year ended December 31, 2017 due to the effects of the TCJA. As a result, our net income for the year ended December 31, 2017 was \$71,608, compared to \$93,079 for the year ended December 31, 2016, a decrease of \$21,471, or 23.1%. Despite this short-term negative impact, we anticipate that the TCJA will reduce our effective tax rate, improve liquidity, and provide opportunities to invest in and to grow our business.

Our performance in 2017 resulted from our employees' focus on delivering exceptional service to our customers, as well as from continued execution on our strategic plan. Going forward, our vision is to be a leader in digital innovation by building the culture and capabilities to reimagine the value of distribution and transform the supply chain for the future. Our digital strategy and investments will focus on delivering an exceptional customer experience driven by our customers' omnichannel buying preferences, on boosting efficiency and productivity in the supply chain and on inspiring a culture that rewards innovation, agility and growth. We will remain focused on organic growth, but we will continue to explore new opportunities that will enhance our long-term performance and strengthen our position as a leader in the supply chain.

Consolidated Results of Operations

The following table sets forth certain information relating to our operations stated in thousands of dollars and as a percentage of net sales for the years ended December 31, 2017, 2016, and 2015:

	2017		2016		2015	
	Dollars	Percent of Net Sales	Dollars	Percent of Net Sales	Dollars	Percent of Net Sales
Net Sales	\$ 6,631,227	100.0%	\$ 6,385,032	100.0%	\$ 6,110,299	100.0%
Cost of merchandise sold	(5,369,920)	(81.0)	(5,176,669)	(81.1)	(4,955,554)	(81.1)
Gross Margin	1,261,307	19.0	1,208,363	18.9	1,154,745	18.9
Selling, general and administrative expenses	(1,047,157)	(15.8)	(1,008,729)	(15.8)	(965,134)	(15.8)
Depreciation and amortization	(48,890)	(0.7)	(47,852)	(0.7)	(43,242)	(0.7)
Other income, net	6,545	0.1	5,347	0.1	8,199	0.1
Income from Operations	171,805	2.6	157,129	2.5	154,568	2.5
Interest expense, net	(4,257)	(0.1)	(3,630)	(0.1)	(2,227)	—
Income before provision for income taxes	167,548	2.5	153,499	2.4	152,341	2.5
Provision for income taxes	(95,613)	(1.4)	(60,186)	(0.9)	(61,009)	(1.0)
Net Income	71,935	1.1	93,313	1.5	91,332	1.5
Net income attributable to noncontrolling interests	(327)	—	(234)	—	(264)	—
Net Income attributable to Graybar Electric Company, Inc.	\$ 71,608	1.1%	\$ 93,079	1.5%	\$ 91,068	1.5%

2017 Compared to 2016

Net sales totaled \$6,631,227 for the year ended December 31, 2017, compared to \$6,385,032 for the year ended December 31, 2016, an increase of \$246,195, or 3.9%. For the year ended December 31, 2017, net sales in our construction vertical increased by 5.1%, while net sales in our industrial & utility vertical increased 9.2%. Our CIG vertical net sales decreased 5.0% from 2016.

Gross margin increased \$52,944, or 4.4%, to \$1,261,307 for the year ended December 31, 2017, from \$1,208,363 for the year ended December 31, 2016. The increase resulted from an increase in net sales for the year ended December 31, 2017, compared to the year ended December 31, 2016, as well as our pricing and product diversification initiatives and our acquisition of Cape Electric in 2016. Our gross margin rate was 19.0% for the year ended December 31, 2017, compared to 18.9% for the year ended December 31, 2016.

Selling, general and administrative expenses ("SG&A") increased \$38,428, or 3.8%, to \$1,047,157 for the year ended December 31, 2017, mainly due to higher employment-related costs. SG&A as a percentage of net sales remained consistent at 15.8% for the years ended December 31, 2017 and 2016.

Depreciation and amortization expenses ("Depreciation") for the year ended December 31, 2017, increased \$1,038, or 2.2%, to \$48,890 from \$47,852 for the year ended December 31, 2016. This increase was primarily due to an increase in property, at cost. Total property, at cost, at December 31, 2017 was \$964,199, an increase of \$23,592, or 2.5%, when compared to total property, at cost, at December 31, 2016 of \$940,607. Depreciation as a percentage of net sales remained consistent at 0.7% for the years ended December 31, 2017 and 2016.

Other income, net totaled \$6,545 for the year ended December 31, 2017, compared to \$5,347 for the year ended December 31, 2016. 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 our business activities. The increase in other income, net was due to a favorable settlement of a prior claim partially offset by reduced net gains on the disposal of real and personal property in 2017 as compared to 2016. Net gains on the disposal of real and personal property was \$118 for the year ended December 31, 2017, compared to net gains on the disposal of real and personal property of \$1,811 for the year ended December 31, 2016.

Interest expense, net increased \$627, or 17.3%, to \$4,257 for the year ended December 31, 2017, from \$3,630 for the year ended December 31, 2016. The increase was due to higher interest rates on our short-term borrowings for the year ended December 31, 2017, compared to the year ended December 31, 2016.

Income before provision for income taxes increased \$14,049, or 9.2%, to \$167,548 for the year ended December 31, 2017, compared to \$153,499 for the year ended December 31, 2016. The increase in income before provision for income taxes was primarily due to our growth in gross margin and increased other income, net which outpaced our increases in SG&A and Depreciation.

Our provision for income taxes increased \$35,427, or 58.9%, to \$95,613 for the year ended December 31, 2017 from \$60,186 for the year ended December 31, 2016. Our effective tax rate was 57.1% for the year ended December 31, 2017, up from 39.2% for the year ended December 31, 2016. The increase in effective tax rate is primarily due to the enactment of the TCJA on December 22, 2017.

Net income attributable to Graybar Electric Company, Inc. for the year ended December 31, 2017 decreased \$21,471, or 23.1%, to \$71,608 from \$93,079 for the year ended December 31, 2016.

2016 Compared to 2015

Net sales totaled \$6,385,032 for the year ended December 31, 2016, compared to \$6,110,299 for the year ended December 31, 2015, an increase of \$274,733, or 4.5%. Net sales in construction and industrial & utility verticals increased over 2015 by 8.5% and 0.2%, respectively. Our CIG vertical decreased in net sales by 1.7% from 2015.

Gross margin increased \$53,618, or 4.6%, to \$1,208,363 for the year ended December 31, 2016, from \$1,154,745 for the year ended December 31, 2015. The increase resulted from an increase in net sales for the year ended December 31, 2016, compared to the year ended December 31, 2015, as well as our pricing initiatives and our acquisitions. Our gross margin rate was 18.9% for the years ended December 31, 2016 and 2015.

SG&A increased \$43,595, or 4.5%, to \$1,008,729 for the year ended December 31, 2016, mainly due to increases in normal compensation increases, increases in medical costs and increases in management and sales incentive accruals for the year ended December 31, 2016. SG&A as a percentage of net sales remained consistent at 15.8% for the years ended December 31, 2016 and 2015.

Depreciation for the year ended December 31, 2016 increased \$4,610, or 10.7%, to \$47,852 from \$43,242 for the year ended December 31, 2015. This increase was primarily due to an increase in property, at cost. Total property, at cost, at December 31, 2016 was \$940,607, an increase of \$31,931, or 3.5%, when compared to total property, at cost, at December 31, 2015 of \$908,676. Depreciation as a percentage of net sales remained consistent at 0.7% for the years ended December 31, 2016 and 2015.

Other income, net totaled \$5,347 for the year ended December 31, 2016, compared to \$8,199 for the year ended December 31, 2015. 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 our business activities. The decrease in other income, net was primarily due to a decrease in net gains on the disposal of real and personal property, partially offset by an increase in miscellaneous income items in 2016 as compared to 2015. Net gains on the disposal of real and personal property was \$1,811

for the year ended December 31, 2016, compared to net gains on the disposal of real and personal property of \$5,918 for the year ended December 31, 2015.

Interest expense, net increased \$1,403, or 63.0%, to \$3,630 for the year ended December 31, 2016, from \$2,227 for the year ended December 31, 2015. The increase was primarily due to higher levels of average outstanding short-term borrowings.

Our provision for income taxes decreased \$823, or 1.3%, to \$60,186 for the year ended December 31, 2016, from \$61,009 for the year ended December 31, 2015. Our effective tax rate was 39.2% for the year ended December 31, 2016, down from 40.0% for the year ended December 31, 2015. The decrease in the effective tax rate was attributable to a decline in the state income tax effective rate and future contingent liabilities. The effective tax rate for the years ended December 31, 2016 and 2015 was higher than the 35.0% U.S. federal statutory rate primarily due to state and local income taxes.

Net income attributable to Graybar Electric Company, Inc. for the year ended December 31, 2016 increased \$2,011, or 2.2%, to \$93,079 from \$91,068 for the year ended December 31, 2015.

Financial Condition and Liquidity

Summary

We manage our liquidity and capital levels so that we have the capability to invest in the growth of our business, meet debt service obligations, finance anticipated capital expenditures, pay dividends, make benefit payments, finance information technology needs, fund acquisitions and finance other miscellaneous cash outlays. We believe that maintaining a strong company financial condition enables us to competitively access multiple financing channels, maintain an optimal cost of capital and enable our company to invest in strategic long-term growth plans.

We have historically funded our working capital requirements using cash flows generated by the collection of trade receivables and trade accounts payable terms with our suppliers, supplemented by short-term bank lines of credit. Capital expenditures have been financed primarily by cash from working capital management, short-term bank lines of credit and long-term debt.

Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for each of the past three years:

Total cash provided by (used in):	2017	2016	2015
Operating Activities	\$ 45,128	\$ 112,200	\$ 96,853
Investing Activities	(39,176)	(91,066)	(76,571)
Financing Activities	(6,534)	(15,726)	(16,109)
Net (Decrease) Increase in Cash	\$ (582)	\$ 5,408	\$ 4,173

Our cash was \$42,757 at December 31, 2017, a decrease of \$582, or 1.3%, from \$43,339 at December 31, 2016. Our short-term borrowings increased during the year to \$169,643 at December 31, 2017 from \$140,465 at December 31, 2016, primarily due to higher working capital investment required to support operating activities due to the growth in sales, funded with short-term lines of credit. Current assets exceeded current liabilities by \$495,496 at December 31, 2017, an increase of \$55,263, or 12.6%, from \$440,233 at December 31, 2016.

Operating Activities

Cash flows from operations for the year ended December 31, 2017 decreased by \$67,072 or 59.8%, to \$45,128 at December 31, 2017 when compared to \$112,200 for the year ended December 31, 2016. The decrease in cash flows provided by operations for December 31, 2017 was attributable to an increase in trade receivables of \$97,410 as a result of increased sales in the fourth quarter, increased inventory levels of \$62,618 to support our continued growth of sales, partially offset by increases in trade payables of \$83,760.

The average number of days of sales in trade receivables for the year ended December 31, 2017 increased moderately compared to the same twelve-month period in 2016 due to increased sales in the fourth quarter of 2017, as compared to the fourth quarter of 2016. The days in inventory increased significantly for the year ended December 31, 2017 as a result of

higher merchandise inventory levels at December 31, 2017 due to merchandise inventory purchases outpacing higher sales volume at December 31, 2017, compared to December 31, 2016.

Investing Activities

Net cash used by investing activities was \$39,176 for the year ended December 31, 2017, compared to \$91,066 for the year ended December 31, 2016, a decrease of \$51,890, or 57.0%. The decrease was primarily due to the acquisition of Cape Electric, net of cash, for \$59,946 in 2016, partially offset by higher capital expenditures for the year ended December 31, 2017, compared to the year ended December 31, 2016. For further discussion of the acquisition, refer to Note 15, "Acquisitions", of the notes to the consolidated financial statements included in Item 8., "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. Capital expenditures for the year ended December 31, 2017 totaled \$41,342 compared to \$35,215 for the same period last year. Proceeds on the disposal of property decreased during the year ended December 31, 2017, compared to 2016, primarily as a result of disposing of two local distribution facilities that provided proceeds of \$2,153 in 2016.

Financing Activities

Net cash used by financing activities totaled \$6,534 for the year ended December 31, 2017, compared to \$15,726 for the year ended December 31, 2016, a decrease of \$9,192, or 58.5%. The decrease was primarily due to lower cash dividends paid in 2017 compared to prior year. Cash dividends paid totaled \$35,373, or \$2.00 per share, for the year ended December 31, 2017, compared to \$49,925, or \$3.00 per share, for the year ended December 31, 2016.

Liquidity

We had a \$550,000 revolving credit facility with \$380,357 in available capacity at December 31, 2017, compared to capacity of \$409,535 at December 31, 2016. At December 31, 2017 and 2016, we also had two uncommitted \$100,000 private placement shelf agreements ("shelf agreement"). The first shelf agreement allows us to issue senior promissory notes to PGIM, Inc., formerly known as Prudential Investment Management, Inc., at fixed rate terms to be agreed upon at the time of any issuance during a three-year issuance period ending in August 2020. The second shelf agreement allows us to issue senior promissory notes to Metropolitan Life Insurance Company and MetLife Investment Advisors, LLC and each other affiliate of MetLife Investment Advisors, LLC that becomes a party to the agreement, at fixed or floating rate terms to be agreed upon at the time of any issuance during a three-year issuance period ending in September 2019.

We have not issued any notes under the shelf agreements as of December 31, 2017 and 2016. For further discussion related to our revolving credit facility and our private placement shelf agreements, refer to Note 10, "Debt", of the notes to the consolidated financial statements located in Item 8., "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K.

We had letters of credit of \$5,371 and \$5,244 outstanding, of which none were issued under the \$550,000 revolving credit facility at December 31, 2017 and 2016. The letters of credit are used primarily to support certain workers compensation insurance policies.

Contractual Obligations and Commitments

We had the following contractual obligations as of December 31, 2017:

	Payments due by period				
	Total	2018	2019 and 2020	2021 and 2022	After 2022
Contractual obligations					
Capital lease obligations	\$ 13,623	\$ 2,597	\$ 3,809	\$ 3,085	\$ 4,132
Operating lease obligations	111,843	28,732	42,053	21,560	19,498
Purchase obligations	771,063	771,063	—	—	—
Total	\$ 896,529	\$ 802,392	\$ 45,862	\$ 24,645	\$ 23,630

Capital lease obligations consist of both principal and interest payments. There were no long-term debt obligations at December 31, 2017.

Purchase obligations consist of open purchase orders issued in the normal course of business. Many of these purchase obligations may be cancelled with limited or no financial penalties.

The table above does not include \$170,932 of accrued, unfunded pension obligations, \$85,625 of accrued, unfunded employment-related benefit obligations, of which \$76,799 is related to our postretirement benefit plan, and \$2,318 in contingent payments for uncertain tax positions because it is not certain when these obligations will be settled or paid.

We also expect to make contributions totaling approximately \$40,000 to our defined benefit pension plan and fund \$1,626 for nonqualified pension benefits during 2018 that are not included in the table. We contributed \$60,000 to our defined benefit pension plan and funded \$1,589 for nonqualified benefits in 2017.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP"). In connection with the preparation of our financial statements we are required to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our estimates, assumptions and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, we review the accounting policies, estimates, assumptions, and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our estimates and assumptions, and such differences could be material.

Our significant accounting policies are discussed in Note 2, "Summary of Significant Accounting Policies", of the notes to the consolidated financial statements located in Item 8., "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters inherently uncertain. We have reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board.

Income Taxes

We recognize 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 that are still subject to examination and positions that are 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. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe 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. We classify interest expense and penalties as part of our provision for income taxes based upon applicable federal and state interest/underpayment percentages.

Merchandise Inventory

We value our inventories 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. In assessing the ultimate realization of inventories, we make judgments as to our return rights to suppliers and future demand requirements and record an inventory reserve for obsolete inventory. If actual future demand, market conditions, or supplier return provisions are less favorable than those projected by management, additional inventory write-downs may be required. For the years ended December 31, 2017, 2016 and 2015, there were no material differences between our estimated reserve levels and actual write-offs.

