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 September 30, 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 October 31, 2014: 15,785,336
(Number of Shares)

Graybar Electric Company, Inc. and Subsidiaries
Quarterly Report on Form 10-Q
For the Period Ended September 30, 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 September 30,		**Nine Months Ended September 30,**	
(Stated in thousands, except per share data)	**2014**	2013	**2014**	2013
Gross Sales	**$ 1,576,376**	$ 1,492,594	**$ 4,418,354**	$ 4,254,275
Cash discounts	**(6,619)**	(6,135)	**(18,422)**	(16,775)
Net Sales	**1,569,757**	1,486,459	**4,399,932**	4,237,500
Cost of merchandise sold	**(1,275,222)**	(1,208,796)	**(3,573,998)**	(3,460,040)
Gross Margin	**294,535**	277,663	**825,934**	777,460
Selling, general and administrative expenses	**(233,773)**	(220,791)	**(678,647)**	(652,950)
Depreciation and amortization	**(9,786)**	(9,251)	**(29,140)**	(27,268)
Other income, net	**739**	451	**2,897**	1,653
Income from Operations	**51,715**	48,072	**121,044**	98,895
Interest expense, net	**(364)**	(407)	**(1,122)**	(1,171)
Income before Provision for Income Taxes	**51,351**	47,665	**119,922**	97,724
Provision for income taxes	**(20,815)**	(18,946)	**(48,929)**	(39,100)
Net Income	**30,536**	28,719	**70,993**	58,624
Less: Net income attributable to noncontrolling interests	**(72)**	(86)	**(164)**	(154)
Net Income attributable to Graybar Electric Company, Inc.	**$ 30,464**	$ 28,633	**$ 70,829**	$ 58,470
Net Income per share of Common Stock[(A)]	**$ 1.93**	$ 1.80	**$ 4.47**	$ 3.67
Cash Dividends per share of Common Stock[(B)]	**$ 0.30**	$ 0.30	**$ 0.90**	$ 0.90
Average Common Shares Outstanding[(A)]	**15,799**	15,895	**15,861**	15,954

[(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 15,507 and 15,565 for the three and nine months ended September 30, 2013, respectively.

[(B)] Cash dividends declared were $4,754 and $4,665 for the three months ended September 30, 2014 and 2013, respectively. Cash dividends declared were $14,302 and $14,041 for the nine months ended September 30, 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 September 30,		**Nine Months Ended September 30,**	
(Stated in thousands)	**2014**	2013	**2014**	2013
Net Income	**$ 30,536**	$ 28,719	**$ 70,993**	$ 58,624
Other Comprehensive Income				
Foreign currency translation	**(3,665)**	1,637	**(3,366)**	(2,545)
Pension and postretirement benefits liability adjustment (net of tax of $(1,719), $(2,661), $(5,158) and $(7,983), respectively)	**2,701**	4,179	**8,101**	12,537
Total Other Comprehensive (Loss) Income	**(964)**	5,816	**4,735**	9,992
Comprehensive Income	**$ 29,572**	$ 34,535	**$ 75,728**	$ 68,616
Comprehensive loss (income) attributable to noncontrolling interests, net of tax	**64**	(204)	**(12)**	(112)
Comprehensive Income attributable to Graybar Electric Company, Inc.	**$ 29,636**	$ 34,331	**$ 75,716**	$ 68,504

