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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

or

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

For the transition period from __________ to __________

Commission File Number: 000-00255

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

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

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

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

YES ☒ NO ☐

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

YES ☒ NO ☐

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

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

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

YES ☐ NO ☒

Common Stock Outstanding at April 30, 2014: 15,786,306
(Number of Shares)

Graybar Electric Company, Inc. and Subsidiaries
Quarterly Report on Form 10-Q
For the Period Ended March 31, 2014
(Unaudited)

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	(Unaudited) Three Months Ended March 31,	
(Stated in thousands, except per share data)	**2014**	2013
Gross Sales	**$ 1,318,121**	$ 1,287,905
Cash discounts	**(5,321)**	(4,983)
Net Sales	**1,312,800**	1,282,922
Cost of merchandise sold	**(1,063,343)**	(1,047,090)
Gross Margin	**249,457**	235,832
Selling, general and administrative expenses	**(219,925)**	(213,780)
Depreciation and amortization	**(9,677)**	(9,017)
Other income, net	**729**	557
Income from Operations	**20,584**	13,592
Interest expense, net	**(390)**	(363)
Income before Provision for Income Taxes	**20,194**	13,229
Provision for income taxes	**(8,844)**	(5,250)
Net Income	**11,350**	7,979
Less: Net income attributable to noncontrolling interests	**(29)**	(33)
Net Income attributable to Graybar Electric Company, Inc.	**$ 11,321**	$ 7,946
Net Income per share of Common Stock(A)	**$ 0.71**	$ 0.50
Cash Dividends per share of Common Stock(B)	**$ 0.30**	$ 0.30
Average Common Shares Outstanding(A)	**15,969**	16,025

(A) Adjusted for the declaration of a two and a half percent (2.5%) stock dividend in 2013, shares related to which were issued in February 2014. Prior to the adjustment, the average common shares outstanding were 15,634 for the three months ended March 31, 2013.

(B) Cash dividends declared were $4,792 and $4,700 for the three months ended March 31, 2014 and 2013, respectively.

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

Graybar Electric Company, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(Unaudited)			
	Three Months Ended March 31,			
(Stated in thousands)		**2014**		2013
Net Income	**$**	**11,350**	$	7,979
Other Comprehensive Income				
Foreign currency translation		**(2,598)**		(1,595)
Pension and postretirement benefits liability adjustment (net of tax of $(1,752) and $(2,568), respectively)		**2,753**		4,032
Total Other Comprehensive Income		**155**		2,437
Comprehensive Income	**$**	**11,505**	$	10,416
Comprehensive income attributable to noncontrolling interests, net of tax		**95**		35
Comprehensive Income attributable to Graybar Electric Company, Inc.	**$**	**11,600**	$	10,451

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

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

(Stated in thousands, except share and per share data)						**March 31, 2014**	December 31, 2013
ASSETS						(Unaudited)	
Current Assets							
Cash and cash equivalents					**$**	**63,163**	$ 34,665
Trade receivables (less allowances of $6,980 and $6,837, respectively)						**777,093**	823,072
Merchandise inventory						**458,324**	448,386
Other current assets						**48,793**	41,435
Total Current Assets						**1,347,373**	1,347,558
Property, at cost							
Land						**67,337**	66,775
Buildings						**414,097**	413,159
Furniture and fixtures						**237,124**	232,093
Software						**83,160**	76,906
Capital leases						**15,585**	14,768
Total Property, at cost						**817,303**	803,701
Less – accumulated depreciation and amortization						**(431,590)**	(423,514)
Net Property						**385,713**	380,187
Other Non-current Assets						**61,573**	66,498
Total Assets					**$**	**1,794,659**	$ 1,794,243
LIABILITIES							
Current Liabilities							
Short-term borrowings					**$**	**78,990**	$ 82,442
Current portion of long-term debt						**4,556**	2,443
Trade accounts payable						**656,018**	630,198
Accrued payroll and benefit costs						**75,736**	93,262
Other accrued taxes						**16,395**	15,410
Other current liabilities						**64,052**	73,085
Total Current Liabilities						**895,747**	896,840
Postretirement Benefits Liability						**67,893**	67,534
Pension Liability						**126,233**	132,583
Long-term Debt						**6,775**	2,731
Other Non-current Liabilities						**19,244**	23,774
Total Liabilities						**1,115,892**	1,123,462
SHAREHOLDERS' EQUITY							
	Shares at						
Capital Stock	**March 31, 2014**	December 31, 2013					
Common, stated value $20.00 per share							
Authorized	**50,000,000**	50,000,000					
Issued to voting trustees	**13,464,170**	13,164,362					
Issued to shareholders	**2,796,095**	2,765,577					
In treasury, at cost	**(316,819)**	(41,576)					
Outstanding Common Stock	**15,943,446**	15,888,363				**318,869**	317,767
Advance Payments on Subscriptions to Common Stock						**443**	—
Retained Earnings						**496,269**	489,740
Accumulated Other Comprehensive Loss						**(140,084)**	(140,363)
Total Graybar Electric Company, Inc. Shareholders' Equity						**675,497**	667,144
Noncontrolling Interests						**3,270**	3,637
Total Shareholders' Equity						**678,767**	670,781
Total Liabilities and Shareholders' Equity					**$**	**1,794,659**	$ 1,794,243