Pension and Postretirement Benefits Plans

We account for our pension and postretirement benefit obligations in accordance with the accounting standards for defined benefit pension and other postretirement plans. These standards require the use of several important assumptions, including the discount rate and expected long-term rate of return on plan assets, among others, in determining our obligations and the annual cost of our pension and postretirement benefits. These assumptions are assessed annually in consultation with independent actuaries and investment advisors as of December 31 and adjustments are made as needed.

The following table presents key assumptions used to measure the pension and postretirement benefits obligations at December 31:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
Discount rate	3.67%	4.15%	3.44%	3.78%
Expected return on plan assets	5.75%	5.75%	—	—

To determine the long-term expected rate of return, we consider macroeconomic conditions, the historical experience and expected future long-term performance of the plan assets, as well as the current and expected allocation of the plan assets. The pension plan's asset allocation as of December 31, 2017, was approximately 73% fixed income investments, 18% equity securities and 9% other investments, in line with our policy ranges. We periodically evaluate the allocation of plan assets among the different investment classes to ensure that they are within policy guidelines and ranges. Holding all other assumptions constant, we estimate that a 1% decrease in the expected return on plan assets would have increased our 2017 pension expense by approximately \$5,600. Our expected long-term rate of return on plan assets assumption will remain consistent for fiscal year 2018 at 5.75%.

In determining the discount rate, we use yields on high-quality fixed-income investments (including among other things, Moody's Aa corporate bond yields) that match the duration and expected cash flows of the future pension obligations. To the extent the discount rate increases or decreases, our pension and postretirement obligations are decreased or increased accordingly. Holding all other assumptions constant, we estimate that a 1% decrease in the discount rate used to calculate both pension expense for 2017 and the pension liability as of December 31, 2017 would have increased pension expense by \$8,200 and the pension liability by \$90,700. Similarly, a 1% decrease in the discount rate would have increased postretirement benefits expense by \$200 and the December 31, 2017 postretirement benefits liability by \$6,300.

New Accounting Standards

Our adoption of new accounting standards are discussed in Note 2, "Summary of Significant Accounting Policies", of the notes to the consolidated financial statements located in Item 8., "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, including commodity prices, foreign currency exchange rates, interest rates, and equity prices. Our primary exposures to market risk are commodity price risk, foreign currency exchange rate risk, and interest rate risk associated with debt obligations.

Commodity Price Risk

We have exposure to commodity price risk on products we purchase for resale. Examples of such products include wire and cable, conduit, enclosures, and fittings.

Foreign Currency Exchange Rate Risk

The functional currency for our Canadian subsidiary is the Canadian dollar. Accordingly, its balance sheet amounts are translated at the exchange rates in effect at year-end and its income and expenses are translated using average exchange rates prevailing during the year. Currency translation adjustments are included in accumulated other comprehensive loss. Exposure to foreign currency exchange rate fluctuations is not material.

Interest Rate Risk

Our interest expense is sensitive to changes in the general level of market interest rates. Changes in interest rates have different impacts on the fixed-rate and variable-rate portions of our debt portfolio. A change in market interest rates on the fixed-rate portion of our debt portfolio impacts the fair value of the financial instrument, but has no impact on interest incurred or cash flows. A change in market interest rates on the variable-rate portion of our debt portfolio impacts the interest incurred and cash flows, but does not impact the fair value of the financial instrument.

Based on \$169,643 in variable-rate debt outstanding at December 31, 2017, a 1% increase in interest rates would increase our interest expense by \$1,696 per year.

The following table provides information about financial instruments that are sensitive to changes in interest rates. The table presents principal payments on debt and related weighted-average interest rates by expected maturity dates:

Debt Instruments							<u>December 31, 2017</u>	
	2018	2019	2020	2021	2022	After 2022	Total	Fair Value
Long-term, fixed-rate debt	\$ 2,052	\$ 1,383	\$ 1,213	\$ 1,162	\$ 986	\$ 2,304	\$ 9,100	\$ 8,363
Weighted-average interest rate	5.44%	5.71%	5.66%	5.64%	6.05%	6.89%		
Short-term, variable-rate borrowings	\$169,643	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 169,643	\$ 169,643
Weighted-average interest rate	2.16%							

The fair value of long-term debt is estimated by calculating future cash flows at interpolated Treasury yields with similar maturities, plus an estimate of our credit risk spread as of December 31, 2017.

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS:

For additional information related to risks associated with our future performance, see Part I, "Caution Regarding Forward-looking Statements" above and Item 1A. Risk Factors of this Form 10-K.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Graybar Electric Company, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Graybar Electric Company, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1996.

St. Louis, MO

March 9, 2018

Graybar Electric Company, Inc. and Subsidiaries
Consolidated Statements of Income

	For the Years Ended December 31,		
	2017	2016	2015
<i>(Stated in thousands, except per share data)</i>			
Net Sales	\$ 6,631,227	\$ 6,385,032	\$ 6,110,299
Cost of merchandise sold	(5,369,920)	(5,176,669)	(4,955,554)
Gross Margin	1,261,307	1,208,363	1,154,745
Selling, general and administrative expenses	(1,047,157)	(1,008,729)	(965,134)
Depreciation and amortization	(48,890)	(47,852)	(43,242)
Other income, net	6,545	5,347	8,199
Income from Operations	171,805	157,129	154,568
Interest expense, net	(4,257)	(3,630)	(2,227)
Income before Provision for Income Taxes	167,548	153,499	152,341
Provision for income taxes	(95,613)	(60,186)	(61,009)
Net Income	71,935	93,313	91,332
Net income attributable to noncontrolling interests	(327)	(234)	(264)
Net Income attributable to Graybar Electric Company, Inc.	\$ 71,608	\$ 93,079	\$ 91,068
Net Income attributable to Graybar Electric Company, Inc. per share of Common Stock^(A)	\$ 3.70	\$ 4.87	\$ 4.82

^(A) Adjusted for the declaration of a 10% stock dividend in December 2017, shares related to which were issued in February 2018. Prior to the adjustment, the average common shares outstanding were 17,386 and 17,183 for the years ended December 31, 2016 and 2015, respectively.

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

Graybar Electric Company, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

<i>(Stated in thousands)</i>	For the Years Ended December 31,		
	2017	2016	2015
Net Income	\$ 71,935	\$ 93,313	\$ 91,332
Other Comprehensive Income			
Foreign currency translation	5,945	2,218	(13,240)
Pension and postretirement benefits liability adjustment (net of tax of \$10,047, \$5,245, and \$16,261, respectively)	(15,780)	(8,238)	(25,542)
Total Other Comprehensive Loss	(9,835)	(6,020)	(38,782)
Comprehensive Income	\$ 62,100	\$ 87,293	\$ 52,550
Less: comprehensive income (loss) attributable to noncontrolling interests, net of tax	531	379	(276)
Comprehensive Income attributable to Graybar Electric Company, Inc.	\$ 61,569	\$ 86,914	\$ 52,826

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

Graybar Electric Company, Inc. and Subsidiaries
Consolidated Balance Sheets

		December 31,	
		2017	2016
<i>(Stated in thousands, except share and per share data)</i>			
ASSETS			
Current Assets			
Cash and cash equivalents	\$	42,757	\$ 43,339
Trade receivables (less allowances of \$5,989 and \$5,025, respectively)		1,061,590	964,180
Merchandise inventory		579,350	516,732
Other current assets		34,227	24,148
Total Current Assets		1,717,924	1,548,399
Property, at cost			
Land		79,787	78,440
Buildings		470,784	454,587
Furniture and fixtures		300,705	286,615
Software		87,313	87,313
Capital leases		25,610	33,652
Total Property, at cost		964,199	940,607
Less – accumulated depreciation and amortization		(539,275)	(512,535)
Net Property		424,924	428,072
Other Non-current Assets		118,509	122,761
Total Assets	\$	2,261,357	\$ 2,099,232
LIABILITIES			
Current Liabilities			
Short-term borrowings	\$	169,643	\$ 140,465
Current portion of long-term debt		2,052	4,155
Trade accounts payable		835,931	752,171
Accrued payroll and benefit costs		119,349	121,421
Other accrued taxes		17,228	16,926
Other current liabilities		78,225	73,028
Total Current Liabilities		1,222,428	1,108,166
Postretirement Benefits Liability		70,747	70,628
Pension Liability		169,225	160,950
Long-term Debt		7,048	7,271
Other Non-current Liabilities		30,361	21,328
Total Liabilities		1,499,809	1,368,343
SHAREHOLDERS' EQUITY			
		Shares at December 31,	
		2017	2016
Capital Stock			
Common, stated value \$20.00 per share			
Authorized		50,000,000	50,000,000
Issued to voting trustees		15,912,467	14,606,830
Issued to shareholders		3,496,114	2,850,551
In treasury, at cost		(24,243)	(18,854)
Outstanding Common Stock		19,384,338	17,438,527
Common shares subscribed		923,156	896,456
Less subscriptions receivable		(923,156)	(896,456)
		(18,463)	(17,929)
Retained Earnings		619,916	575,380
Accumulated Other Comprehensive Loss		(250,154)	(196,600)
Total Graybar Electric Company, Inc. Shareholders' Equity		757,449	727,551
Noncontrolling Interests		4,099	3,338
Total Shareholders' Equity		761,548	730,889
Total Liabilities and Shareholders' Equity	\$	2,261,357	\$ 2,099,232

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

Graybar Electric Company, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

<i>(Stated in thousands)</i>	For the Years Ended December 31,		
	2017	2016	2015
Cash Flows from Operations			
Net Income	\$ 71,935	\$ 93,313	\$ 91,332
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization	48,890	47,852	43,242
Deferred income taxes	14,168	19,540	4,173
Net gains on disposal of property	(118)	(1,811)	(5,918)
Net income attributable to noncontrolling interests	(327)	(234)	(264)
Changes in assets and liabilities, net of acquisitions:			
Trade receivables	(97,410)	(18,608)	(3,409)
Merchandise inventory	(62,618)	16,503	(54,080)
Other current assets	(10,079)	7,245	10,698
Other non-current assets	(2,459)	1,137	(149)
Trade accounts payable	83,760	(25,534)	36,011
Accrued payroll and benefit costs	(2,072)	9,839	(16,783)
Other current liabilities	9,858	4,303	(14,596)
Other non-current liabilities	(8,400)	(41,345)	6,596
Total adjustments to net income	(26,807)	18,887	5,521
Net cash provided by operations	45,128	112,200	96,853
Cash Flows from Investing Activities			
Proceeds from disposal of property	2,166	4,095	15,701
Capital expenditures for property	(41,342)	(35,215)	(74,179)
Acquisition of business, net of cash acquired	—	(59,946)	(18,093)
Net cash used by investing activities	(39,176)	(91,066)	(76,571)
Cash Flows from Financing Activities			
Net increase in short-term borrowings	29,178	35,487	38,636
Repayment of long-term debt	—	(1,853)	(3,656)
Principal payments under capital leases	(4,271)	(4,810)	(4,704)
Sales of common stock	17,389	17,007	15,723
Purchases of treasury stock	(13,687)	(11,272)	(14,365)
Sales of noncontrolling interests' common stock	627	—	401
Purchases of noncontrolling interests' common stock	(397)	(360)	(109)
Dividends paid	(35,373)	(49,925)	(48,035)
Net cash used by financing activities	(6,534)	(15,726)	(16,109)
Net (Decrease) Increase in Cash	(582)	5,408	4,173
Cash, Beginning of Year	43,339	37,931	33,758
Cash, End of Year	\$ 42,757	\$ 43,339	\$ 37,931
Supplemental Cash Flow Information:			
Non-cash Investing and Financing Activities:			
Acquisitions of equipment under capital leases	\$ 1,945	\$ 427	\$ 7,354
Cash Paid During the Year for:			
Interest, net of amounts capitalized	\$ 4,219	\$ 3,737	\$ 2,024
Income taxes, net of refunds	\$ 78,411	\$ 36,848	\$ 52,076

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

Graybar Electric Company, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity

	Graybar Electric Company, Inc.				
	Shareholders' Equity				
	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity
<i>(Stated in thousands)</i>					
Balance, December 31, 2014	\$ 317,199	\$ 513,672	\$ (152,193)	\$ 3,303	\$ 681,981
Net income		91,068		264	91,332
Other comprehensive loss			(38,242)	(540)	(38,782)
Stock issued	15,723			401	16,124
Stock purchased	(14,365)			(109)	(14,474)
Dividends declared	7,925	(55,960)			(48,035)
Balance, December 31, 2015	\$ 326,482	\$ 548,780	\$ (190,435)	\$ 3,319	\$ 688,146
Net income		93,079		234	93,313
Other comprehensive (loss) income			(6,165)	145	(6,020)
Stock issued	17,007				17,007
Stock purchased	(11,272)			(360)	(11,632)
Dividends declared	16,554	(66,479)			(49,925)
Balance, December 31, 2016	\$ 348,771	\$ 575,380	\$ (196,600)	\$ 3,338	\$ 730,889
Net income		71,608		327	71,935
Other comprehensive (loss) income			(10,039)	204	(9,835)
Adoption of ASU 2018-02		43,515	(43,515)		—
Stock issued	17,389			627	18,016
Stock purchased	(13,687)			(397)	(14,084)
Dividends declared	35,214	(70,587)			(35,373)
Balance, December 31, 2017	\$ 387,687	\$ 619,916	\$ (250,154)	\$ 4,099	\$ 761,548

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

Graybar Electric Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
as of December 31, 2017 and 2016 and
for the Years Ended December 31, 2017, 2016, and 2015
(Stated in thousands, except share and per share data)

1. DESCRIPTION OF THE BUSINESS

Graybar Electric Company, Inc. ("Graybar", "Company", "we", "our", or "us") is a New York corporation, incorporated in 1925. We are engaged in the distribution of electrical and communications and data networking products and are a provider of related supply chain management and logistics services. We primarily serve customers in the construction, industrial & utility, and commercial, institutional and government ("CIG") vertical markets, with products and services that support new construction, infrastructure updates, building renovation, facility maintenance, repair and operations ("MRO"), and original equipment manufacturers ("OEM"). We purchase all of the products we sell from others, and we neither manufacture nor contract to manufacture any products we sell. Our business activity is primarily based in the United States ("U.S."). We also have subsidiary operations with distribution facilities in Canada and Puerto Rico.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation

The consolidated financial statements include the accounts of Graybar 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 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.

Reclassifications

Certain reclassifications have been made to prior years' financial information to conform to the December 31, 2017 presentation.

Subsequent Events

We have evaluated subsequent events through the time of the filing of this Annual Report on Form 10-K with the Commission. No material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in our 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. Our standard shipping terms are FOB shipping point, under which product title passes to the customer at the time of shipment. We also earn revenue for services provided to customers for supply chain management and logistics services. Service revenue, which accounts for less than 1% of net sales, 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

We record certain outgoing freight expenses as a component of selling, general and administrative expenses. These costs totaled \$54,545, \$50,949, and \$51,100 for the years ended December 31, 2017, 2016, and 2015, respectively.

Cash and Cash Equivalents

We account 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

We perform ongoing credit evaluations of our customers, and a significant portion of our trade receivables is secured by mechanic's lien or payment bond rights. We maintain 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 our customers were to deteriorate.

Merchandise Inventory

Our 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.

We make provisions for obsolete or excess inventories as necessary to reflect reductions in inventory value.

Vendor Allowances

Our agreements with many of our suppliers provide for us to earn volume incentives based on purchases during the agreement period. Based on the provisions of our vendor agreements, we develop vendor accrual rates by estimating the point at which we will have completed our performance under the agreement and the deferred amounts will be earned. We perform analyses and review historical trends to ensure the deferred amounts earned are appropriately recorded. Certain vendor agreements contain purchase volume incentives that provide for increased funding when graduated purchase volumes are met. Amounts accrued throughout the year are based on estimates of future activity levels, and could be materially impacted if actual purchase volumes differ. 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 our 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 us to concentrations of credit risk consist primarily of trade receivables. We perform ongoing credit evaluations of our customers, and a significant portion of our trade receivables may be protected by mechanic's lien or payment bond rights. We maintain allowances for potential credit losses, and such losses historically have been within management's expectations.