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)			**September 30, 2014**	December 31, 2013
ASSETS			(Unaudited)	
Current Assets				
Cash and cash equivalents			**$ 40,920**	$ 34,665
Trade receivables (less allowances of $6,697 and $6,837, respectively)			**901,231**	823,072
Merchandise inventory			**486,950**	448,386
Other current assets			**51,949**	41,435
Total Current Assets			**1,481,050**	1,347,558
Property, at cost				
Land			**68,125**	66,775
Buildings			**420,119**	413,159
Furniture and fixtures			**248,254**	232,093
Software			**83,898**	76,906
Capital leases			**17,828**	14,768
Total Property, at cost			**838,224**	803,701
Less – accumulated depreciation and amortization			**(447,217)**	(423,514)
Net Property			**391,007**	380,187
Other Non-current Assets			**59,604**	66,498
Total Assets			**$ 1,931,661**	$ 1,794,243
LIABILITIES				
Current Liabilities				
Short-term borrowings			**$ 73,682**	$ 82,442
Current portion of long-term debt			**6,062**	2,443
Trade accounts payable			**724,145**	630,198
Accrued payroll and benefit costs			**91,046**	93,262
Other accrued taxes			**12,895**	15,410
Other current liabilities			**82,570**	73,085
Total Current Liabilities			**990,400**	896,840
Postretirement Benefits Liability			**68,781**	67,534
Pension Liability			**117,307**	132,583
Long-term Debt			**6,144**	2,731
Other Non-current Liabilities			**17,819**	23,774
Total Liabilities			**1,200,451**	1,123,462
SHAREHOLDERS' EQUITY				
	Shares at			
Capital Stock	**September 30, 2014**	December 31, 2013		
Common, stated value $20.00 per share				
Authorized	**50,000,000**	50,000,000		
Issued to voting trustees	**13,710,417**	13,164,362		
Issued to shareholders	**2,822,819**	2,765,577		
In treasury, at cost	**(702,161)**	(41,576)		
Outstanding Common Stock	**15,831,075**	15,888,363	**316,622**	317,767
Advance Payments on Subscriptions to Common Stock			**436**	—
Retained Earnings			**546,267**	489,740
Accumulated Other Comprehensive Loss			**(135,476)**	(140,363)
Total Graybar Electric Company, Inc. Shareholders' Equity			**727,849**	667,144
Noncontrolling Interests			**3,361**	3,637
Total Shareholders' Equity			**731,210**	670,781
Total Liabilities and Shareholders' Equity			**$ 1,931,661**	$ 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)	
	Nine Months Ended September 30,	
(Stated in thousands)	**2014**	2013
Cash Flows from Operations		
Net Income	**$ 70,993**	$ 58,624
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	**29,140**	27,268
Deferred income taxes	**(146)**	(2,835)
Net (gains) losses on disposal of property	**(276)**	324
Net income attributable to noncontrolling interests	**(164)**	(154)
Changes in assets and liabilities:		
Trade receivables	**(78,159)**	(63,862)
Merchandise inventory	**(38,564)**	(51,307)
Other current assets	**(9,542)**	(2,431)
Other non-current assets	**1,965**	(365)
Trade accounts payable	**93,947**	93,312
Accrued payroll and benefit costs	**(2,216)**	(27,778)
Other current liabilities	**4,846**	10,761
Other non-current liabilities	**(6,725)**	10,601
Total adjustments to net income	**(5,894)**	(6,466)
Net cash provided by operations	**65,099**	52,158
Cash Flows from Investing Activities		
Proceeds from disposal of property	**390**	162
Capital expenditures for property	**(31,775)**	(40,014)
Net cash used by investing activities	**(31,385)**	(39,852)
Cash Flows from Financing Activities		
Net (decrease) increase in short-term borrowings	**(8,760)**	19,130
Repayment of long-term debt	**(897)**	(7,386)
Principal payments under capital leases	**(2,503)**	(2,308)
Sale of common stock	**12,503**	11,347
Purchases of common stock	**(13,212)**	(10,105)
Sales of noncontrolling interests' common stock	**—**	487
Purchases of noncontrolling interests' common stock	**(288)**	(130)
Dividends paid	**(14,302)**	(14,041)
Net cash used by financing activities	**(27,459)**	(3,006)
Net Increase in Cash	**6,255**	9,300
Cash, Beginning of Year	**34,665**	37,674
Cash, End of Period	**$ 40,920**	$ 46,974

Non-cash Investing and Financing Activities		
Acquisitions of equipment under capital leases	**$ 3,123**	$ 2,738
Acquisition of software and maintenance under financing arrangement	**7,309**	—

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			58,470		154	58,624
Other comprehensive income				10,034	(42)	9,992
Stock issued	10,932				487	11,419
Stock purchased	(10,105)				(130)	(10,235)
Advance payments		415				415
Dividends declared			(14,041)			(14,041)
September 30, 2013	$ 310,835	$ 415	$ 498,199	$ (156,780)	$ 3,721	$ 656,390

	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			70,829		164	70,993
Other comprehensive income				4,887	(152)	4,735
Stock issued	12,067					12,067
Stock purchased	(13,212)				(288)	(13,500)
Advance payments		436				436
Dividends declared			(14,302)			(14,302)
September 30, 2014	$ 316,622	$ 436	$ 546,267	$ (135,476)	$ 3,361	$ 731,210

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

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

1. DESCRIPTION OF THE BUSINESS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Graybar Electric Company, Inc., without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "Commission") applicable to interim financial reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations, although the Company believes that its disclosures are adequate to make the information presented not misleading. The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect reported amounts. The Company's condensed consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates. Certain reclassifications were made to prior year amounts to conform to the 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. Except as discussed in Note 8. Assets Held for Sale, no material subsequent events have occurred since September 30, 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 uses 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 May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU” or “Update”) 2014-09, “Revenue from Contracts with Customers”, which provides guidance on a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific guidance. Public business entities must implement the new guidance for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that year. Earlier application is not permitted.

The new standard provides for two alternative implementation methods. The first is to apply the new standard retrospectively to each prior reporting period presented. This method allows the use of certain practical expedients. The second method is to apply the new standard retrospectively in the year of initial adoption and record a cumulative effect adjustment for the impact of adjusting contracts open at the date of adoption. Under this transition method, the Company would apply this guidance retrospectively only to contracts that are not completed contracts at the date of initial application (which for the Company will be January 1, 2017). The Company would then recognize the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. This method also requires the Company to disclose comparative information for the year of adoption.

Graybar has not yet determined which method the Company will use to implement the new standard or the impact the new standard is expected to have on the consolidated financial statements or on other matters or aspects of the Company’s business.