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

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

	(Unaudited)	
	Three Months Ended March 31,	
(Stated in thousands)	**2014**	2013
Cash Flows from Operations		
Net Income	**$ 11,350**	$ 7,979
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	**9,677**	9,017
Deferred income taxes	**(395)**	(528)
Net gains on disposal of property	**(70)**	(21)
Net income attributable to noncontrolling interests	**(29)**	(33)
Changes in assets and liabilities:		
Trade receivables	**45,979**	14,371
Merchandise inventory	**(9,938)**	(12,941)
Other current assets	**(7,269)**	1,519
Other non-current assets	**3,479**	2,644
Trade accounts payable	**25,820**	45,278
Accrued payroll and benefit costs	**(17,526)**	(17,215)
Other current liabilities	**(9,777)**	1,949
Other non-current liabilities	**(6,016)**	(2,137)
Total adjustments to net income	**33,935**	41,903
Net cash provided by operations	**45,285**	49,882
Cash Flows from Investing Activities		
Proceeds from disposal of property	**89**	34
Capital expenditures for property	**(8,991)**	(14,763)
Net cash used by investing activities	**(8,902)**	(14,729)
Cash Flows from Financing Activities		
Net decrease in short-term borrowings	**(3,452)**	(18,586)
Principal payments under capital leases	**(914)**	(759)
Sale of common stock	**7,050**	6,248
Purchases of common stock	**(5,505)**	(2,954)
Purchases of noncontrolling interests’ common stock	**(272)**	(63)
Dividends paid	**(4,792)**	(4,700)
Net cash used by financing activities	**(7,885)**	(20,814)
Net Increase in Cash	**28,498**	14,339
Cash, Beginning of Year	**34,665**	37,674
Cash, End of Period	**$ 63,163**	$ 52,013

Non-cash Investing and Financing Activities		
Acquisitions of equipment under capital leases	**$ 817**	$ 316
Acquisition of software under financing arrangement	**6,254**	—

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

Graybar Electric Company, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, stated in thousands)

	Graybar Electric Company, Inc. Shareholders' Equity					
	Common Stock	Common Stock Subscribed, Unissued	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity
December 31, 2012	$ 310,008	$ —	$ 453,770	$ (166,814)	$ 3,252	$ 600,216
Net income			7,946		33	7,979
Other comprehensive income				2,505	(68)	2,437
Stock issued	5,843					5,843
Stock purchased	(2,954)				(63)	(3,017)
Advance payments		405				405
Dividends declared			(4,700)			(4,700)
March 31, 2013	$ 312,897	$ 405	$ 457,016	$ (164,309)	$ 3,154	$ 609,163

	Graybar Electric Company, Inc. Shareholders' Equity					
	Common Stock	Common Stock Subscribed, Unissued	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity
December 31, 2013	$ 317,767	$ —	$ 489,740	$ (140,363)	$ 3,637	$ 670,781
Net income			11,321		29	11,350
Other comprehensive income				279	(124)	155
Stock issued	6,607					6,607
Stock purchased	(5,505)				(272)	(5,777)
Advance payments		443				443
Dividends declared			(4,792)			(4,792)
March 31, 2014	$ 318,869	$ 443	$ 496,269	$ (140,084)	$ 3,270	$ 678,767

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

1. DESCRIPTION OF THE BUSINESS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Graybar Electric Company, Inc., without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "Commission") applicable to interim financial reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations, although the Company believes that its disclosures are adequate to make the information presented not misleading. The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect reported amounts. The Company's condensed consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates. Certain reclassifications were made to prior year amounts to conform to the 2014 presentation. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2013, included in the Company's latest Annual Report on Form 10-K.

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

Principles of Consolidation

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

Estimates

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

Subsequent Events

The Company has evaluated subsequent events through the time of the filing of this Quarterly Report on Form 10-Q with the Commission. No material subsequent events have occurred since March 31, 2014 that require recognition or disclosure in these financial statements.

Revenue Recognition

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

Outgoing Freight Expenses

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Merchandise Inventory

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

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

Supplier Volume Incentives

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

Property and Depreciation

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

Credit Risk

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

Fair Value

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

Foreign Currency Exchange Rate

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

Goodwill

The Company's goodwill 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. The Company performs either a qualitative or quantitative assessment of goodwill impairment. The qualitative assessment considers several factors including the excess fair value over carrying value as of the last quantitative impairment test, the length of time since the last fair value measurement, the current carrying value, market conditions, actual performance compared to forecasted performance, and the current business outlook. If the qualitative assessment indicates that it is more likely than not that goodwill is impaired, the reporting unit is quantitatively tested for impairment. If a quantitative assessment is required, the fair value is determined using a variety of assumptions including estimated future cash flows of the reporting unit and applicable discount rates.