Fair Value

We endeavor to utilize the best available information in measuring fair value. 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. We have used fair value measurements to value our pension plan assets.

Foreign Currency Exchange Rate

The functional currency for our 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

Our goodwill is 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. We first perform a qualitative 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 then 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 using applicable discount rates.

Definite Lived Intangible Assets

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed, either on a straight-line or accelerated basis over the estimated periods benefited. Customer relationships, trade names and other non-contractual intangible assets with determinable lives are amortized over periods generally ranging from 3 to 20 years. Intangible assets are tested for impairment if events or circumstances occur indicating that the respective asset might be impaired.

Income Taxes

We recognize 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. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe 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. We classify interest expense and penalties as part of our provision for income taxes based upon applicable federal and state interest/underpayment percentages.

Other Postretirement Benefits

We account for postretirement benefits other than pension by accruing the costs of benefits to be provided over the employees' periods of active service. These costs are determined on an actuarial basis. Our consolidated balance sheets reflect the funded status of postretirement benefits.

Pension Plan

We sponsor 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. Our consolidated balance sheets reflect the funded status of the defined benefit pension plan.

New Accounting Standards

No new accounting standards that were issued or became effective during 2017 have had or are expected to have a material impact on our consolidated financial statements except those noted below.

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" or "Update") No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220) ("ASU 2018-02"), which allows entities to reclassify from accumulated other comprehensive income to retained earnings the stranded tax effects resulting from the new federal corporate tax rate enacted in the Tax Cuts and Jobs Act ("TCJA") enacted on December 22, 2017. The ASU

will be effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted for reporting periods for which financial statements have not yet been issued or made available for issuance. We elected to early adopt ASU 2018-02 for the annual period ended December 31, 2017; see Note 14 "Accumulated Other Comprehensive Loss" for discussion of our early adoption of the ASU.

We are adopting ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), in the first quarter of 2018 using the modified retrospective transition method. The modified retrospective approach requires applying the new revenue standard to all existing contracts not yet completed as of the effective date and recording a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. This will result in a cumulative adjustment to retained earnings of \$1,074 effective January 1, 2018. The adjustment reflects the acceleration of revenue and cost related to certain bill and hold transactions.

In February 2017, the FASB issued ASU 2017-07, "Compensation - Retirement Benefits (Topic 715)" ("ASU 2017-07"). The changes to the standard require employers to report the service cost component in the same line as other compensation costs arising from services rendered by employees during the reporting period. The other components of net benefit costs will be presented in the income statement separately from the service cost and outside of a subtotal of income from operations. In addition, only the service cost component may be eligible for capitalization where applicable. ASU 2017-07 is effective for interim and annual reporting periods beginning after December 15, 2017. We are currently evaluating the impact ASU 2017-07 will have on our condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). The core principle of Topic 842 requires that a lessee should recognize the assets and liabilities on the balance sheet and disclose key information about leasing arrangements. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The guidance is required to be adopted at the earliest period presented using a modified retrospective approach. We are currently evaluating the impact the provisions will have on our consolidated financial statements but have decided we will not adopt the guidance early.

3. CASH DISCOUNTS AND DOUBTFUL ACCOUNTS

The following table summarizes the activity in the allowances for cash discounts and doubtful accounts:

	Beginning Balance	Provision (Charged to Expense)	Deductions	Ending Balance
<u>For the Year Ended December 31, 2017</u>				
Allowance for cash discounts	\$ 1,731	\$ 31,158	\$ (30,873)	\$ 2,016
Allowance for doubtful accounts	3,294	3,550	(2,871)	3,973
Total	\$ 5,025	\$ 34,708	\$ (33,744)	\$ 5,989
<u>For the Year Ended December 31, 2016</u>				
Allowance for cash discounts	\$ 1,736	\$ 28,174	\$ (28,179)	\$ 1,731
Allowance for doubtful accounts	4,143	2,272	(3,121)	3,294
Total	\$ 5,879	\$ 30,446	\$ (31,300)	\$ 5,025
<u>For the Year Ended December 31, 2015</u>				
Allowance for cash discounts	\$ 1,764	\$ 26,044	\$ (26,072)	\$ 1,736
Allowance for doubtful accounts	5,309	2,545	(3,711)	4,143
Total	\$ 7,073	\$ 28,589	\$ (29,783)	\$ 5,879

4. INVENTORY

Our inventory is stated at the lower of cost (determined using the LIFO cost method) or market. Inventories valued using the LIFO method comprised 90% of the total inventories at both December 31, 2017 and 2016. Had the first-in, first-out ("FIFO") method been used, merchandise inventory would have been \$170,885 and \$147,091 greater than reported under the LIFO method at December 31, 2017 and 2016, respectively. In 2017 and 2015, we did not liquidate any portion of previously-created LIFO layers. In 2016, we liquidated portions of previously-created LIFO layers, resulting in decreases in cost of merchandise sold of \$131.

Reserves for excess and obsolete inventories were \$9,220 and \$6,553 at December 31, 2017 and 2016, respectively. The change in the reserve for excess and obsolete inventories, included in cost of merchandise sold, was \$2,667, \$1,641, and \$495 for the years ended December 31, 2017, 2016, and 2015, respectively.

5. PROPERTY AND DEPRECIATION

We provide for depreciation and amortization using the straight-line method over the following estimated useful asset lives:

Classification	Estimated Useful Asset Life
Buildings	42 years
Leasehold improvements	Over the shorter of the asset's life or the lease term
Furniture, fixtures, equipment and software	3 to 14 years
Assets held under capital leases	Over the shorter of the asset's life or the lease term

Depreciation expense was \$38,824, \$39,332, and \$38,588 in 2017, 2016, and 2015, respectively.

At the time property is retired or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to other income, net.

Assets held under capital leases, consisting primarily of information technology equipment, are recorded in property with the corresponding obligations carried in long-term debt. The amount capitalized is the present value at the beginning of the lease term of the aggregate future minimum lease payments. Assets held under leases which were capitalized during the year ended December 31, 2017 and 2016 were \$1,945 and \$427, respectively.

We capitalize interest expense on major construction and development projects while in progress. Interest capitalized in 2017 and 2015 was \$44 and \$225, respectively. There was no interest capitalized in 2016.

Where applicable, we will capitalize qualifying internal and external costs incurred to develop or obtain software for internal use during the application development stage. Costs incurred during the pre-application development and post-implementation stages are expensed as incurred. We capitalized software and software development costs of \$4,214 and \$3,542 in 2017 and 2016, respectively, and the amounts are recorded in furniture and fixtures.

We consider 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 we expect 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, we record 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 \$464 at December 31, 2016, and is recorded in net property in the consolidated balance sheet. During 2017 and 2016, we sold assets classified as held for sale with net book values of \$464 and \$148, respectively, and recorded net gains on the assets held for sale of \$197 and \$2,004, respectively in other income, net. There are no assets held for sale at December 31, 2017.

We review 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. There were no impairment charges recorded during 2017 and 2016.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The changes in the carrying amount of goodwill, included in other non-current assets in our consolidated balance sheets, for the year ended December 31, 2017 and 2016, were as follows:

		2017	2016
Beginning Balance	\$	30,114	\$ 13,737
Goodwill Acquired		—	16,377
Ending Balance	\$	30,114	\$ 30,114

In 2016, goodwill increased due to the acquisition of Cape Electrical Supply LLC ("Cape Electric"). See Note 15, "Acquisitions", for further information on our acquisitions.

As of December 31, 2017, we have completed our annual impairment test and concluded that there is no impairment of our goodwill.

Other Intangible Assets

Other intangible assets, included in other non-current assets in our consolidated balance sheets, consist of the following:

As of December 31, 2017				
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	8.5 to 10.8 years	\$ 17,163	\$ (3,272)	\$ 13,891
Trade name	15 to 20 years	14,263	(1,292)	12,971
Non-compete agreements	3 to 5 years	281	(149)	132
Other intangible assets	10 years	162	(47)	115
Total		\$ 31,869	\$ (4,760)	\$ 27,109

As of December 31, 2016				
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	8.5 to 10.8 years	\$ 17,163	\$ (1,538)	\$ 15,625
Trade name	15 to 20 years	14,263	(543)	13,720
Non-compete agreements	3 to 5 years	281	(84)	197
Other intangible assets	10 years	162	(4)	158
Total		\$ 31,869	\$ (2,169)	\$ 29,700

In 2016, other intangible assets were acquired in the acquisition of Cape Electric. See Note 15, "Acquisitions", for further information on our acquisitions.

Amortization expense for other intangible assets was \$2,591 and \$1,647 in 2017 and 2016, respectively.

Estimated future amortization expense related to our intangible assets for the years ending December 31 are as follows:

2018	\$ 2,579
2019	2,547
2020	2,505
2021	2,493
2022	2,493
After 2022	14,492
	\$ 27,109

We did not incur impairment losses related to our other intangible assets during the year ended December 31, 2017.

7. INCOME TAXES

The TCJA was enacted on December 22, 2017. Among the provisions, the TCJA reduces the U.S. federal corporate income tax rate from a maximum of 35% to a flat 21% effective January 1, 2018, requires companies to pay a one-time transition tax on deemed repatriated earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. At December 31, 2017 we have not completed our accounting for the tax effects of the enactment of the TCJA. We have made a reasonable estimate of the effects on our existing deferred tax balances and the one-time transition tax under Staff Accounting Bulletin No. 118. For these items for which a reasonable estimate was made, we recognized a provisional amount of \$28,840, which is included as a component of provision for income taxes.

Deferred tax assets and liabilities: We remeasured domestic deferred tax assets and liabilities as of December 31, 2017 based on the expected future applicable tax rate. However, we are still analyzing certain aspects of the TCJA and refining our calculations of cumulative timing differences, which could potentially affect the remeasurement of these balances or give rise to new deferred tax amounts. Our calculations could further be impacted by the issuance of future guidance clarifying certain aspects of the TCJA and by state legislative decisions regarding conformity to federal law. U.S. GAAP requires that the effects of tax rate changes be recorded as a component of tax expense from continuing operations in the year of enactment. The provisional amount recorded related to the remeasurement of our deferred tax balances was tax expense of \$22,640, consisting of \$43,515 of tax expense related to items previously recorded through accumulated other comprehensive income under FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("FAS 158"), and \$20,875 of tax benefit related to items previously recorded through our provision for income taxes.

Foreign tax effects: The one-time transition tax is based on our total post-1986 earnings and profits ("E&P") that we previously deferred from U.S. income taxation, and the amount of those earnings held in cash and other specified assets. We have recorded a provisional amount for our one-time transition tax liability, resulting in an increase in income tax expense of \$6,200. We are still finalizing our calculation of the total post-1986 E&P for these foreign subsidiaries and the amounts held in cash and other specified assets, which could change our provisional transition tax liability. Our calculations could further be impacted by the issuance of future guidance clarifying certain aspects of the TCJA and by state legislative decisions regarding conformity to federal law. No additional income taxes have been provided for any outside basis difference inherent in these foreign entities, as these amounts continue to be indefinitely reinvested in foreign operations. We have recorded \$1,174 and \$5,026 as a current and long-term liability, respectively, as we intend to elect to pay the federal tax over an eight-year period as allowed under the TCJA.

The FASB staff commented in January that they believe that Topic 740 is not clear it relates to the accounting for the global intangible low-taxed income ("GILTI") provisions of the TCJA, and has concluded that an entity may elect to either provide deferred taxes related to GILTI or treat it as a period cost. Given that further guidance is expected surrounding the application of the GILTI rules and the fact that we do not believe GILTI will have a material impact on our tax provision, we have not yet made an accounting policy election as to whether we will provide deferred taxes related to GILTI or treat it as a period cost.

We determine our deferred tax assets and liabilities based upon the difference between the financial statement and tax bases of our assets and liabilities calculated using enacted applicable tax rates. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we establish a valuation allowance. Changes in the valuation allowance, when recorded, are included in the provision for income taxes in the consolidated financial statements.

Our unrecognized tax benefits of \$2,318, \$1,755, and \$2,247 as of December 31, 2017, 2016, and 2015, respectively, are uncertain tax positions that would impact our effective tax rate if recognized. We are periodically engaged in tax return examinations, reviews of statute of limitations periods, and settlements surrounding income taxes. We do not anticipate a material change in unrecognized tax benefits during the next twelve months.

Our uncertain tax benefits, and changes thereto, during 2017, 2016, and 2015 were as follows:

	2017	2016	2015
Balance at January 1,	\$ 1,755	\$ 2,247	\$ 3,104
Additions based on tax positions related to current year	437	397	464
Additions based on tax positions of prior years	291	—	—
Reductions for tax positions of prior years	(165)	(889)	(252)
Settlements	—	—	(1,069)
Balance at December 31,	\$ 2,318	\$ 1,755	\$ 2,247

We classify interest expense and penalties as part of our provision for income taxes based upon applicable federal and state interest/underpayment percentages. We have accrued \$983 and \$650 in interest and penalties at December 31, 2017 and 2016, respectively. Interest was computed on the difference between the provision for income taxes recognized in accordance with GAAP and the amount of benefit previously taken or expected to be taken in our federal, state, and local income tax returns.

Our federal income tax returns for the tax years 2014 and forward are available for examination by the United States Internal Revenue Service (“IRS”). The statute of limitation for the 2014 federal return will expire on September 15, 2018, unless extended by consent. Our state income tax returns for 2013 through 2017 remain subject to examination by various state authorities with the latest period closing on December 31, 2022. We have not extended the statutes of limitations in any state jurisdictions with respect to years prior to 2013.

A reconciliation between the “statutory” federal income tax rate and the effective tax rate in the consolidated statements of income is as follows:

	For the Years Ended December 31,		
	2017	2016	2015
“Statutory” federal tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal benefit	4.0	3.3	3.8
Deemed repatriation of foreign earnings	3.3	—	—
Effect of tax rate changes	13.5	—	—
Other, net	1.3	0.9	1.2
Effective tax rate	57.1%	39.2%	40.0%

The effective tax rate increased significantly as a result of the remeasurement of deferred tax assets and liabilities and recording the one-time transition tax as a result of the TCJA. As discussed above, a significant portion of the impact of the 2017 “Effect of tax rate changes” relates to items previously recorded through accumulated other comprehensive income under FAS 158.

The components of income before taxes and the provision for income taxes recorded in the consolidated statements of income are as follows:

Components of Income before Taxes	For the Years Ended December 31,		
	2017	2016	2015
Domestic	\$ 155,268	\$ 143,567	\$ 143,144
Foreign	12,280	9,932	9,197
Income before taxes	\$ 167,548	\$ 153,499	\$ 152,341

Components of Income Tax Provision	For the Years Ended December 31,		
	2017	2016	2015
Current expense			
U.S. Federal	\$ 66,475	\$ 33,030	\$ 46,174
State	11,396	4,821	7,996
Foreign	3,574	2,795	2,666
Total current expense	\$ 81,445	\$ 40,646	\$ 56,836
Deferred expense (benefit)			
U.S. Federal	15,332	16,676	3,224
State	(1,139)	3,008	958
Foreign	(25)	(144)	(9)
Total deferred expense (benefit)	\$ 14,168	\$ 19,540	\$ 4,173
Total income tax provision	\$ 95,613	\$ 60,186	\$ 61,009

Federal and state current tax expense was increased by \$5,067 and \$1,133, respectively, due to recording the one-time transition tax as a result of the TCJA. Federal deferred tax expense was increased by \$22,640 due to the remeasurement of deferred tax assets and liabilities as a result of the TCJA.

Deferred income taxes are provided based upon differences between the financial statement and tax bases of assets and liabilities. The following deferred tax assets (liabilities) were recorded at December 31:

Assets (Liabilities)	2017	2016
Postretirement benefits	\$ 19,768	\$ 29,788
Payroll accruals	1,866	2,618
Bad debt reserves	1,023	1,322
Other deferred tax assets	4,772	5,251
Pension	37,988	47,847
Inventory	12,123	11,336
Subtotal	77,540	98,162
Less: valuation allowances	(23)	(136)
Deferred tax assets	77,517	98,026
Fixed assets	(27,156)	(40,887)
Computer software	(3,240)	(5,724)
Other deferred tax liabilities	(2,622)	(3,043)
Deferred tax liabilities	(33,018)	(49,654)
Net deferred tax assets	\$ 44,499	\$ 48,372

Deferred income taxes included in non-current assets (liabilities) at December 31 were:

	2017	2016
Deferred tax assets included in other non-current assets	\$ 44,860	\$ 48,666
Deferred tax liabilities included in other non-current liabilities	(361)	(294)

Operating loss carryforwards included in net deferred tax assets at December 31 were:

	2017	2016
Foreign net operating losses ⁽¹⁾	\$ 187	\$ 239
State net operating losses ⁽²⁾	504	529

⁽¹⁾Expires in 2024

⁽²⁾Expires between 2023 and 2030

Due to uncertainties regarding the utilization of our state net operating losses, a partial valuation allowance has been applied against the deferred tax benefit at December 31, 2017.

We have no material undistributed earnings of non-U.S. subsidiaries as of December 31, 2017 due to the one-time transition tax enacted under the TCJA. A provision for federal and state income taxes of \$5,067 and \$1,133, respectively, has been recorded at December 31, 2017 for this one-time transition tax on undistributed foreign earnings as of December 31, 2017.

8. CAPITAL STOCK

Our common stock is 100% owned by active and retired employees, and there is no public trading market for our 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 New York law, a voting trust may not have a term greater than ten years. Accordingly, a new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027. At December 31, 2017, approximately 82% of the total shares of common stock was held in the 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. Shareholders may elect to participate in the voting trust at any time during the term of the voting trust.

No holder of our common stock or voting trust interests representing our common stock ("common stock", "common shares", or "shares") may sell, transfer or otherwise dispose of any shares without first offering us the option to purchase those shares at the price at which they were issued. Additionally, before the shareholder action described in the next sentence became effective, a shareholder was entitled to any cash dividends accrued for the quarter in which the purchase offer is made, adjusted pro rata for the number of days such shares were held prior to the dividend record date. On June 8, 2017, the shareholders voted to remove this adjustment for accruing dividends on the common stock. We also have the option to purchase at the issue price the common shares of any shareholder who ceases to be an employee for any reason other than death or "retirement" (as defined in our amended restated certificate of incorporation), and on the first anniversary of any holder's death. In the past, we have always exercised these purchase options and we expect to continue to do so in the foreseeable future. However, we can make no assurance that we will continue to exercise our purchase option in the future. All outstanding shares have been issued at \$20.00 per share.

During 2017, eligible employees and qualified retirees subscribed for 923,156 shares totaling \$18,463. Subscribers elected to make payments under one of the following options: (i) all shares subscribed for on or before January 5, 2018; or (ii) all shares subscribed for in installments paid through payroll deductions (or in certain cases where a subscriber is no longer on our payroll, through direct monthly payments) over an eleven-month period.

Common shares were delivered to subscribers as of January 5, 2018, in the case of shares paid for prior to January 5, 2018. Shares will be issued and delivered to subscribers on a quarterly basis, as of the tenth day of March, June, September, and December, to the extent full payments for shares are made in the case of subscriptions under the installment method.

Shown below is a summary of shares purchased and retired by the Company during the three years ended December 31:

	<u>Shares of Common Stock</u>	
	<u>Purchased</u>	<u>Retired</u>
2017	684,347	678,958
2016	563,590	610,626
2015	718,269	666,861

We also have authorized 10,000,000 shares of Delegated Authority Preferred Stock ("preferred stock"), par value one cent (\$0.01). The preferred stock may be issued in one or more series, with the designations, relative rights, preferences, and limitations of shares of each such series being fixed by a resolution of our Board of Directors. There were no shares of preferred stock outstanding at December 31, 2017 and 2016.

On December 13, 2017, our Board of Directors declared a 10% common stock dividend. Each shareholder was entitled to one share of common stock for every ten shares held as of December 18, 2017. The stock was issued on February 2, 2018. On December 8, 2016, our Board of Directors declared a 5% common stock dividend. Each shareholder was entitled to one share of common stock for every twenty shares held as of December 19, 2016. The stock was issued on February 3, 2017. On December 10, 2015, our Board of Directors, declared a 2.5% common stock dividend. Each shareholder was entitled to one share of common stock for every forty shares held as of December 18, 2015. The stock was issued on February 1, 2016.

9. NET INCOME PER SHARE OF COMMON STOCK

The computation of net income per share of common stock is based on the average number of common shares outstanding during each year, adjusted in all periods presented for the declaration of a 10% stock dividend declared in 2017, a 5% stock dividend declared in 2016, and a 2.5% stock dividend declared in 2015. The average number of shares used in computing net income per share of common stock at December 31, 2017, 2016, and 2015 was 19,367,048, 19,124,547, and 18,900,929, respectively.

10. DEBT

	December 31,	
Long-term Debt	2017	2016
Capital leases, various maturities, with a weighted average interest rate of 5.97%	\$ 9,100	\$ 11,426
Less current portion	(2,052)	(4,155)
Long-term Debt	\$ 7,048	\$ 7,271

Long-term Debt matures as follows:

2018	\$ 2,052
2019	1,383
2020	1,213
2021	1,162
2022	986
After 2022	2,304
	\$ 9,100

The carrying amount of our outstanding long-term, fixed-rate debt exceeded its fair value by \$737 and \$984 at December 31, 2017 and 2016, respectively. The fair value of the long-term, fixed-rate debt is estimated by calculating future cash flows at interpolated Treasury yields with similar maturities, plus an estimate of our credit risk spread. The fair value of our variable-rate short- and long-term debt approximates its carrying value at December 31, 2017 and 2016, respectively.

Revolving Credit Facility

On December 31, 2017 and 2016, we along with Graybar Canada Limited, our Canadian operating subsidiary ("Graybar Canada"), had an unsecured, five-year, \$550,000 revolving credit agreement maturing in June 2019 with Bank of America, N.A. and other lenders named therein (the "Credit Agreement"), 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 includes a \$100,000 sublimit (in U.S. or Canadian dollars) for borrowings by Graybar Canada and contains an accordion feature, which allows us to request increases in the aggregate borrowing commitments of up to \$300,000.

Borrowings of Graybar Canada may be in U.S. dollars or Canadian dollars. The obligations of Graybar Canada are secured by the guaranty of Graybar and any material domestic subsidiaries of Graybar (as defined in the Credit Agreement). Under no circumstances will Graybar Canada use its borrowings to benefit Graybar or its operations, including without limitation to repay any of Graybar's obligations under the facility.

Interest on our borrowings under the Credit Agreement are based on, at the borrower's election, either (A) (i) the base rate (as defined in the Credit Agreement), or (ii) LIBOR (in the case of Graybar as borrower) or (B) (i) the base rate (as defined in the agreement) or (ii) CDOR (in the case of Graybar Canada as borrower), in each case plus an applicable margin, as determined by the pricing grid set forth in the Credit Agreement. In connection with such a borrowing, the applicable borrower also selects the term of the loan, up to six months. Swing line loans, which are daily loans, bear interest at a rate based on, at the borrower's election, either (i) the base rate or (ii) the daily floating Eurodollar rate (or CDOR, in the case of Graybar

Canada as borrower). In addition to interest payments, there are also certain fees and obligations associated with borrowings, swing line loans, letters of credit and other administrative matters.

The Credit Agreement provides for a quarterly commitment fee ranging from 0.25% to 0.40% per annum, subject to adjustment based upon the consolidated leverage ratio for a fiscal quarter, and letter of credit fees ranging from 1.00% to 1.60% per annum payable quarterly, subject to such adjustment. Borrowings can be either base rate loans plus a margin ranging from 0.00% to 0.60% or Eurodollar rate loans plus a margin ranging from 1.00% to 1.60%, subject to adjustment based upon our consolidated leverage ratio. Availability under the Credit Agreement is subject to the accuracy of representations and warranties and absence of a default and, in the case of Canadian borrowings denominated in Canadian dollars, the absence of a material adverse change in the national or international financial markets, which would make it impracticable to lend Canadian dollars.

The Credit Agreement also provides for customary events of default, including a failure to pay principal, interest or fees when due, the fact that any representation or warranty made by any of the credit parties is materially incorrect, failure to comply with covenants, the occurrence of an event of default under certain other indebtedness by us and our subsidiaries, the commencement of certain insolvency or receivership events affecting any of the credit parties, certain actions under Employee Retirement Income Security Act ("ERISA") and the occurrence of a change in control of any of the credit parties (subject to certain permitted transactions as described in the Credit Agreement). Upon the occurrence of an event of default, the commitments of the lenders may be terminated and all outstanding obligations of the credit parties under the Credit Agreement may be declared immediately due and payable.

The Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations on us and our subsidiaries with respect to indebtedness, liens, changes in the nature of our business, investments, mergers and acquisitions, issuance of equity securities, dispositions of assets and dissolution of certain subsidiaries, transactions with affiliates, restricted payments (subject to incurrence tests, with certain exceptions), as well as securitizations, factoring transactions, and transactions with sanctioned parties or in violation of certain U.S. or Canadian anti-corruption laws. There are also maximum leverage ratio and minimum interest coverage ratio financial covenants that we are subject to during the term of the Credit Agreement. We were in compliance with all covenants as of December 31, 2017 and 2016.

We had total letters of credit of \$5,371 and \$5,244 outstanding, of which none were issued under the \$550,000 revolving credit facility at December 31, 2017 and December 31, 2016, respectively. The letters of credit are used primarily to support certain workers' compensation insurance policies.

Short-term borrowings of \$169,643 and \$140,465 outstanding at December 31, 2017 and 2016, respectively, were drawn under the revolving credit facility.

Short-term borrowings outstanding during the years ended December 31, 2017 and 2016 ranged from a minimum of \$112,292 and \$105,014 to a maximum of \$229,782 and \$311,506, respectively. The average daily amount of borrowings outstanding under short-term credit agreements during 2017 and 2016 amounted to approximately \$166,000 and \$185,000 at weighted-average interest rates of 2.16% and 1.52%, respectively. The weighted-average interest rate for amounts outstanding at December 31, 2017 was 2.60%.

At December 31, 2017, we had available unused committed lines of credit amounting to \$380,357, compared to \$409,535 at December 31, 2016. These lines are available to meet our short-term cash requirements, and certain committed lines of credit have annual fees of up to 40 basis points (0.40%) of the committed lines of credit as of December 31, 2017 and 2016.

Private Placement Shelf Agreements

On August 2, 2017, we amended our uncommitted \$100,000 private placement shelf agreement with PGIM, Inc. formerly known as Prudential Investment Management, Inc. (the "Prudential Shelf Agreement"). The Prudential Shelf Agreement allows us to issue senior promissory notes to affiliates of Prudential at fixed rate terms to be agreed upon at the time of any issuance during a three-year issuance period ending in August 2020. At December 31, 2017 and 2016, no notes had been issued under the Prudential Shelf Agreement.

On September 22, 2016, we entered into an uncommitted \$100,000 private placement shelf agreement (the “MetLife Shelf Agreement”) with Metropolitan Life Insurance Company and MetLife Investment Advisors, LLC and each other affiliate of MetLife that becomes a party to the agreement (collectively, “MetLife”). Subject to the terms and conditions set forth below, the MetLife Shelf Agreement is expected to allow the Company to issue senior promissory notes to MetLife at fixed or floating rate economic terms to be agreed upon at the time of any issuance during a three-year issuance period ending in September 2019. Floating rate note interest rates will be based on London Interbank Offered Rate (“LIBOR”) plus a spread. No notes have been issued under the MetLife Shelf Agreement, which ranks equally with the Company’s Credit Agreement and Prudential Shelf Agreement.

Under these shelf agreements, the term of each note issuance will be selected by us and will not exceed 12 years and will have such other particular terms as shall be set forth, in the case of any series of notes, in the Confirmation of Acceptance with respect to such series. Any notes issued under the Prudential Shelf Agreement or under the MetLife Shelf Agreement will be guaranteed by our material domestic subsidiaries, if any, as described in the Prudential Shelf Agreement and the MetLife Shelf Agreement. Any future proceeds of any issuance under the facilities will be used for general corporate purposes, including working capital and capital expenditures, to refinance existing indebtedness and/or to fund potential acquisitions.

Each shelf agreement contains customary representations and warranties of the Company and the applicable lender. Each shelf agreement also contains customary events of default, including: a failure to pay principal, interest or fees when due; a failure to comply with covenants; the fact that any representation or warranty made by any of the credit parties is incorrect when given; the occurrence of an event of default under the Credit Agreement or certain other indebtedness of us and our subsidiaries; the commencement of certain insolvency or receivership events affecting any of the credit parties; certain actions under ERISA; and the occurrence of a change in control of Graybar (subject to certain permitted transactions as described in the Credit Agreement). All outstanding obligations of Graybar under one or both of these agreements may be declared immediately due and payable upon the occurrence of an event of default.

Each shelf agreement contains customary affirmative and negative covenants for facilities of this type, including limitations on us and our subsidiaries with respect to indebtedness, liens, changes in the nature of our business, investments, mergers and acquisitions, issuance of equity securities, dispositions of assets and dissolution of certain subsidiaries, transactions with affiliates, restricted payments (subject to incurrence tests, with certain exceptions), as well as securitizations, factoring transactions, and transactions with sanctioned parties or in violation of certain U.S. or Canadian anti-terrorism laws. There are also maximum leverage ratio and minimum interest coverage ratio financial covenants that we are subject to during the term of the shelf agreements. We were in compliance with all covenants as of December 31, 2017 and 2016.

In addition, we have agreed to a most favored lender clause which is designed to ensure that any notes issued in the future under the Prudential Shelf Agreement and MetLife Shelf Agreement in the future will continue to be of equal ranking with indebtedness under our Credit Agreement.

11. PENSION AND OTHER POSTRETIREMENT BENEFITS

We have a noncontributory defined benefit pension plan covering substantially all employees first hired prior to July 1, 2015 after the completion of one year of service and 1,000 hours of service. The plan provides retirement benefits based on an employee’s average earnings and years of service. These employees become 100% vested after three years of service, regardless of age. A supplemental benefit plan provides nonqualified pension benefits for compensation in excess of the IRS compensation limits applicable to the plan and otherwise eligible compensation deferred.

Our plan funding policy is to make contributions provided that the total annual contributions will not be less than ERISA and the Pension Protection Act of 2006 minimums or greater than the maximum tax-deductible amount, to review the contribution and funding strategy on a regular basis, and to allow discretionary contributions to be made by us from time to time. The assets of the defined benefit pension plan are invested primarily in fixed income investments and equity securities. We pay nonqualified pension benefits when they are due according to the terms of the supplemental benefit plan.

We provide certain postretirement healthcare and life insurance benefits to retired employees. Substantially all of our employees hired or rehired prior to 2014 may become eligible for postretirement medical benefits if they reach the age and service requirements of the retiree medical plan and retire on a pension (except a deferred pension) under the defined benefit pension plan. Medical benefits are self-insured and claims are administered through a third party administrator. The cost of coverage is determined based on the annual projected plan costs. The participant's premium or cost is determined based on Company guidelines. Postretirement life insurance benefits are insured through an insurance company. We fund postretirement benefits as incurred, and accordingly, there were no assets held in the postretirement benefits plan at December 31, 2017 and 2016.