Income Taxes

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

Other Postretirement Benefits

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

Pension Plan

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

New Accounting Standards

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" or "Update") 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists", which provides guidance on the financial statement presentation of unrecognized tax benefits when a net operating loss, a similar tax loss, or a tax credit carryforward exists. The Company adopted this Update as of January 1, 2014, and the adoption did not have a material impact on the Company's results of operations, financial position, or cash flows during the three months ended March 31, 2014.

3. INCOME TAXES

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

The Company classifies interest expense and penalties as part of its provision for income taxes based upon applicable federal and state interest/underpayment percentages. The Company has accrued $1,239 and $1,220 in interest and penalties in its condensed consolidated balance sheets at March 31, 2014 and December 31, 2013, respectively. Interest was computed on the difference between the provision for income taxes recognized in accordance with U.S. GAAP and the amount of benefit previously taken or expected to be taken in the Company's federal, state, and local income tax returns.

The Company's federal income tax returns for the tax years 2008 and forward are available for examination by the United States Internal Revenue Service ("IRS"). Separately, the IRS conducted examinations of the Company's 2008 and 2009, and 2010 and 2011 federal income tax returns. In March 2014, appellate conferences were held relating to the Company's position on protested adjustments of proposed IRS findings. In April 2014, the parties reached agreement specifying a payment of $807. Settlement agreements are to be executed to cover the impact of the agreed upon adjustments on all filed federal tax returns. This settlement has been recorded in the Company's federal income tax expense for the period ended March 31, 2014. The Company has agreed to extend its federal statute of limitations for the 2008 through 2010 tax years until December 31, 2014.

The Company's state income tax returns for 2009 through 2013 remain subject to examination by various state authorities, with the latest period closing on December 31, 2018. The Company has not extended the statutes of limitations with respect to years prior to 2009. Such statutes of limitations will expire on or before December 31, 2014, unless extended.

The Company's unrecognized tax benefits of $3,488 and $3,419 at March 31, 2014 and December 31, 2013, respectively, are uncertain tax positions that would impact the Company's effective tax rate if recognized. The Company is periodically engaged in tax return examinations, reviews of statute of limitations periods, and settlements surrounding income taxes. The Company does not anticipate a material change in its unrecognized tax benefits during the next twelve months.

4. CAPITAL STOCK

The Company's capital stock is one hundred percent (100%) owned by its active and retired employees, and there is no public trading market for its common stock. Since 1928, substantially all of the issued and outstanding shares of common stock have been held of record by voting trustees under successive voting trust agreements. Under applicable state law, a voting trust may not have a term greater than ten years. At March 31, 2014, approximately eighty-three percent (83%) of the common stock was held in a voting trust that expires by its terms on March 15, 2017. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record.

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

5. REVOLVING CREDIT FACILITY

On March 31, 2014 and December 31, 2013, the Company and Graybar Canada Limited, the Company's Canadian operating subsidiary (“Graybar Canada”), had an unsecured, five-year, $500,000 revolving credit agreement maturing in September 2016 with Bank of America, N.A. and other lenders named therein, which includes a combined letter of credit sub-facility of up to $50,000, a U.S. swing line loan facility of up to $50,000, and a Canadian swing line loan facility of up to $20,000 (the "Credit Agreement"). The Credit Agreement also includes a $100,000 sublimit (in U.S. or Canadian dollars) for borrowings by Graybar Canada and contains an accordion feature, which allows the Company to request increases in the aggregate borrowing commitments of up to $200,000.

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

At March 31, 2014, the Company had total letters of credit of $6,175 outstanding, of which none were issued under the $500,000 revolving credit facility. At December 31, 2013, the Company had total letters of credit of $6,886 outstanding, of which $711 were issued under the $500,000 revolving credit facility. The letters of credit are used primarily to support certain workers compensation insurance policies.

There were $78,990 and $82,442 in short-term borrowings outstanding under the revolving credit facility at March 31, 2014 and December 31, 2013, respectively.

6. PENSION AND OTHER POSTRETIREMENT BENEFITS

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

The Company provides certain postretirement health care and life insurance benefits to retired employees. Substantially all of the Company’s employees 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 service pension under the defined benefit pension plan. Medical benefits are self-insured and claims are paid through an insurance company. 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. The Company funds postretirement benefits as incurred, and accordingly, there were no assets held in the postretirement benefits plan at March 31, 2014 and December 31, 2013.

The net periodic benefit cost for the three months ended March 31, 2014 and 2013 included the following components:

	Pension Benefits		Postretirement Benefits	
	Three Months Ended March 31,		Three Months Ended March 31,	
Components of Net Periodic Benefit Cost	**2014**	2013	**2014**	2013
Service cost	**$ 5,597**	$ 6,525	**$ 625**	$ 675
Interest cost	**6,799**	5,975	**825**	725
Expected return on plan assets	**(6,675)**	(5,975)	—	—
Amortization of:				
Net actuarial loss	**4,534**	6,325	**275**	475
Prior service cost (gain)	**246**	350	**(550)**	(550)
Settlement loss	**789**	—	**—**	—
Net periodic benefit cost	**$ 11,290**	$ 13,200	**$ 1,175**	$ 1,325

The Company recorded a settlement loss that resulted from lump sum pension distributions.