The following table sets forth information regarding the funded status of our pension and other postretirement benefits as of December 31, 2017 and 2016:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
Change in Benefit Obligation:				
Benefit obligation at beginning of period	\$ 669,789	\$ 634,068	\$ 76,576	\$ 75,937
Service cost	26,415	25,369	2,327	2,288
Interest cost	27,818	28,263	2,844	3,030
Actuarial loss (gain)	85,618	35,504	(61)	889
Benefits paid from plan assets	(50,136)	(50,422)	—	—
Benefits paid from Company assets	(1,589)	(1,634)	(6,427)	(6,958)
Plan participants' contributions	—	—	1,540	1,390
Administrative expenses paid	(1,603)	(1,359)	—	—
Benefit Obligation at End of Period	756,312	669,789	76,799	76,576
Change in Plan Assets:				
Fair value of plan assets at beginning of period	507,287	447,258	—	—
Actual return on plan assets	69,832	31,810	—	—
Employer contributions ⁽¹⁾	61,589	81,634	4,887	5,568
Plan participants' contributions	—	—	1,540	1,390
Benefits paid ⁽¹⁾	(51,725)	(52,056)	(6,427)	(6,958)
Administrative expenses paid	(1,603)	(1,359)	—	—
Fair Value of Plan Assets at End of Period	585,380	507,287	—	—
Unfunded Status	\$ 170,932	\$ 162,502	\$ 76,799	\$ 76,576

⁽¹⁾ Includes \$1,589 and \$1,634 paid from our assets for unfunded nonqualified pension benefits in fiscal years 2017 and 2016, respectively.

The accumulated benefit obligation for our defined benefit pension plan was \$670,060 and \$592,810 at December 31, 2017 and 2016, respectively.

Amounts recognized in the consolidated balance sheet for the years ended December 31 consist of the following:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
Current accrued benefit cost	\$ 1,707	\$ 1,552	\$ 6,052	\$ 5,948
Non-current accrued benefit cost	169,225	160,950	70,747	70,628
Net amount recognized	\$ 170,932	\$ 162,502	\$ 76,799	\$ 76,576

Amounts recognized in accumulated other comprehensive loss for the years ended December 31, net of tax, consist of the following:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
Net actuarial loss	\$ 192,456	\$ 177,234	\$ 10,575	\$ 11,093
Prior service cost (gain)	201	457	(1,195)	(2,527)
Accumulated other comprehensive loss	\$ 192,657	\$ 177,691	\$ 9,380	\$ 8,566

Amounts estimated to be amortized from accumulated other comprehensive loss into net periodic benefit costs in 2018, net of tax, consist of the following:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
Net actuarial loss	\$ 19,965	\$ 613		
Prior service cost (gain)	235	(1,453)		
Accumulated other comprehensive loss (income)	\$ 20,200	\$ (840)		

Weighted-average assumptions used to determine the actuarial present value of the pension and postretirement benefit obligations as of December 31 are:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
Discount rate	3.67%	4.15%	3.44%	3.78%
Rate of compensation increase	4.74%	4.52%	—	—
Healthcare cost trend on covered charges	—	—	5.5% / 5%	6% / 5%

For measurement of the postretirement benefit obligation, a 5.5% annual rate of increase in the per capita cost of covered healthcare benefits was assumed at December 31, 2017. This rate is assumed to decline to 5.0% at January 1, 2019 and remain at that level thereafter. A one percent increase or decrease in the assumed healthcare cost trend rate would not have had a material effect on the postretirement benefit obligations as of December 31, 2017 and 2016.

The net periodic benefit cost for the years ended December 31, 2017, 2016, and 2015 included the following components:

	<u>Pension Benefits</u>			<u>Postretirement Benefits</u>		
	2017	2016	2015	2017	2016	2015
Service cost	\$ 26,415	\$ 25,369	\$ 25,607	\$ 2,327	\$ 2,288	\$ 2,505
Interest cost	27,818	28,263	25,203	2,844	3,030	2,925
Expected return on plan assets	(30,631)	(27,016)	(28,297)	—	—	—
Amortization of:						
Net actuarial loss	21,503	19,164	20,028	788	709	1,044
Prior service cost (gain)	420	423	452	(2,181)	(2,181)	(2,181)
Net periodic benefit cost	\$ 45,525	\$ 46,203	\$ 42,993	\$ 3,778	\$ 3,846	\$ 4,293

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31 were:

	<u>Pension Benefits</u>			<u>Postretirement Benefits</u>		
	2017	2016	2015	2017	2016	2015
Discount rate	4.15%	4.48%	4.08%	3.78%	4.09%	3.77%
Expected return on plan assets	5.75%	5.75%	6.25%	—	—	—
Rate of compensation increase	4.52%	4.44%	4.47%	—	—	—
Healthcare cost trend on covered charges	—	—	—	6% / 5%	6.5% / 5%	7% / 5%

The expected return on plan assets assumption for the defined benefit pension plan is a long-term assumption and was determined after evaluating input from both the plan's actuary and pension fund investment advisors, consideration of macroeconomic conditions, historical rates of return on plan assets, and anticipated current and long-term rates of return on the various classes of assets in which the plan invests.

For measurement of the postretirement benefits net periodic cost, a 6.0% annual rate of increase in per capita cost of covered healthcare benefits was assumed for 2017. The rate was assumed to decline to 5.0% in 2019 and to remain at that level thereafter. A one percent increase or decrease in the assumed healthcare cost trend rate would not have had a material effect on 2017, 2016 and 2015 net periodic benefit cost.

We expect to contribute \$40,000 to our defined benefit pension plan and fund \$1,626 for non-qualified pension benefits during 2018.

Estimated future defined benefit pension and other postretirement benefit plan payments to plan participants for the years ending December 31 are as follows:

Year	Pension Benefits	Postretirement Benefits
2018	\$ 48,665	\$ 6,156
2019	51,270	6,565
2020	52,701	6,856
2021	51,088	7,026
2022	52,146	7,003
After 2022	276,523	33,742

The investment objective of our defined benefit pension plan is to ensure that there are sufficient assets to fund regular pension benefits payable to employees over the long-term life of the plan. Our defined benefit pension plan seeks to allocate plan assets in a manner that is closely duration-matched with the actuarial projected cash flow liabilities, consistent with prudent standards for preservation of capital, tolerance of investment risk, and maintenance of liquidity. Assets of the qualified pension plan are held by Comerica Bank (the "Trustee").

Our defined benefit pension plan utilizes a liability-driven investment ("LDI") approach to help meet these objectives. The LDI strategy employs a structured fixed-income portfolio designed to reduce volatility in the plan's future funding requirements and funding status. This is accomplished by using a blend of corporate fixed-income securities, long duration government, and quasi-governmental, as well as appropriate levels of equity and alternative investments designed to optimize the plan's liability hedge ratio. In practice, the value of an asset portfolio constructed primarily of fixed income securities is inversely correlated to changes in market interest rates, primarily offsetting changes in the value of the pension benefit obligation caused by changes in the interest rate used to discount plan liabilities.

Asset allocation information for the defined benefit pension plan at December 31, 2017 and 2016 is as follows:

Investment	2017 Actual Allocation	2017 Target Allocation Range	2016 Actual Allocation	2016 Target Allocation Range
Equity securities-U.S.	8%	3-15%	8%	3-15%
Equity securities-International	10%	3-15%	11%	3-15%
Fixed income investments-U.S.	70%	35-75%	62%	35-75%
Fixed income investments-International	3%	3-10%	5%	3-10%
Absolute return	4%	5-15%	5%	5-15%
Real assets	3%	3-10%	3%	3-10%
Private equity	1%	0-3%	1%	0-3%
Short-term investments	1%	0-3%	5%	0-3%
Total	100%	100%	100%	100%

The following is a description of the valuation methodologies used for assets held by the defined benefit pension plan measured at fair value:

Equity securities - U.S.

Equity securities - U.S. consist of investments in U.S. corporate stocks and U.S. equity mutual funds. U.S. equity mutual funds include publicly traded mutual funds and a bank collective fund for ERISA plans. U.S. corporate stocks and U.S. equity mutual funds are primarily large-capitalization stocks (defined as companies with market capitalization of more than \$10 billion). U.S. corporate stocks and publicly traded mutual funds are valued at the closing price reported on the active public market in which the individual securities are traded and are classified as Level 1. The bank collective fund for ERISA plans is valued at the net asset value ("NAV") of units of the fund. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund.

Equity securities - International

Equity securities - International consist of investments in international corporate stocks and publicly traded mutual funds and are both primarily investments within developed and emerging markets. Both are valued at the closing price reported on the active public market in which the individual securities are traded and are classified as Level 1.

Fixed income investments - U.S.

Fixed income investments - U.S. consist of U.S. corporate bonds, government and government agency bonds, as well as a publicly traded mutual fund and commingled funds, both of which invest in corporate and government debt securities within the U.S. U.S. corporate bonds, government and government agency bonds, and the publicly traded mutual fund are valued at the closing price reported on the active market in which they are traded and thus are classified as Level 1. The commingled funds are valued at the NAV of units of the fund. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund.

Fixed income investments - International

Fixed income investments - International consist of international corporate bonds. International corporate bonds are valued at the closing price reported on the active market in which they are traded and thus are classified as Level 1.

Absolute return

Absolute return consists of investments in various hedge funds structured as fund-of-funds (defined as a single fund that invests in multiple funds). The hedge funds use various investment strategies in an attempt to generate non-correlated returns. A fund-of-funds is designed to help diversify and reduce the risk of the overall portfolio. The hedge funds are valued at the NAV of units of the fund. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund. Audited financial statements are produced on an annual basis for the hedge funds.

Real assets

Real assets consists of a natural resource fund (oil, gas and forestry) and a real estate investment trust ("REIT"). The natural resource fund is owned by a limited partnership ("LP"). The LP is generally characterized as requiring a long-term commitment with limited liquidity. The value of the LP is not publicly available and thus, is classified as Level 3. The REIT is a commingled trust. The commingled trust is valued at the NAV of units of the trust. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund. Audited financial statements are produced on an annual basis for the LP and REIT.

Private equity

Private equity is an asset class that is generally characterized as requiring long-term commitments and where liquidity is typically limited. Private equity does not have an actively traded market with readily observable prices. The investments are LPs structured as fund-of-funds. The investments are diversified across typical private equity strategies including: buyouts, co-investments, secondary offerings, venture capital, and special situations. Valuations are developed using a variety of proprietary model methodologies. Valuations may be derived from publicly available sources as well as information obtained from each fund's general partner based upon public market conditions and returns. All private equity investments are classified as Level 3. Audited financial statements are produced on an annual basis for the private equity investments.

Short-term investments

Short-term investments consist of cash and cash equivalents in a short-term fund which is valued at the NAV of units of the fund. The NAV, as provided by the Trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund.

The methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we believe our defined benefit pension plan valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There have been no changes in the methodologies for determining fair value at December 31, 2017 or 2016.

The following tables set forth, by level within the fair value hierarchy, the defined benefit pension plan assets measured at fair value as of December 31, 2017 and 2016:

December 31, 2017					
Investment	Investments Measured at NAV	Level 1	Level 2	Level 3	Total
Equity securities - U.S.	\$ 11,488	\$ 34,950	\$ —	\$ —	\$ 46,438
Equity securities - International	—	59,632	—	—	59,632
Fixed income investments - U.S.	296,232	114,447	—	—	410,679
Fixed income investments - International	—	17,210	—	—	17,210
Absolute return	24,444	—	—	—	24,444
Real assets	15,565	—	—	197	15,762
Private equity	—	—	—	7,461	7,461
Short-term investments	3,754	—	—	—	3,754
Total	\$ 351,483	\$ 226,239	\$ —	\$ 7,658	\$ 585,380

December 31, 2016					
Investment	Investments Measured at NAV	Level 1	Level 2	Level 3	Total
Equity securities - U.S.	\$ 9,827	\$ 30,952	\$ —	\$ —	\$ 40,779
Equity securities - International	—	55,619	—	—	55,619
Fixed income investments - U.S.	99,383	218,712	—	—	318,095
Fixed income investments - International	—	27,346	—	—	27,346
Absolute return	25,479	—	—	—	25,479
Real assets	14,852	—	—	195	15,047
Private equity	—	—	—	1,942	1,942
Short-term investments	22,980	—	—	—	22,980
Total	\$ 172,521	\$ 332,629	\$ —	\$ 2,137	\$ 507,287

The tables below set forth a summary of changes in the fair value of the defined benefit pension plan's Level 3 assets for the years ended December 31, 2017 and 2016:

December 31, 2017			
	Real Assets	Private Equity	Total
Balance, beginning of year	\$ 195	\$ 1,942	\$ 2,137
Realized gains	—	96	96
Unrealized gains (losses)	2	(100)	(98)
Purchases	—	6,891	6,891
Sales	—	(1,368)	(1,368)
Balance, end of year	\$ 197	\$ 7,461	\$ 7,658

December 31, 2016			
	Real Assets	Private Equity	Total
Balance, beginning of year	\$ 456	\$ 2,704	\$ 3,160
Realized gains	12	181	193
Unrealized losses	(19)	(150)	(169)
Purchases	—	121	121
Sales	(254)	(914)	(1,168)
Balance, end of year	\$ 195	\$ 1,942	\$ 2,137

12. PROFIT SHARING AND SAVINGS PLAN

We provide a defined contribution profit sharing and savings plan covering substantially all of our eligible employees with an individual account for each participant. Employees may make voluntary before-tax and/or after-tax contributions to the saving portion of the plan, ranging from 2% to 50% of pay, subject to limitations imposed by federal tax law, ERISA, and the Pension Protection Act of 2006. All employees hired or rehired after July 1, 2015, are eligible to receive a Company matching contribution beginning the first month after the completion of one year of service and 1,000 hours of service. The Company match is equal to 50% of an eligible employee's before-tax or Roth payroll contribution, up to 6% of pay, with a maximum match of 3%. The matching contribution expense recognized by us was \$907 and \$363 for the years ended December 31, 2017 and 2016, respectively.

Annual contributions made by us to the profit-sharing portion of the plan are determined by the Board of Directors at their discretion, are generally based on the profitability of the Company. Expense recognized by us under the profit-sharing portion of the plan was \$43,235, \$41,365, and \$40,020 for the years ended December 31, 2017, 2016 and 2015, respectively.

13. COMMITMENTS AND CONTINGENCIES

Rental expense was \$27,326, \$25,133, and \$22,685 in 2017, 2016, and 2015, respectively. Future minimum rental payments required under operating leases that have either initial or remaining noncancelable lease terms in excess of one year as of December 31, 2017 are as follows:

For the Years Ending December 31,	Minimum Rental Payments
2018	\$ 25,968
2019	20,476
2020	12,985
2021	8,964
2022	5,713
After 2022	10,679

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

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 we deem an 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 we believe that none of these claims, disputes, administrative, and legal matters will have a material adverse effect on our financial position, these matters are uncertain and we cannot at this time determine whether the financial impact, if any, of these matters will be material to our results of operations in the period in which such matters are resolved or a better estimate becomes available.

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss as of December 31 are as follows:

	2017	2016
Currency translation	\$ (4,602)	\$ (10,343)
Pension liability	(192,657)	(177,691)
Postretirement benefits liability	(9,380)	(8,566)
Adoption of ASU 2018-02	(43,515)	—
Accumulated other comprehensive loss	\$ (250,154)	\$ (196,600)

We elected to early adopt ASU 2018-02 for the annual period ended December 31, 2017. The applicable tax rate was adjusted in response to the enactment of the TCJA and the corresponding changes in the U.S. federal statutory tax rate resulted in a reclassification of \$43,515 from accumulated other comprehensive loss to retained earnings as of December 31, 2017.

The following table represents amounts reclassified from accumulated other comprehensive loss for the years ended December 31, 2017 and 2016:

	2017			2016		
	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 Consolidated Statement of Income:						
Selling, general and administrative expenses	\$ 22,291	\$ (1,761)	\$ 20,530	\$ 19,873	\$ (1,758)	\$ 18,115
Tax (benefit) expense	(8,671)	685	(7,986)	(7,731)	684	(7,047)
Total reclassifications for the period, net of tax	\$ 13,620	\$ (1,076)	\$ 12,544	\$ 12,142	\$ (1,074)	\$ 11,068

The following table represents the activity included in accumulated other comprehensive loss for the years ended December 31, 2017 and 2016:

	2017			2016		
	Foreign Currency	Pension and Other Postretirement Benefits	Total	Foreign Currency	Pension and Other Postretirement Benefits	Total
Beginning balance January 1,	\$ (10,343)	\$ (186,257)	\$ (196,600)	\$ (12,416)	\$ (178,019)	\$ (190,435)
Other comprehensive income before reclassifications	5,741	—	5,741	2,073	—	2,073
Amounts reclassified from accumulated other comprehensive loss (net of tax \$(7,986) and \$(7,047))	—	12,544	12,544	—	11,068	11,068
Actuarial loss, (net of tax \$18,033 and \$12,292)	—	(28,324)	(28,324)	—	(19,306)	(19,306)
Net current-period other comprehensive income (loss)	5,741	(15,780)	(10,039)	2,073	(8,238)	(6,165)
Adoption of ASU 2018-02	—	(43,515)	(43,515)	—	—	—
Ending balance December 31,	\$ (4,602)	\$ (245,552)	\$ (250,154)	\$ (10,343)	\$ (186,257)	\$ (196,600)

15. ACQUISITIONS

On July 1, 2016, we purchased Cape Electric, a regional distributor serving electrical contractors and large engineering construction firms, as well as industrial, institutional and utility customers, for approximately \$59,946 in cash, net of cash acquired. The purchase price allocation resulted in \$16,377 and \$23,586 of tax deductible goodwill and other intangible assets, respectively.

In April 2015, we acquired 100% of the outstanding capital stock of Advantage, which provides control and automation solutions to industrial users, OEMs and system integrators, for \$18,093 in cash, net of cash acquired. The purchase price allocation resulted in \$7,057 and \$8,283 of tax deductible goodwill and other intangible assets, respectively.

Since the date of acquisition, Cape Electric and Advantage results are reflected in our consolidated financial statements. Pro forma results of these acquisitions were not material; therefore, they are not presented.

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following tables set forth selected quarterly financial data for the years ended December 31, 2017 and 2016:

For the Quarter Ended	2017			
	March 31,	June 30,	September 30,	December 31,
Net sales	\$ 1,530,571	\$ 1,712,880	\$ 1,700,843	\$ 1,686,933
Gross margin	\$ 299,829	\$ 322,893	\$ 321,984	\$ 316,601
Net income (loss) attributable to the Company	\$ 17,681	\$ 33,334	\$ 29,434	\$ (8,841)
Net income (loss) attributable to the Company per share of common stock ^(A)	\$ 0.91	\$ 1.72	\$ 1.52	\$ (0.45)

^(A) All periods adjusted for a 10% stock dividend declared in December 2017. Prior to these adjustments, the average common shares outstanding for the first, second, third, and fourth quarters of 2017 were 17,620,521, 17,641,979, 17,610,573, and 17,565,590, respectively.

For the Quarter Ended	2016			
	March 31,	June 30,	September 30,	December 31,
Net sales	\$ 1,465,480	\$ 1,630,521	\$ 1,689,619	\$ 1,599,412
Gross margin	\$ 279,647	\$ 305,599	\$ 318,758	\$ 304,359
Net income attributable to the Company	\$ 15,045	\$ 25,635	\$ 30,129	\$ 22,270
Net income attributable to the Company per share of common stock ^(A)	\$ 0.79	\$ 1.34	\$ 1.57	\$ 1.17

^(A) All periods adjusted for a 10% stock dividend declared in December 2017 and a 5% stock dividend declared in December 2016. Prior to these adjustments, the average common shares outstanding for the first, second, third, and fourth quarters of 2016 were 16,537,536, 16,569,408, 16,573,041, and 16,558,984, respectively.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) are designed to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act is accumulated and communicated to Company management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2017 was performed under the supervision and with the participation of management. Based on that evaluation, our management, including the Principal Executive Officer and Principal Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2017 to ensure that information required to be disclosed in the reports filed or submitted by us 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.

Management of the Company, including its Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls will prevent or detect all errors. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the control system's objective will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, have been detected. These inherent limitations include the realities that disclosure requirements may be misinterpreted and judgments in decision-making may be inexact.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management of the Company conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued in May 2013. Based on that evaluation, management of the Company concluded that our internal control over financial reporting was effective as of December 31, 2017.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that have occurred during our last fiscal quarter that have materially affected, or are likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information with respect to the directors of the Company who are nominees for election at the 2018 annual meeting of shareholders that is required to be included pursuant to this Item 10 will be included under the caption “Proposal 1: Nominees for Election as Directors” and “Information About the Board of Directors and Corporate Governance Matters” in the Company’s Definitive Information Statement relating to the 2018 Annual Meeting (the “Information Statement”) to be filed with the SEC pursuant to Rule 14c-5 under the Exchange Act, and is incorporated herein by reference.

The information with respect to our audit committee and audit committee financial expert, and nominating committee required to be included pursuant to this Item 10 will be included under the caption “Information About the Board of Directors and Corporate Governance Matters” in our Information Statement and is incorporated herein by reference.

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer and principal accounting officer (collectively “Covered Officers”). This code of ethics is appended to our business conduct guidelines for all employees. The business conduct guidelines and specific code for Covered Officers may be accessed at: www.graybar.com/company/corporate-responsibility/code-of-ethics and is also available in print without charge upon written request addressed to the Secretary of the Company at our principal executive offices.

Item 11. Executive Compensation

The information with respect to executive compensation, our advisory compensation committee, and the compensation committee interlocks and insider participation required to be included pursuant to this Item 11 will be included under the captions “Information About the Board of Directors and Corporate Governance Matters” and “Compensation Discussion and Analysis” in the Information Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information with respect to the security ownership of beneficial owners of more than 5% of the Common Stock and of directors and executive officers of the Company required to be included pursuant to this Item 12, will be included under the captions “Beneficial Ownership of More Than 5% of the Outstanding Common Stock” and “Beneficial Ownership of Management” in the Information Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

At the date of this report, there are no reportable transactions, business relationships or indebtedness of the type required to be included pursuant to this Item 13 between the Company and any beneficial owner of more than 5% of the Common Stock, the directors or nominees for director of the Company, the executive officers of the Company or the members of the immediate families of such individuals. If there is any change in that regard prior to the filing of the Information Statement, such information will be included under the caption “Transactions with Related Persons” in the Information Statement and shall be incorporated herein by reference.

The information with respect to director independence and to corporate governance required to be included pursuant to this Item 13 will be included under the captions “Proposal 1: Nominees for Election as Directors” and “Information about the Board of Directors and Corporate Governance Matters” in the Information Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information with respect to principal accounting fees and services required to be included pursuant to this Item 14 will be included under the caption “Relationship with Independent Registered Public Accounting Firm” in our Information Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) List of documents filed as part of this report:

1. Financial Statements

All Consolidated Financial Statements of the Company as set forth under Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedule

None.

3. Exhibits

- 3.1 [Restated Certificate of Incorporation, as amended, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated June 8, 2017 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
- 3.2 [By-laws as amended through March 9, 2017, filed as Exhibit 3\(ii\) to the Company's Current Report on Form 8-K dated March 9, 2017 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
- 4.2 [Voting Trust Agreement, dated as of March 3, 2017, a form of which is attached as Exhibit A to the Prospectus dated January 6, 2017, constituting a part of the Company's Registration Statement on Form S-1/A \(Registration No. 333-214560\), and incorporated herein by reference.](#)
- 9 Voting Trust Agreement dated as of March 3, 2017, included at Exhibit 4.2 above.

The Company hereby agrees to furnish to the Commission upon request a copy of each instrument omitted pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K.

- 10.1 [Management Incentive Plan, filed as Exhibit 10\(i\) to the Company's Annual Report on Form 10-K for the period ended December 31, 2015 dated March 10, 2016 \(Commission File No. 000-00255\) and incorporated herein by reference.*](#)
- 10.2 [Graybar Electric Company, Inc. Supplemental Benefit Plan, amended and restated, effective January 1, 2016*](#)
- 10.3 [Form of Deferral Agreement under Graybar Electric Company, Inc. Supplemental Benefit Plan*](#)
- 10.4 [Second Amendment to Credit Agreement, dated as of June 6, 2014, among the Company, as parent borrower and a guarantor, Graybar Canada Limited, as a borrower, certain domestic subsidiaries of the 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 Canadian branch, as Canadian administrative agent, Canadian swing line lender and Canadian L/C issuer, and the other lenders party thereto, filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2014 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
- 10.5 [Private Shelf Agreement, dated September 22, 2014, filed as Exhibit 10.7 to the Company's Report on Form 8-K dated September 22, 2014 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
- 10.6 [Amendment No. 1 to Private Shelf Agreement, dated August 2, 2017, filed as Exhibit 10 to the Company's Report on Form 10-Q dated October 31, 2017 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
- 10.7 [Private Shelf Agreement, dated September 22, 2016, filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q dated November 1, 2016 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
- 21 [List of subsidiaries of the Company](#)
- 31.1 [Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Executive Officer.](#)

31.2	<u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Financial Officer.</u>
32.1	<u>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.</u>
32.2	<u>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.</u>
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

* Compensation arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, as of the 9th day of March 2018.

GRAYBAR ELECTRIC COMPANY, INC.

By /s/ K. M. MAZZARELLA
(K. M. Mazzarella, Chairman of the Board, President and
Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities indicated, on March 9, 2018.

<u>/s/ K. M. MAZZARELLA</u> (K. M. Mazzarella)	Director, Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
<u>/s/ R. R. HARWOOD</u> (R. R. Harwood)	Director, Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ D. A. BENDER</u> (D. A. Bender)	Director
<u>/s/ S. S. CLIFFORD</u> (S. S. Clifford)	Director
<u>/s/ M. W. GEEKIE</u> (M. W. Geekie)	Director
<u>/s/ R. C. LYONS</u> (R. C. Lyons)	Director
<u>/s/ W. P. MANSFIELD</u> (W. P. Mansfield)	Director
<u>/s/ D. G. MAXWELL</u> (D. G. Maxwell)	Director
<u>/s/ B. L. PROPST</u> (B. L. Propst)	Director

GRAYBAR ELECTRIC COMPANY, INC.

SUPPLEMENTAL BENEFIT PLAN

Effective January 1, 1987

Amended Effective January 1, 2009

Restated Effective January 1, 2014

Amended and Restated as of January 1, 2016

AMENDED AND RESTATED
GRAYBAR ELECTRIC COMPANY, INC.
SUPPLEMENTAL BENEFIT PLAN

1. Purpose

Sections 401(a)(17), 402(g), and 415 of the Internal Revenue Code of 1986 (the "Code") restrict benefit payments under the Graybar Electric Company, Inc. Pension Plan (the "Pension Plan") and allocations to a Member's account under The Profit Sharing and Savings Plan of Graybar Electric Company, Inc. (the "Profit Sharing Plan"). Code §401(a) also proscribes the inclusion of certain deferred compensation in the compensation taken into account under such Plans. However, a company may pay benefits and/or make allocations without regard to such restrictions through an unfunded supplemental benefit plan. The purpose of this "Supplemental Benefit Plan" is to provide benefits to certain of those Pension Plan and Profit Sharing Plan participants whose benefits may be limited by any provision of Code §§401(a), 402(g), and 415, on a basis consistent with the Pension Plan and Profit Sharing Plan without regard to any limitations contained in such sections and to provide benefits to any such other individuals as Graybar Electric Company, Inc. ("Company") may designate as eligible hereunder from time to time.

This Supplemental Benefit Plan is amended and restated effective January 1, 2016 to add a supplemental match benefit for certain employees hired by the Company on or after July 1, 2015. The Plan Year shall mean the calendar year.

2. Eligibility

Any participant in the Pension Plan or member of the Profit Sharing Plan whose Retirement Income (as defined in the Pension Plan) or annual allocation under the Profit Sharing Plan is limited, directly or indirectly, by any requirement of Code §§401(a), 402(g) or 415), or whose Compensation, as defined in Section 4 hereof, is not used in calculating such Retirement Income or annual allocation, or such other individuals as the Company may designate as eligible hereunder from time to time, shall be eligible for benefits under this Supplemental Benefit Plan.

Effective for Plan Years beginning on and after January 1, 2016, an eligible Match Participant (as defined in Section 3(d) hereof) shall be eligible for a supplemental match benefit under this Supplemental Benefit Plan.

An individual participating in this Supplemental Benefit Plan shall be referred to as a Participant.

3. Amount of Benefits

- (a) Supplemental Pension Benefit. The supplemental pension benefit payable to an eligible Participant or the Participant's spouse shall equal the excess, if any, of (A) over (B), where:

- (A) is the Retirement Income which would have been paid to such Participant or the Participant's spouse under the Pension Plan if the provisions of Code §§401(a)(17) and 415 did not apply and Compensation as defined in Section 4 hereof were used in determining such Retirement Income; and
- (B) is the Retirement Income which is payable to the Participant or the Participant's spouse under the Pension Plan.

For purposes of this Section 3(a), an eligible Participant is an employee who was hired, or was last re-hired, by the Company before July 1, 2015 and is otherwise described in Section 2 hereof.

- (b) Supplemental Profit Sharing Benefit. The supplemental profit sharing benefit credited on behalf of an eligible Participant for a Plan Year shall equal the excess, if any, of (C) over (D), where:

- (C) is the allocation which would have been made to such Participant's Account B under the Profit Sharing Plan for any Plan Year if the limitations imposed by Code §§401(a)(17) and 415 did not apply and Compensation as defined in Section 4 hereof were used in determining such allocation; and
- (D) is the allocation which is made to such Participant's Account B under the Profit Sharing Plan for such Plan Year.

- (c) Deferred Compensation Benefit. The deferred compensation benefit credited on behalf of an eligible Deferred Compensation Participant for a Plan Year shall equal the portion of the Participant's annual base salary and annual incentive payment that such Participant has elected to defer with respect to such Plan Year in accordance with this Supplemental Benefit Plan and the terms of the deferred compensation agreement between the Participant and the Company. If the Participant elects to defer a portion of the Participant's annual base salary with respect to a Plan Year, such Participant must defer at least two percent but no more than fifty percent of the Participant's annual base salary. If the Participant elects to defer a portion of the Participant's annual incentive payment, such Participant must defer at least two percent but no more than one hundred percent of the Participant's annual incentive payment. Any deferral election hereunder must be made before the beginning of the Plan Year in which the compensation to be deferred is earned.

For purposes of this Section 3(c), a Participant eligible for a Deferred Compensation Benefit (“Deferred Compensation Participant”) includes (i) an employee who was a Participant in this Supplemental Benefit Plan prior to January 1, 2016 and on whose behalf a benefit is being maintained under this Plan, (ii) an employee who was hired, or was last re-hired, by the Company before July 1, 2015 and who, as of any Plan Year, is in Salary Grade 20 or higher (including the salary bands EX1 through EX5) and (iii) an employee who is hired, or is last re-hired, by the Company on or after July 1, 2015 and who is, for a Plan Year beginning on or after January 1, 2016 a Vice President or higher level executive (including the salary bands EX1 through EX5), (or their equivalent, as determined by the Company in its sole discretion) as of the first day of such Plan Year.

Effective January 1, 2016, and notwithstanding any provision to the contrary, any individual employed by a subsidiary or other affiliate of the Company shall not be eligible to participate in the Deferred Compensation Benefit for the Plan Year in which the individual is employed by such subsidiary or affiliate. Nonetheless, in the event a Deferred Compensation Participant is employed by the Company and timely elects to participate in the Deferred Compensation Benefit for a Plan Year, his election to participate in the Deferred Compensation Benefit shall not be revoked for such Plan Year, even if he terminates employment with the Company and is rehired by a subsidiary or other affiliate of the Company during such Plan Year.