The Company made contributions to its defined benefit pension plan totaling $10,000 during each of the three-month periods ended March 31, 2014 and 2013. Additional contributions totaling $32,900 are expected to be paid during the remainder of 2014.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table represents amounts reclassified from accumulated other comprehensive income (loss) for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014			Three Months Ended March 31, 2013		
	Amortization of Pension and Other Postretirement Benefits Items			Amortization of Pension and Other Postretirement Benefits Items		
	Actuarial Losses Recognized	Prior Service Costs Recognized	Total	Actuarial Losses Recognized	Prior Service Costs Recognized	Total
Affected Line in Condensed Consolidated Statement of Income:						
Selling, general and administrative expenses	**$ 4,809**	**$ (304)**	**$ 4,505**	$ 6,800	$ (200)	$ 6,600
Tax (benefit) expense	**(1,870)**	**118**	**(1,752)**	(2,646)	78	(2,568)
Total reclassifications for the period, net of tax	**$ 2,939**	**$ (186)**	**$ 2,753**	$ 4,154	$ (122)	$ 4,032

The following table represents the activity included in accumulated other comprehensive income (loss) for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014			Three Months Ended March 31, 2013		
	Foreign Currency	**Pension and Other Postretirement Benefits**	**Total**	**Foreign Currency**	**Pension and Other Postretirement Benefits**	**Total**
Beginning balance January 1,	**$ 6,653**	**$ (147,016)**	**$ (140,363)**	$ 12,040	$ (178,854)	$ (166,814)
Other comprehensive (loss) income before reclassifications	**(2,474)**	**—**	**(2,474)**	(1,527)	—	(1,527)
Amounts reclassified from accumulated other comprehensive income (net of tax $(1,752) and $(2,568))	**—**	**2,753**	**2,753**	—	4,032	4,032
Net current-period other comprehensive (loss) income	**(2,474)**	**2,753**	**279**	(1,527)	4,032	2,505
Ending balance March 31,	**$ 4,179**	**$ (144,263)**	**$ (140,084)**	$ 10,513	$ (174,822)	$ (164,309)

8. ASSETS HELD FOR SALE

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

Upon designation as an asset held for sale, the Company records the carrying value of each property at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and depreciation of the property ceases. At March 31, 2014 and December 31, 2013, the net book value of assets held for sale was $7,626 and is recorded in net property in the condensed consolidated balance sheets.

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

For assets held for sale, impairment occurs whenever the net book value of the property listed for sale exceeds the expected selling price less estimated selling expenses. The Company recorded no impairment charges during the three-month periods ended March 31, 2014 and 2013.

9. COMMITMENTS AND CONTINGENCIES

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

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

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

The following discussion should be read in conjunction with our accompanying unaudited condensed consolidated financial statements and notes thereto, and our audited consolidated financial statements, notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2013, included in our Annual Report on Form 10-K for such period as filed with the United States ("U.S.") Securities and Exchange Commission (the "Commission"). The results shown herein are not necessarily indicative of the results to be expected in any future periods.

Certain statements, other than purely historical information, including estimates, projections, statements relating to the Company's 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 (the "Exchange Act"). These forward-looking statements generally are identified by the words "believes", "projects", "expects", "anticipates", "estimates", "intends", "strategy", "plan", "may", "will", "would", "will be", "will continue", "will likely result", and other similar expressions. The Company intends such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the PSLRA. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse impact on the Company's operations and future prospects on a consolidated basis include, but are not limited to: general economic conditions, particularly in the residential, commercial, and industrial building construction industries; volatility in the prices of industrial commodities; increased funding requirements and expenses related to the Company's pension plan; disruptions in the Company's sources of supply; a sustained interruption in the operation of the Company's information systems; cyber-attacks; compliance with increasing governmental regulations; adverse legal proceedings or other claims; and the inability, or limitations on the Company's ability, to raise debt or equity capital. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. The Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless otherwise required by applicable securities law. Further information concerning the Company, including additional factors that could materially impact our financial results, is included herein and in our other filings with the Commission. Actual results and the timing of events could differ materially from the forward-looking statements as a result of certain factors, a number of which are outlined in Item 1A., "Risk Factors", of the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

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

Background

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

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

Business Overview

Graybar attained record first quarter net sales of $1,312,800, which was 2.3% higher than the previous record set in 2013. The record was set despite an unfavorable foreign exchange environment and weather-related closings of multiple Graybar facilities during the quarter ended March 31, 2014.

Gross margin rate on net sales for the quarter improved to 19.0%, from 18.4% for the same period in 2013. The increase was the result of a variety of factors, including several gross margin rate improvement initiatives. The combination of record sales and an improved gross margin rate yielded $249,457 in gross margin for the quarter, $13,625, or 5.8%, more than the same three month period in 2013.

After opening fourteen locations in 2013, Graybar continued to expand its presence and service offerings by opening two locations during the quarter. Plans to open additional locations are proceeding. In addition, a significant expansion in the sales organization is underway to reach new customers. Throughout 2014, the Company will continue to add e-commerce capabilities while introducing a new mobile platform to enhance customer experience. The Company believes these actions along with its existing footprint in the marketplace will continue to position it well to further grow sales during the remainder of 2014.

Consolidated Results of Operations

The following table sets forth certain information relating to the operations of the Company stated in thousands of dollars and as a percentage of net sales for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014		Three Months Ended March 31, 2013	
	Dollars	**Percent**	Dollars	Percent
Net Sales	$ 1,312,800	**100.0%**	$ 1,282,922	100.0%
Cost of merchandise sold	(1,063,343)	**(81.0)**	(1,047,090)	(81.6)
Gross Margin	249,457	**19.0**	235,832	18.4
Selling, general and administrative expenses	(219,925)	**(16.8)**	(213,780)	(16.7)
Depreciation and amortization	(9,677)	**(0.7)**	(9,017)	(0.7)
Other income, net	729	**0.1**	557	0.1
Income from Operations	20,584	**1.6**	13,592	1.1
Interest expense, net	(390)	**—**	(363)	(0.1)
Income before Provision for Income Taxes	20,194	**1.6**	13,229	1.0
Provision for income taxes	(8,844)	**(0.7)**	(5,250)	(0.4)
Net Income	11,350	**0.9**	7,979	0.6
Less: Net income attributable to noncontrolling interests	(29)	**—**	(33)	—
Net Income attributable to Graybar Electric Company, Inc.	$ 11,321	**0.9%**	$ 7,946	0.6%

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Net sales totaled $1,312,800 for the quarter ended March 31, 2014, compared to $1,282,922 for the quarter ended March 31, 2013, an increase of $29,878, or 2.3%. Net sales to the electrical market sector for the three months ended March 31, 2014 increased 4.3%, while net sales to the comm/data market sector decreased 2.6%, compared to the same three-month period of 2013.

Gross margin increased $13,625, or 5.8%, to $249,457 from $235,832 primarily due to the Company's focus on gross margin rate improvement initiatives as well as increased net sales in the first quarter of 2014, compared to the same period of 2013. The Company’s gross margin as a percent of net sales totaled 19.0% for the three months ended March 31, 2014, up from 18.4% for the three months ended March 31, 2013.

Selling, general and administrative expenses increased $6,145, or 2.9%, to $219,925 in the first quarter of 2014 from $213,780 in the first quarter of 2013, due primarily to higher compensation related expenses for the three months ended March 31, 2014. Selling, general and administrative expenses as a percentage of net sales were 16.8% in the first quarter of 2014, up from 16.7% of net sales in the first quarter of 2013.

Depreciation and amortization expenses for the three months ended March 31, 2014 increased $660, or 7.3%, to $9,677 from $9,017 in the first quarter of 2013 due to an increase in property, at cost. Depreciation and amortization expenses as a percentage of net sales totaled 0.7% for the three months ended March 31, 2014 and 2013.

Income before provision for income taxes totaled $20,194 for the three months ended March 31, 2014, an increase of $6,965, or 52.6%, from $13,229 for the three months ended March 31, 2013. The increase was generated primarily by the increase in gross margin, partially offset by the increases in selling, general, and administrative expenses and depreciation and amortization expenses.

The Company's total provision for income taxes increased $3,594, or 68.5%, to $8,844 for the three months ended March 31, 2014, compared to $5,250 for the same period of 2013. The Company's effective tax rate was 43.8% for the three months ended March 31, 2014, compared to 39.7% for the same period of 2013. The increase in the effective tax rate for the three months ended March 31, 2014 was attributable to the impact of agreed upon adjustments as a result of the IRS examination settlement with respect to all filed federal tax returns.

Net income attributable to Graybar Electric Company, Inc. for the three months ended March 31, 2014 increased $3,375, or 42.5%, to $11,321 from $7,946 for the three months ended March 31, 2013.

Financial Condition and Liquidity

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

Operating Activities

Net cash provided by operations was $45,285 for the three-month period ended March 31, 2014, compared to $49,882 during the three months ended March 31, 2013. Positive cash flows from operations for the three months ended March 31, 2014 were primarily due to net income of $11,350, a decrease in trade receivables of $45,979, and an increase in trade accounts payable of $25,820, partially offset by an increase in merchandise inventory of $9,938 and a decrease in accrued payroll and benefit costs of $17,526.

The average number of days of sales in trade receivables for the three-month period ended March 31, 2014 decreased modestly compared to the same three-month period ended March 31, 2013. Merchandise inventory turnover decreased moderately for the three months ended March 31, 2014, compared to the three months ended March 31, 2013, as a result of merchandise inventory purchases outpacing higher sales volume at March 31, 2014 compared to March 31, 2013.

Current assets exceeded current liabilities by $451,626 at March 31, 2014, an increase of $908, or 0.2%, from $450,718 at December 31, 2013.

Investing Activities

Net cash used by investing activities totaled $8,902 for the three months ended March 31, 2014, compared to $14,729 for the same period of 2013. Capital expenditures for property were $8,991 and $14,763, and proceeds from the disposal of property were $89 and $34, for the three months ended March 31, 2014 and 2013, respectively. The decrease in capital expenditures in 2014 was primarily due to the purchase of two new facilities during the three months ended March 31, 2013. The proceeds received for the three months ended March 31, 2014 and 2013 were primarily from the sale of personal property.