- (d) Supplemental Match Benefit. The supplemental match benefit credited on behalf of an eligible Match Participant for a Plan Year shall equal the excess, if any, of (E) over (F), where:

(E) is the Company Match which would have been made to such Participant’s Account D under the Profit Sharing Plan for any Plan Year if the limitations imposed by Code §§401(a)(17), 402(g) and 415 did not apply (but specifically recognizing any limitations imposed by the ADP or ACP tests set forth in Code §§401(k) and 401(m), respectively) and Compensation as defined in Section 4 hereof were used in determining such Company Match; and

(F) is the Company Match which was made to such Participant’s Account D under the Profit Sharing Plan for such Plan Year.

For purposes of this Section 3(d), a Participant eligible for a Supplemental Match (a “Match Participant”) includes a Participant who (i) as of the first day of such Plan Year is designated as a Vice President or higher level executive; (ii) is hired or rehired on or after July 1, 2015; (iii) has maximized the Participant’s Before-Tax Employee Savings and/or Roth Contributions

under Article 3 of the Profit Sharing Plan for the Plan Year under the terms of the Profit Sharing Plan; (iv) has a Company Matching Contribution under the Profit Sharing Plan limited directly or indirectly for the Plan Year by Code §§401(a)(17), 402(g) or 415; and (v) elects to defer to this Plan at least 6% of the total of the Participant's annual base salary and his or her annual incentive payment for the Plan Year under paragraph (c) above.

4. Compensation

For purposes of making the calculations described in clauses (a), (b) and (d) of Section 3 above, Compensation means the Participant's annual base salary paid by the Company, excluding living allowances and Employer contributions to this or any other benefit plan, but including (1) any overtime, (2) payments under any annual incentive plans, (3) any compensation relating to such Plan Year which has been deferred under a deferred compensation agreement between the Company and the Participant, and (4) contributions made by salary reduction under a plan described in Code §125.

5. Funding

Benefits under the Supplemental Benefit Plan shall be payable from the general assets of the Company, and no funds are required to be set aside for the purpose of making payments under the Supplemental Benefit Plan. The Company has the discretion to set aside funds for such purpose, as it may decide in its sole discretion.

6. Payment of Benefits

(a) Supplemental Pension Benefit. A Participant who is age 55 or older (and has reached the earlier of his or her Early Retirement Date or Normal Retirement Date, each as defined in the Pension Plan) at the time of termination from employment and is entitled to a supplemental pension benefit shall be paid the Actuarial Present Value (as defined in the Pension Plan and determined below) of such benefit in ten annual installments, beginning as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event later than March 15 of such year. For this purpose, the Actuarial Present Value of the Participant's benefit shall be determined as of the date of the Participant's termination of employment using the generally applicable actuarial factors set forth in the Pension Plan before any application of Code §§415 or 417(e). Interest on any unpaid installments shall be credited at the rate used to calculate the Actuarial Present Value through December 31 of the year prior to the applicable January 1. Notwithstanding the foregoing, a supplemental pension benefit shall be payable in the event the Participant terminates employment before age 55 or dies or in the event of a Change in Control Event, as defined in Section 409A of the Code ("Change in Control") with respect to the Company, to the extent provided below.

- (1) In the event that the Participant's employment terminates before the Participant attains age 55, but after the earlier of his or her Early Retirement Date or Normal Retirement Date, each as defined in the Pension Plan, the Actuarial Present Value of the Participant's supplemental pension benefit, plus interest through December 31 of the year in which the termination of employment occurs, shall be payable in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event later than March 15 of such year.
- (2) In the event that the Participant's employment terminates prior to the earlier of his or her Early Retirement Date or Normal Retirement Date, each as defined in the Pension Plan, the Actuarial Present Value of the Participant's supplemental pension benefit and of the Retirement Income otherwise payable to the Participant shall be determined using the applicable interest rate and applicable mortality table prescribed by the Secretary of the Treasury pursuant to Code §417(e). For this purpose, the interest rate used for distributions made pursuant to this paragraph shall be the applicable interest rate for the month of November in the prior Plan Year. The Actuarial Present Value of the Participant's supplemental pension benefit, plus interest at the first segment rate through December 31 of the year in which the termination of employment occurs, shall be payable in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event later than March 15 of such year.
- (3) (A) Subject to Subsection (6), in the event of the death of a Participant before attaining age 55 and before supplemental pension benefit payments have commenced, as applicable, hereunder, the Actuarial Present Value of the supplemental pension benefit payable to the Participant, plus interest through December 31 of the year in which the death occurs, shall be payable to the Participant's spouse in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's death, but in no event later than March 15 of such year. If the Participant is not married on the date of death, no supplemental pension benefit shall be payable hereunder on behalf of the Participant. In the event the Participant is married on the date of death, but his or her surviving spouse dies before the supplemental pension benefit is paid, such benefit shall be paid to the surviving spouse's named beneficiary, or to the spouse's estate if there is no beneficiary on file.

- (A) Subject to subsection (6), in the event of the death of a Participant on or after attaining age 55 and before supplemental pension benefit payments have commenced, as applicable, hereunder, any supplemental pension benefit, plus interest through December 31 of the year prior to the applicable January 1, shall be paid to the Participant's spouse in ten annual installments, beginning as soon as administratively possible on or after the January 1 following the Participant's death, but in no event later than March 15 of such year. Any installments remaining upon the death of the spouse shall continue to be made annually to the spouse's named beneficiary or to the spouse's estate if there is no beneficiary on file. Payments shall be made as soon as administratively possible beginning on or after the January 1 following the death of the spouse, but in no event later than March 15 of such year. Interest on any unpaid installments shall be determined as set forth in Section 6(a). If the Participant is not married on the date of death, no supplemental pension benefit shall be payable hereunder on behalf of the Participant.
- (4) In the event of a Change in Control with respect to the Company, the Actuarial Present Value of any unpaid supplemental pension benefit, plus interest to the date of payment, shall be payable in an immediate lump sum as soon as administratively possible on or after the date of the Change in Control, but in no event later than March 15 following the Plan Year in which the Change in Control occurs.
- (5) Notwithstanding anything herein to the contrary, the Participant may request, and, in its sole and absolute discretion, the Company may agree to allow the Participant to change the method or time for distribution of any supplemental pension benefit payable hereunder, in accordance with such form and procedures as the Company may establish from time to time; provided that such agreement is reached and recorded at least 12 months prior to the date the benefit payment hereunder would otherwise commence, as applicable, and such agreement shall not take effect until at least 12 months following the date on which such agreement was reached and recorded, and any such agreement defers the payment for a period of at least five years from the date it would otherwise be made.
- (6) Notwithstanding anything herein to the contrary, payment of the supplemental pension benefit shall commence, as applicable, at the time and in the manner provided with respect to the first to occur of a termination of employment, death or Change in Control, to the extent provided herein, and any such subsequent event (other than a Change

in Control, as provided below) shall not change the time and form of payment. Upon a Change in Control subsequent to a termination of employment or death of the Participant, payment of any unpaid supplemental pension benefit shall be payable in accordance with subsection (4) above. In the event of the death of a Participant after a termination of employment or Change in Control, distribution of any unpaid supplemental pension benefits shall commence or continue, as applicable, to the Participant's spouse at such time and in such form as provided on account of such termination of employment or Change in Control, without regard to such death. Any installments remaining upon the death of the spouse shall continue to be made annually to the spouse's named beneficiary, or to the spouse's estate if there is no beneficiary designation on file. If the Participant is not married on the date of death and supplemental pension benefit payments have commenced, any unpaid supplemental pension benefit shall be payable hereunder to the Participant's named beneficiary, or to the Participant's estate if there is no beneficiary designation on file.

- (b) Supplemental Profit Sharing Benefit, Deferred Compensation Benefit and Supplemental Match Benefit. If the Participant has executed a deferred compensation agreement with the Company for the Plan Year prior to January 1 thereof, any Compensation the Participant has elected to defer in accordance with the terms hereof and the supplemental profit sharing benefit and supplemental match benefit, if any, to which the Participant is entitled hereunder for such Plan Year shall automatically be credited to the deferred compensation account established for the Participant on the Company's books pursuant to such agreement and this Supplemental Benefit Plan, shall be credited with interest at the rate determined under the Participant's deferred compensation agreement and shall be payable, at or after the termination of the Participant's employment, as provided herein, in accordance with the terms of such deferred compensation agreement. With respect to the supplemental match benefit, such amount shall be paid in accordance with the terms of such deferred compensation agreement if and only if the Participant is fully vested in the value of the Participant's interest in Account D under the Profit Sharing Plan. Any such election to defer shall remain in effect only for the given Plan Year. Any supplemental match benefits which are not fully vested at the time of termination shall be forfeited and never restored.
- (1) No Deferred Compensation Election. If no deferred compensation agreement is in force with respect to the Participant for the Plan Year, any supplemental profit sharing benefit payable for such Plan Year shall be paid to the Participant on April 1 following the Plan Year with respect to which such supplemental profit sharing benefit applies.

- (2) Employment Termination on or after Age 55. In the event that the Participant's employment terminates on or after the Participant attains age 55, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan Year which immediately precedes the last applicable January 1 installment, as set forth below, shall be payable to the Participant beginning as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event shall such benefits commence later than March 15 of such Plan Year.
 - (A) With respect to a Participant who was hired, or was last re-hired, by the Company before July 1, 2015, such benefits shall be payable in ten equal annual installments.
 - (B) With respect to a Participant who is hired, or is last re-hired, by the Company on or after July 1, 2015, such benefits shall be payable in five equal annual installments.
- (3) Employment Termination Before Age 55. In the event that the Participant's employment terminates before the Participant's attainment of age 55, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan Year in which the Participant terminates employment, shall be payable in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event later than March 15 of such Plan Year.
- (4) Death Before Age 55. Subject to subsection (10), in the event of the death of a Participant before attaining age 55 and before any supplemental profit sharing benefits, deferred compensation benefits or supplemental match benefits have commenced, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan Year in which the Participant dies, shall be payable to the Participant's beneficiary in an immediate lump sum as soon as administratively possible on or after the January 1 following the date of the Participant's death, but in no event later than March 15 of such Plan Year.
- (5) Death On Or After Age 55. Subject to subsection (10), in the event of the death of a Participant, on or after attaining age 55 and before any supplemental profit sharing benefits, deferred compensation benefits

or supplemental match benefits have commenced, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan Year which immediately precedes the last applicable January 1 installment, as set forth below, shall begin to be paid to the Participant's beneficiary as soon as administratively possible on or after the January 1 following the Participant's death, but in no event later than March 15 of such Plan Year.

- (A) With respect to a Participant who was hired, or was last re-hired, by the Company before July 1, 2015, such benefits shall be payable to the beneficiary in ten equal annual installments.
 - (B) With respect to a Participant who is hired, or last re-hired, by the Company on or after July 1, 2015, such benefits shall be payable to the beneficiary in five equal annual installments.
- (6) Change in Control. In the event of a Change in Control of the Company, any unpaid supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit, plus interest to the date of payment, shall be payable in an immediate lump sum as soon as administratively possible on or after the date of the Change in Control, but in no event later than March 15 following the Plan Year in which the Change in Control occurs.
- (7) Disability.
- (A) Subject to subsection (10), in the event that a Participant is Disabled, as determined in accordance with Section 409A of the Code, prior to age 55 and before any supplemental profit sharing benefits, deferred compensation benefits or supplemental match benefits have commenced, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit, plus interest through the end of the calendar month in which the Disability occurred, shall be payable in an immediate lump sum as soon as possible on or after the first day of the calendar month following the date of such Disability, but in no event later than March 15 following the Plan Year in which the Disability occurs.
 - (B) In the event that a Participant is so Disabled on or after age 55 and before any such benefits have commenced, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan

Year which immediately precedes the last applicable January 1 installment, as set forth below, shall be payable to the Participant beginning as soon as administratively possible on or after the January 1 following the Participant's Disability, but in no event shall such benefits commence later than March 15 of such year. With respect to an eligible Participant who was hired, or last re-hired, by the Company before July 1, 2015, such benefits shall be payable in ten equal annual installments. With respect to an eligible Participant who is hired, or is last re-hired, by the Company on or after July 1, 2015, such benefits shall be payable in five equal annual installments.

- (8) Unforeseeable Emergency. A Participant may apply in writing to the Company for, and the Company may permit, the acceleration of a distribution of all or part of a Participant's unpaid supplemental profit sharing benefit, deferred compensation benefit and/or supplemental match benefit (to which such Participant is vested) if the Company, in its sole discretion, determines that the Participant has incurred an Unforeseeable Emergency. For purposes of this Supplemental Benefit Plan, an Unforeseeable Emergency shall be deemed to exist when the Company, in its sole and absolute discretion, determines that a Participant requires a distribution to meet an Unforeseeable Emergency, as determined in accordance with Section 409A of the Code. A distribution based upon Unforeseeable Emergency shall be limited to the amount reasonably necessary to meet the immediate financial need created by such Unforeseeable Emergency, plus the federal and state taxes due on such amount, as determined by the Company. The Company may require a Participant who requests such a distribution to submit such evidence as the Company, in its sole discretion, deems necessary or appropriate to substantiate the circumstances upon which the request is based. Any distribution due to an Unforeseeable Emergency hereunder shall be made as soon as administratively possible on or after the first day of the calendar month following the date on which the Company has determined, in its sole and absolute discretion, that an Unforeseeable Emergency exists.
- (9) Change in Distribution Method or Timing. Notwithstanding anything herein to the contrary, the Participant may request, and, in its sole and absolute discretion, the Company may agree to allow the Participant to change the method or time for distribution of any supplemental profit sharing benefits, deferred compensation benefits or supplemental match benefits payable hereunder, in accordance with such form and procedures as the Company may establish from time to time; provided that such agreement is reached and recorded at least 12 months prior

to the date the benefit payments hereunder would commence, as applicable, such agreement shall not take effect until at least 12 months following the date on which such agreement was reached and recorded, and any such agreement defers the payment for a period of at least five years from the date it would otherwise be made.

- (10) Impact of Subsequent Distributable Events. Notwithstanding anything herein to the contrary, payment of the supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit shall commence, as applicable, at the time and in the manner provided herein with respect to the first to occur of a termination of employment, death, Disability or Change in Control, to the extent provided herein, and any such subsequent event (other than a Change in Control, as provided below) shall not change the time and form of payment. Upon a Change in Control subsequent to a termination of employment, death or Disability of the Participant, payment of any unpaid benefit shall be payable in accordance with subsection (6) above. In the event of the death of a Participant after a termination of employment, Disability or Change in Control, distribution of any unpaid supplement profit sharing benefits, deferred compensation benefits and supplemental match benefits shall commence or continue, as applicable, to the Participant's beneficiary at such time and in such form as provided on account of such termination of employment, Disability or Change in Control, without regard to such death.
- (11) Interest Crediting on Installments. For purposes of Section 6(b) interest paid on any unpaid installments shall be credited at the rate determined under the Participant's deferred compensation agreement.
- (c) To avoid administrative difficulties: (i) If and only if Section 6 otherwise provides for the payment of a benefit following the death of the Participant or beneficiary, a Participant may name a beneficiary to receive his or her interest in the Plan in the event of the Participant's death and the beneficiary of a Participant may also name a beneficiary to receive benefits in the event of the beneficiary's death; (ii) Notwithstanding the preceding, in the event a Participant or beneficiary fails to name a beneficiary to whom benefits can be paid, the benefit shall be paid to the estate of the Participant or the beneficiary as the case may be. In the event a Participant or a beneficiary dies with no beneficiary on file and no estate has been opened, the Company has the discretion, upon presentation of satisfactory documentation, to pay benefits to specific individuals in lieu of requiring that an estate be opened for the purpose of receiving said benefits; and (iii) If any beneficiary, including a spouse of a Participant, shall die simultaneously with the person whose death gives rise to the beneficiary's right to receive benefits under the Plan,

or under such circumstances as to render it impossible or difficult to determine who died first, the beneficiary, including the spouse of a Participant, shall be deemed to have not survived such beneficiary; and the provisions of this Plan shall be construed and the distribution of benefits herein shall be governed accordingly.