Financing Activities

Net cash used by financing activities totaled $7,885 for the three months ended March 31, 2014, compared to $20,814 for the three months ended March 31, 2013.

Cash used to reduce short-term borrowings was $3,452 and $18,586 for the three months ended March 31, 2014 and 2013, respectively. The Company made payments due on capital lease obligations of $914 and $759 during the three months ended March 31, 2014 and 2013, respectively.

Cash provided by the sale of common stock amounted to $7,050 and $6,248, and purchases of stock to be held in treasury were $5,505 and $2,954, for the three months ended March 31, 2014 and 2013, respectively. Cash dividends paid were $4,792 and $4,700 for the three months ended March 31, 2014 and 2013, respectively.

Cash paid for noncontrolling interests' common stock totaled $272 and $63 during the three months ended March 31, 2014 and 2013, respectively.

Cash and cash equivalents were $63,163 at March 31, 2014, compared to $34,665 at December 31, 2013, an increase of $28,498, or 82.2%.

Liquidity

On March 31, 2014 and December 31, 2013, the Company and Graybar Canada Limited, the Company's Canadian operating subsidiary ("Graybar Canada"), had an unsecured, five-year, $500,000 revolving credit agreement maturing in September 2016 with Bank of America, N.A. and other lenders named therein, which includes a combined letter of credit sub-facility of up to $50,000, a U.S. swing line loan facility of up to $50,000, and a Canadian swing line loan facility of up to $20,000 (the "Credit Agreement"). The Credit Agreement also includes a $100,000 sublimit (in U.S. or Canadian dollars) for borrowings by Graybar Canada and contains an accordion feature, which allows the Company to request increases in the aggregate borrowing commitments of up to $200,000. There were $78,990 and $82,442 in short-term borrowings outstanding under the revolving credit facility at March 31, 2014 and December 31, 2013, respectively.

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

At March 31, 2014, the Company had total letters of credit of $6,175 outstanding, of which none were issued under the $500,000 revolving credit facility. At December 31, 2013, the Company had total letters of credit of $6,886 outstanding, of which $711 were issued under the $500,000 revolving credit facility. The letters of credit are used primarily to support certain workers compensation insurance policies.

At March 31, 2014, the Company had unused lines of credit amounting to $421,010 available, compared to $416,847 at December 31, 2013. These lines are available to meet the short-term cash requirements of the Company, and are subject to annual fees of up to 35 basis points (0.35%).

Short-term borrowings outstanding during the three months ended March 31, 2014 and 2013 ranged from a minimum of $47,182 and $27,530 to a maximum of $111,703 and $79,462, respectively.

The revolving credit facility contains various affirmative and negative covenants. The Company is also required to maintain certain financial ratios as defined in the agreement. The Company was in compliance with all these covenants as of March 31, 2014 and December 31, 2013.

New Accounting Standards Updates

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" or "Update") 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists", which provides guidance on the financial statement presentation of unrecognized tax benefits when a net operating loss, a similar tax loss, or a tax credit carryforward exists. The Company adopted this Update as of January 1, 2014, and the adoption did not have a material impact on the Company's results of operations, financial position, or cash flows during the three months ended March 31, 2014.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in the policies, procedures, controls, or risk profile from those provided in Item 7A., "Quantitative and Qualitative Disclosures About Market Risk", of the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2014, was performed under the supervision and with the participation of the Company's management. Based on that evaluation, the Company's management, including the Principal Executive Officer and Principal Financial Officer, concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in internal control over financial reporting

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

PART II - OTHER INFORMATION

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

The Company's capital stock is one hundred percent (100%) owned by its active and retired employees, and there is no public trading market for its common stock. Since 1928, substantially all of the issued and outstanding shares of common stock have been held of record by voting trustees under successive voting trust agreements. Under applicable state law, a voting trust may not have a term greater than ten years. The 2007 Voting Trust Agreement expires by its terms on March 15, 2017. At March 31, 2014, approximately eighty-three percent (83%) of the common stock was held in this voting trust. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record.

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

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs
January 1 to January 31, 2014	111,541	$20.00	N/A
February 1 to February 28, 2014	96,647	$20.00	N/A
March 1 to March 31, 2014	67,055	$20.00	N/A
Total	275,243	$20.00	N/A

Item 6. Exhibits.

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

(3) (i) Articles of Incorporation

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

(ii) Bylaws

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

(10) (i) Management Incentive Plan.*

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

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

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

(32) Section 1350 Certifications

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

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

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

** Compensation agreement*

SIGNATURES

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

GRAYBAR ELECTRIC COMPANY, INC.

May 7, 2014	/s/ KATHLEEN M. MAZZARELLA
Date	Kathleen M. Mazzarella President and Chief Executive Officer (Principal Executive Officer)
May 7, 2014	/s/ RANDALL R. HARWOOD
Date	Randall R. Harwood Senior Vice President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

Exhibits

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EXHIBIT 10(i)

March 13, 2014

(Effective January 1, 2014)

MANAGEMENT INCENTIVE PLAN

1. GENERAL

1.1 The purpose of the Management Incentive Plan (MIP) is to focus management attention on the planning and execution of activities that are critical to Graybar's success and to reward individuals and units that contribute to improved Corporate performance.

1.2 The manner in which MIP is determined and distributed to participants is set forth in this Instruction.

1.3 This plan shall be referred to as the Management Incentive Plan or MIP; however, since it covers Corporate, district, and branch participants, it may be helpful to refer to the Corporate, district, or branch incentive portion of the plan when discussing specific units or report measurements.

2. PARTICIPATION IN THE PLAN

2.1 Employees who are in positions that have MIP Guideline Incentives (as defined in the Company compensation structure) are eligible to participate in the plan and to receive an annual Incentive Award payment, with the following exceptions and limitations:

2.1.1 To qualify for an Incentive Award for any calendar year, the employee must remain in the service of the Company through December 31 of that calendar year. If an employee terminates before December 31, that employee will forfeit his/her MIP payment for that year. Payment of the employee's salary through the last day of employment with the Company fully discharges the Company's obligation with respect to compensation. Exceptions will be made in the event of death or retirement on a Service Pension.

2.1.2 If the employee is absent from work during the incentive year in excess of 22 working days, the District Vice President will submit a recommendation to the President through the Senior Vice President or appropriate Officer as to whether any or all of the excess absence should be included in the computation of the employee's Incentive Award. Applicable legal regulations and requirements will be followed.

2.1.3 An employee who ceases to be a participant because of demotion or leaves of absence during the calendar year will have no claim to an Incentive Award, except for the period of active participation during the incentive year, or as granted in accordance with paragraph 2.1.2 above.

2.1.4 Participants in MIP are eligible to earn an Incentive Award beginning with the first day of assignment.

2.1.4.1 Employees who participate in MIP and whose job/position assignment changes will continue participation in their former position through the last day of assignment and begin MIP participation in the new position on the first day of reassignment.

2.1.5 In cases of death or retirement on a Service Pension, MIP will be based on eligible compensation earned prior to the effective date of the applicable event.

3. DETERMINATION OF INCENTIVE AWARDS

3.1 Each member's Guideline Incentive will be expressed in dollars computed by multiplying the member's guideline percentage (indicated in the Company compensation structure) by the member's eligible annual base salary earnings for the incentive year. MIP employees receiving overtime will have MIP based on eligible base pay and overtime earnings. Actual incentives paid may vary from Guideline Incentive amounts based on the performance of the branch, district, or corporation.

3.2 Incentive Awards described in Section 5 will be based on individual guideline incentives and the performance of the employee's organizational unit. For branch participants, the organizational unit will be the branch including its sub-branch(es) or branch group. Branch, district, and Corporate participants will be compensated under the Management Incentive Plan as outlined in the following paragraphs.

3.3 Participants having responsibility in more than one district or branch will have their Guideline Incentive allocated to districts or branches based on either budgeted sales or as directed by the District Vice President or appropriate Officer. (See paragraph 5.4.)

3.4 Upon the recommendation of the District Vice President and approval by the Senior Vice President-North America Business and the President, certain expenses related to specific customer market expansion may be adjusted from a location's actual net profit when making incentive award calculations.

3.4.1 Such expenses shall be submitted in writing by the District Vice President to the Senior Vice President-North America Business along with the market expansion plan for the applicable location.

3.4.2 No expenditure to be considered for adjustment shall be made by the district until the plan has been approved by the Senior Vice President-North America Business and the President.

3.4.3 Expenses eligible for adjustment shall be limited to the current year. Expenses associated with multi-year initiatives are reviewed and approved annually by the Senior Vice President-North America Business for the current year.

3.4.4 The Manager Accounting & Financial Analysis shall keep complete details of eligible expenses and submit them to the Controller with a copy to the Senior Vice President-North America Business as part of the year-end closing work. The Company reserves the right to reject any or all expenses submitted by the district, if it is determined by the Senior Vice President-North America Business that the district has failed to adequately implement the approved market expansion plan(s).

3.4.5 The amount of the MIP adjustment shall be limited to the total amount approved.

3.4.6 After review by the Controller, details outlining the adjustment shall be forwarded to the Human Resources Service Center for adjustment to the applicable location's actual net profit for MIP calculation purposes. Approved adjustments may be included in branch, district, and Corporate MIP calculations.

3.5 Upon the recommendation of the District Vice President and approval by the Senior Vice President-North America Business and the President, net profits budgeted for Districts opening a new branch(es) may be adjusted to exclude the budged net profits of the new branch house(s) if they have an adverse effect on MIP awards.

4. FINAL PERFORMANCE INDEX FOR NET PROFIT, GROSS MARGIN, AND SALES PERFORMANCE

4.1 For all participants, the Final Performance Index shall be calculated as determined from time to time by the Board of Directors, provided that such calculations are communicated in accordance with Section 8 when applicable.

5. DETERMINATION OF INDIVIDUAL INCENTIVE AWARDS

5.1 Corporate

5.1.1 Awards to Corporate participants will be based on their Guideline Incentive (eligible salary multiplied by the applicable guideline percentage) multiplied by the Corporate Final Performance Index. The Corporate Final Performance Index shall be based on the aggregate performance of all districts, including the Corporate Services district, as determined from time to time in accordance with guidelines adopted by the Board.