- (d) For purposes of this Section 6, in order to constitute a termination of employment, a Participant must terminate employment with the Company, as well as any affiliate or subsidiary of the Company. If a Participant terminates employment with the Company, but becomes employed with a subsidiary or affiliate of the Company, he shall not be treated as having terminated employment for purposes of this Section 6. In order to qualify as a termination of employment under the Plan, the termination must also satisfy the definition of a separation from service under Code §409A and Treasury Regulations promulgated under Code §409A.

7. Right to Continued Employment

Nothing contained herein shall be construed as conferring upon the Participant the right to continue in the employ of the Company.

8. Assignability of Benefits

The right of the Participant or any other person to receive benefits hereunder is not assignable or transferable except by the terms of a valid beneficiary designation, pursuant to Section 15 hereunder, will or the laws of descent and distribution and may not, during the life of the Participant, be pledged or encumbered.

9. Unsecured Right to Benefits

Nothing contained in this Agreement and no action taken or not taken pursuant to the provisions hereof shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and the Participant, the Participant's beneficiary or any other person. To the extent that any person acquires a right to receive payments under this Supplemental Benefit Plan, such right shall be no greater than that of an unsecured general creditor of the Company.

10. Taxes

If the Participant or beneficiary becomes entitled to receive benefits or other taxable income pursuant to this Supplemental Benefit Plan, the Company shall have the right to withhold from the amount the Company would otherwise be required to pay to the Participant or beneficiary pursuant to this Supplemental Benefit Plan, the amount of any taxes which the Company is or will be required to withhold under the applicable federal, state and local income and employment tax laws. Furthermore, the Company may elect to deduct such taxes from any other amounts payable at

any time in cash or otherwise to the Participant or beneficiary on or after the date any benefit hereunder must be taken into account for purposes of such taxes. The Company shall bear no responsibility whatsoever for the Participant's or beneficiary's taxes, including interest and penalties, or tax effects resulting from this Supplemental Benefit Plan or for the payment of benefits to a beneficiary consistent with Subsection 6(c), following the death of a Participant or a beneficiary.

11. Claims Procedure

- (a) Claim - The Participant or other person who believes that he or she is being denied a benefit to which he or she is entitled (hereinafter referred to as "Claimant") may file a written request for such benefit with the Company setting forth his or her claim. The Company shall advise the Claimant that a reply will be forthcoming within thirty (30) days and deliver a reply within thirty (30) days. However, the Company may extend the reply period for an additional fifteen (15) days for reasonable cause. If the claim is denied in whole or in part, the Company will adopt a written opinion using language calculated to be understood by the Claimant setting forth:
 - (i) the specific reason or reasons for denial;
 - (ii) the specific references to pertinent Plan provisions on which the denial is based;
 - (iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation why such material or such information is necessary;
 - (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review; and
 - (v) the time limits for review under Subsection 11(b), below.
- (b) Review – Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the previous determination be reviewed by the Employees' Benefit Committee (hereinafter referred to as the "Committee"). If the Claimant does not request a review of the Company's determination within such 60- day period, he or she shall be barred and estopped from challenging the Company's decision. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Committee. Within thirty (30) days after the Committee's receipt of a request for review, it will render a written opinion setting forth the specific reasons for the decision, the specific references to

the pertinent Plan provisions on which the decision is based, a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all relevant documents, records and other information, and a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following the adverse benefit determination on such review. If special circumstances require that the thirty (30) day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible but not later than sixty (60) days after receipt of the request for review. The Committee has discretionary authority to determine a Claimant's eligibility for benefits and to interpret the terms of the Plan.

12. Administration

- (a) The Supplemental Benefit Plan shall be administered by the Company in a manner generally consistent with the substance of Article VIII of the Pension Plan. The Company may designate such person(s) as it deems appropriate to assume all or any portion of such administration.
- (b) This Supplemental Benefit Plan is intended to comply with Code Section 409A and related U.S. Treasury Regulations or pronouncements and any ambiguous provision will be construed in a manner that is compliant with or exempt from the application of Code Section 409A.

13. Amendment and Termination

The Supplemental Benefit Plan may be amended or terminated by the Board of Directors of Graybar Electric Company, Inc. at any time and for any reason and shall terminate when both the Pension Plan and the Profit Sharing Plan terminate. Notwithstanding the foregoing, no amendment shall be effective to the extent it would cause an amount to become taxable or be subject to additional taxes on account of such amendment under Code Section 409A or the regulations or other guidance issued thereunder. Upon termination of the Supplemental Benefit Plan, a Participant's benefits hereunder shall be paid out in accordance with the terms of the Supplemental Benefit Plan; provided, however, that in the event the Supplemental Benefit Plan is terminated, a Participant's benefit hereunder shall be payable only to the extent permissible under Code Section 409A and the regulations and other guidance issued thereunder.

14. Other Distributions

Notwithstanding anything herein to the contrary, any distributions that commenced prior to January 1, 2016 shall be made or continue in the same time and manner as provided under the terms of the applicable governing documents prior to January 1, 2016, provided that such time and manner of distribution would not be subject to the adverse tax consequences under Section 409A of the Code.

15. Beneficiary

Except as otherwise provided by Section 6(a) with respect to the payment of Supplemental Pension Benefits, the Participant's beneficiary for purposes of this Plan shall be the person or entity designated by the Participant in writing on a form prescribed by and filed with the Company. If the Participant has not designated a beneficiary in writing on a form filed with the Company or if no beneficiary survives the Participant, the beneficiary shall be deemed to be the Participant's estate.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed in its name and behalf this _____ day of December 2017, by its officer thereunto duly authorized.

GRAYBAR ELECTRIC COMPANY, INC.

By:

Senior Vice President-Human Resources

By:

Senior Vice President -Secretary & General
Counsel

DEFERRAL AGREEMENT UNDER THE GRAYBAR ELECTRIC COMPANY, INC.
SUPPLEMENTAL BENEFIT PLAN

THIS AGREEMENT is made this _____ day of _____ (month), 2017, by and between Graybar Electric Company, Inc., ("Employer") and _____ ("Employee").

WHEREAS, the Employer previously adopted the Graybar Electric Company, Inc. Supplemental Benefit Plan ("Plan") pursuant to which eligible employees may defer certain types of compensation;

WHEREAS, the Employee has been performing valuable services for the Employer and desires to defer receipt of certain compensation to be earned by Employee in the service of Employer, in accordance with the Plan and this Agreement; and

WHEREAS, the Employer desires to encourage the Employee to continue to perform such services and is willing to defer payment of such compensation and to credit "interest" thereon in accordance with the Plan and this Agreement;

NOW, THEREFORE,

1. Subject to Section 6 of this Agreement, the parties hereto agree that annually, beginning January 1, 2018, the Employee elects to defer receipt of the amounts set forth in Sections 1 (a), (b), and (c) below and any amounts deferred ("Deferred Compensation") shall be paid to Employee at the time and in the manner set forth in Section 2.
 - (a) Base Salary: _____% (no less than 2% or more than 50%) of the Employee's annual base salary, together with interest on such amount as determined under paragraph (e) below.
 - (b) Annual Incentive Pay: _____% (no less than 2% or more than 100%) of the Employee's annual incentive payment, under the Management Incentive Plan (earned in the year beginning after the date of this Agreement and any subsequent year), together with interest on such amounts as determined under paragraph (e) below.

- (c) The supplemental profit sharing benefit, as determined under The Profit Sharing and Savings Plan of Graybar Electric Company, Inc. ("Profit Sharing Plan"), which is generally the excess, if any, of the annual Employer contribution which would be paid or credited to the Employee's account in the Profit Sharing Plan but for (i) the limitation set forth in Sections 401 and 415 of the Internal Revenue Code and but for (ii) the deferral of compensation under paragraphs (a) and (b) above, over the actual amount of the annual Employer contribution paid or credited to the Employee's account in the Profit Sharing Plan, together with interest on such amount as determined under paragraph (e) below.
- (d) By the Employee's signature to this Agreement, the Employee has elected, prior to January 1, 2018, to defer the amounts set forth in paragraphs (a), (b), and (c) to be earned in 2018 and such election to defer shall remain effective for succeeding calendar years until modified or revoked. The Employee may revoke the election to defer amounts under paragraphs (a), (b), and (c) or change the percentage to be deferred set forth in paragraph (a) (but not below 2% nor higher than 50%); and/or paragraph (b) (but not below 2% nor higher than 100%), provided that, such election must be in writing, must be signed by the Employee, must apply prospectively to an entire calendar year and must be delivered to the Employer on or before the last day of the calendar year immediately preceding the calendar year for which the election is to be effective. A signed copy of this Agreement delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.
- (e) Interest on Deferred Compensation shall be compounded and credited at the end of each calendar quarter based on the average crediting rate for the prior calendar quarter under the Stable Value (Fixed) Income Fund of the Profit Sharing Plan as determined by The Vanguard Group. In the event the Stable Value (Fixed) Income Fund shall cease to exist, interest will be credited based on the performance of the fund selected in the sole discretion of the Plan Administrator which must closely replicates the investment philosophy of the Stable Value (Fixed) Income Fund. Interest will be credited under the Plan beginning with the date the amount would otherwise have been paid to the

Employee if this Agreement to defer compensation had not been entered and ending with the date specified under the terms of the Plan and otherwise determined by Graybar in accordance with the Plan and this Agreement.

2. Deferred Compensation shall become payable to the Employee (or the Employee's designated beneficiary or estate, as applicable) at the time and in the form and manner set forth in the Plan and otherwise in accordance with the terms of the Plan and this Agreement. This Agreement is subject to all terms and conditions of the Plan, and the Plan shall supersede any inconsistent provisions herein.
3. Nothing contained herein shall be construed as conferring upon the Employee the right to continue in the employ of the Employer.
4. The right of the Employee or any other person to receive Deferred Compensation is not assignable or transferable except by the terms of a valid beneficiary designation, will or the laws of descent and distribution and may not, during the life of the Employee, be pledged or encumbered.
5. Nothing contained in this Agreement and no action taken pursuant to the provisions hereof shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Employer and the Employee, the Employee's beneficiary or any other person. To the extent that any person acquires a right to receive payments under this Agreement, such right shall be no greater than that of an unsecured general creditor of the Employer.
6. This Agreement to defer compensation may be terminated by the Employer with respect to amounts set forth in Sections 1 (a) and (b) by notice in writing to Employee provided such notice is given prior to the commencement of any calendar year for which it shall be effective and shall affect only those amounts set forth in Sections 1 (a) and (b) not yet deferred. In the event of a change in governing law which directly impacts the Employee's ability to defer compensation to this Plan or the Profit Sharing Plan on a pre-tax basis, the Employee shall have the right to revoke this Agreement, provided notice of revocation is given by the Employee to the Employer prior to the commencement of any calendar year for which it shall be effective and shall affect only those amounts set forth in Sections 1(a) and (b) not yet deferred. The

determination whether a change in governing law permits the Employee to revoke his or her Agreement shall be made in the sole discretion of the Employer.

7. This Agreement may be amended only by the mutual written consent of the parties. Notwithstanding the foregoing, no amendment shall be effective to the extent it would cause an amount to become taxable or be subject to additional taxes on account of such amendment under Section 409A of the Internal Revenue Code of 1986, as amended, or the regulations or other guidance issued thereunder.
8. This Agreement shall be construed in accordance with the laws of the State of Missouri to the extent not preempted by Federal law.
9. If the Employee becomes entitled to receive cash or other taxable income pursuant to this Agreement and the Plan, Employer shall have the right to withhold from the amount Employer would otherwise be required to pay to the Employee pursuant to this Agreement and the Plan, the amount of any taxes which the Employer is or will be required to withhold under the applicable Federal, state and local income and employment tax laws. Furthermore, the Employer may elect to deduct such taxes from any other amounts payable at any time in cash or otherwise to the Employee on or after the date any amount hereunder must be taken into account for purposes of such taxes. The Employer shall bear no responsibility whatsoever for the Employee's taxes or tax effects resulting from this Agreement or the Plan.
10. The Employee or other person who believes that he or she is being denied a benefit to which he or she is entitled may file a written request for such benefit with the Employer setting forth his or her claim in accordance with the claims procedures set forth in the Plan. The claims procedures set forth in the Plan shall apply to any claim hereunder.

Notwithstanding anything herein to the contrary, this Agreement is made subject to, and shall be interpreted in accordance with, the terms of the Plan. The Employee has been provided with a copy of the Plan, agrees to all terms thereof and so confirms by his or her signature hereto.

IN WITNESS WHEREOF, the Employer has caused this Agreement to be executed by its duly authorized officers and the Employee has hereunto set his or her hand as of the date first above written.

GRAYBAR ELECTRIC COMPANY, INC.

Employee

Date

Beneficiary Designation Form for the Deferred Compensation Benefit under the Graybar Electric
Company, Inc. Supplemental Benefit Plan

Employee hereby designates the following Beneficiary or Beneficiaries for his or her Deferred Compensation benefit, which is defined in Section 1 of this Agreement. This Beneficiary Designation Form shall apply to this Deferral Agreement and supersede any prior beneficiary designation forms entered into between the Employee and the Employer with respect to this Deferral Agreement or any previous Deferral Agreement between the parties. (If multiple beneficiaries are listed, a percentage must be provided to validate the designation.)

Name:Address:Social Security Number:

If upon the death of the Employee, none of the above Beneficiary(s) have survived the Employee, then the Employee designates the following as Contingent Beneficiary(s) of his or her Deferred Compensation benefit under the Plan:

Name:Address:Social Security Number:

The execution of this Beneficiary Designation Form hereby revokes any prior designation of Beneficiary(s) or Contingent Beneficiary(s) made by the Employee with respect to this Deferral Agreement or any previous Deferral Agreement entered into between the Employee and Graybar.

Participant Signature

Date

Print Participant Name

District

GRAYBAR ELECTRIC COMPANY, INC.

LIST OF SUBSIDIARIES

Graybar International, Inc., a Missouri corporation
Graybar Financial Services, Inc., a Missouri corporation
Graybar Electric Limited, a Nova Scotia corporation
Graybar Canada Limited, a Nova Scotia corporation
Graybar Services, Inc., an Illinois corporation
Distribution Associates, Inc., a Missouri corporation
Graybar Business Services, Inc., a Missouri corporation
Graybar Electric Canada Limited, a Nova Scotia corporation
Commonwealth Controls Corporation, a Missouri corporation
Graybar Newfoundland Limited, a Newfoundland and Labrador corporation
Graybar Energy Limited, an Ontario corporation
Advantage Industrial Automation, Inc., a Georgia corporation
GBE Sub, LLC, a Missouri limited liability company
Cape Electrical Supply Holdings LLC, a Delaware limited liability company
Cape Electrical Supply LLC, a Delaware limited liability company

CERTIFICATION

I, Kathleen M. Mazzarella, certify that:

- 1) I have reviewed this annual report on Form 10-K 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.

Date: March 9, 2018

/s/ KATHLEEN M. MAZZARELLA

Kathleen M. Mazzarella

President, Chief Executive Officer and Principal Executive Officer

CERTIFICATION

I, Randall R. Harwood, certify that:

- 1) I have reviewed this annual report on Form 10-K 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.

Date: March 9, 2018

/s/ RANDALL R. HARWOOD

Randall R. Harwood

Senior Vice President, Chief Financial Officer and
Principal Financial Officer

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 Principal 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 Annual Report on Form 10-K of the Company for the annual period ended December 31, 2017 (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.

/s/ KATHLEEN M. MAZZARELLA

Kathleen M. Mazzarella

President, Chief Executive Officer and Principal Executive Officer

March 9, 2018

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 Principal 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 Annual Report on Form 10-K of the Company for the annual period ended December 31, 2017 (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.

/s/ RANDALL R. HARWOOD

Randall R. Harwood

Senior Vice President, Chief Financial Officer and Principal
Financial Officer

March 9, 2018