5.2 District

5.2.1 Awards to district participants will be based on their Guideline Incentive (eligible salary multiplied by guideline percentage) multiplied by the Final Performance Index for their respective district(s).

5.3 Branch

5.3.1 Awards to branch participants will be based on their Guideline Incentive (eligible salary multiplied by guideline percentage) multiplied by the Branch Final Performance Index for their respective branch(es). MIP eligible earnings include overtime for MIP participants who receive overtime.

5.4 A district or branch participant who has responsibility in more than one district or branch will have his/her Guideline Incentive allocated to the district or branch on the basis of either budgeted sales or as directed by the District Vice President or appropriate Officer. (See paragraph 3.3.)

5.5 No participant will receive an award in excess of the maximum of applicable total points multiplied by his/her Guideline Incentive.

5.6 Awards for each year, subject to the provisions of this Plan, will be paid no later than March 15 of the following year.

5.7 A District Vice President and a Senior Vice President or appropriate Officer will approve all individual awards. The President will also approve all awards and may make any adjustments deemed appropriate.

6. PRESIDENT’S DISCRETIONARY FUNDS

6.1 The President will have an MIP Discretionary Fund equivalent to a set percentage of the total Guideline Incentives for all participants.

6.2 The President shall annually request of each Officer recommendations for discretionary payments to any MIP participant or group of MIP participants.

6.3 The appropriate Officer may recommend discretionary payments to any participant or group of participants. Such awards shall not cause any individual to exceed the maximum of applicable total points multiplied by his/her Guideline Incentive.

6.3.1 These discretionary payments may include but are not limited to participants who transfer between branches or districts who may be paid the greater of the actual MIP earned or the MIP that would have been earned had they remained in the old unit for the entire year.

6.4 The appropriate Officer may recommend that a discretionary award, subject to limitations, be awarded to a Branch to cover unusual situations or exceptional performance.

6.5 It is not required that any or all Discretionary Funds be awarded. The total amount disbursed by the President will be reported to the Board of Directors.

7. MODIFICATION OF THE PLAN

7.1 The Company reserves the right to withdraw from this Plan, at any time, any line of merchandise that it sees fit for any reason. In case of the withdrawal of any line as provided for above, sales and profits will be adjusted to eliminate the line or lines of merchandise withdrawn and the adjusted sales and profits as approved by the Controller will be the sales and profits on which compensation will be based.

7.2 The Company reserves the right to establish different incentive targets for districts and branches that budget to produce negative or marginal net profit. Such special arrangements will be recommended by the Compensation Committee for approval by the President. Affected personnel will be notified in writing of the revised plan by January 31 of the incentive year.

7.3 The awards as computed under this Plan will be reviewed by the District Vice Presidents and Officers, who may recommend adjustments to the President. The President is authorized to make any adjustments necessary to correct distortions in unit or individual awards.

7.4 Notwithstanding any of the provisions of this Plan, the Company reserves the right to withdraw or to modify in whole or in part this Management Incentive Plan at any time. Notice of such modification or withdrawal would be given in writing to the employees covered by the Plan.

8. COMMUNICATION OF THE PLAN

8.1 District Vice Presidents will communicate this Plan to all employees who come under its provisions. As soon as the Plan has been read to or by an employee, the employee will sign a statement acknowledging that he/she fully understands the Management Incentive Plan and agrees to its provisions. Such statements will be signed on G. I. 16.3 Attachment A and will be retained in the District Vice President’s files for review by Internal Auditors.

8.2 It is important that all participants fully understand both how their incentive pay is determined and how their performance can affect the performance of the unit. Whether understanding is achieved through group or individual meetings is at the discretion of the District Vice President.

9. TERM OF PLAN

9.1 This Plan supersedes and replaces all Management Incentive Plans previously issued. It will remain effective for each succeeding year until terminated. The procedure outlined in Section 8 above will be followed with the issuance of this Instruction and whenever a new member comes under its provisions.

9.2 Questions regarding interpretation or application of these instructions should be referred to the Senior Vice President-Human Resources.

K. M. MAZZARELLA

President

Exhibit 31.1

CERTIFICATION

I, Kathleen M. Mazzarella, certify that:

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

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

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

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

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

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

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

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

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

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

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

May 7, 2014	/s/ KATHLEEN M. MAZZARELLA
Date	Kathleen M. Mazzarella
	President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Randall R. Harwood, certify that:

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

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

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

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

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

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

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

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

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

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

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

May 7, 2014	/s/ RANDALL R. HARWOOD
Date	Randall R. Harwood
	Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

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

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

(1) The Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2014 (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.

May 7, 2014	/s/ KATHLEEN M. MAZZARELLA
Date	Kathleen M. Mazzarella
	President and Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

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

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

(1) The Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2014 (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.

May 7, 2014	/s/ RANDALL R. HARWOOD
Date	Randall R. Harwood Senior Vice President and Chief Financial Officer (Principal Financial Officer)