In July 2013, the FASB issued ASU 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 and nine months ended September 30, 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 $1,370 and $1,220 in interest and penalties in its condensed consolidated balance sheets at September 30, 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 May 2014, the Company formalized settlement of the IRS audit for each of these four years. Collectively, including interest, the Company settled the assessments for $907. This closure has been recorded in the Company’s federal income tax expense for the nine months ended September 30, 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 $3,844 and $3,419 at September 30, 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 September 30, 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 for the foreseeable future. All outstanding shares of the Company have been issued at $20.00 per share.

5. LONG-TERM DEBT AND BORROWINGS UNDER SHORT-TERM CREDIT AGREEMENTS

Revolving Credit Facility

On 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 included 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 included a $100,000 sublimit (in U.S. or Canadian dollars) for borrowings by Graybar Canada and contained an accordion feature, which allowed the Company to request increases in the aggregate borrowing commitments of up to $200,000.

On June 6, 2014, the Company and Graybar Canada amended and extended their five-year revolving credit facility to, among other things, increase the availability from $500,000 to $550,000, 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, pursuant to the terms and conditions of a Second Amendment to Credit Agreement, dated as of June 6, 2014 (the "Amended Credit Agreement"), by and among Graybar, as parent borrower, Graybar Canada Limited, as a borrower, the lenders party thereto, Bank of America, N.A. as Domestic Administrative Agent, Domestic Swing Line Lender and Domestic L/C Issuer and Bank of America, N.A., acting through its Canada branch, as Canadian Administrative Agent, Canadian Swing Line Lender and Canadian L/C Issuer. The Amended 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 Graybar to request increases to the aggregate borrowing commitments of up to $300,000. The Amended Credit Agreement matures in June 2019.

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 Amended 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 the Company's borrowings under the Amended Credit Agreement are based on, at the borrower's election, either (A) (i) the base rate (as defined in the Amended 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 Amended 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). 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 Amended 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 LIBOR loans plus a margin ranging from 1.00% to 1.60%, subject to adjustment based upon the Company's consolidated leverage ratio. Availability under the Amended 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 Amended Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations on Graybar and its 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 the Company is subject to during the term of the Amended Credit Agreement. The Company was in compliance with all these covenants as of September 30, 2014 and December 31, 2013.

The Amended 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 of Graybar and its 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 Amended 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 Amended Credit Agreement may be declared immediately due and payable.

At September 30, 2014, the Company had total letters of credit of $6,081 outstanding, of which $356 were issued under the $550,000 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 $73,682 and $82,442 in short-term borrowings outstanding under the revolving credit facility at September 30, 2014 and December 31, 2013, respectively.

Private Placement Shelf Agreement

On September 22, 2014, the Company entered into an uncommitted $100,000 private placement shelf agreement with Prudential Investment Management, Inc. Subject to the terms and conditions set forth below, the facility is expected to allow the Company to issue senior promissory notes to affiliates of Prudential at fixed rate economic terms to be agreed upon at the time of any issuance during a three year issuance period ending in September 2017. At September 30, 2014, no notes had been issued under the shelf agreement.

The term of each note issuance will be selected by the Company 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 shelf agreement will be guaranteed by the Company’s material domestic subsidiaries, if any, as described in the 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.

The shelf agreement contains customary representations and warranties of the Company and Prudential. The 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 Amended Credit Agreement or certain other indebtedness of Graybar and its 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 Amended Credit Agreement). Upon the occurrence of an event of default, all outstanding obligations of Graybar under the shelf agreement may be declared immediately due and payable.

The shelf agreement contains customary affirmative and negative covenants for facilities of this type, including limitations on Graybar and its 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 the Company is subject to during the term of the shelf agreement. In addition, the Company has agreed to a most favored lender clause which is designed to ensure that any notes issued under the shelf agreement in the future shall continue to be of equal ranking with the Company's indebtedness under the Amended Credit Agreement.

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 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 September 30, 2014 and December 31, 2013.

The net periodic benefit cost for the three and nine months ended September 30, 2014 and 2013 included the following components:

	Pension Benefits		Postretirement Benefits	
	Three Months Ended September 30,		Three Months Ended September 30,	
Components of Net Periodic Benefit Cost	**2014**	2013	**2014**	2013
Service cost	**$ 5,551**	$ 6,030	**$ 614**	$ 661
Interest cost	**6,704**	5,979	**834**	718
Expected return on plan assets	**(6,656)**	(5,977)	—	—
Amortization of:				
Net actuarial loss	**4,410**	6,593	**317**	449
Prior service cost (gain)	**238**	343	**(545)**	(545)
Net periodic benefit cost	**$ 10,247**	$ 12,968	**$ 1,220**	$ 1,283

	Pension Benefits		Postretirement Benefits	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
Components of Net Periodic Benefit Cost	**2014**	2013	**2014**	2013
Service cost	**$ 16,654**	$ 18,089	**$ 1,841**	$ 1,983
Interest cost	**20,113**	17,936	**2,502**	2,154
Expected return on plan assets	**(19,968)**	(17,931)	**—**	—
Amortization of:				
Net actuarial loss	**13,229**	19,778	**951**	1,346
Prior service cost (gain)	**714**	1,031	**(1,635)**	(1,635)
Settlement loss	**789**	—	**—**	—
Net periodic benefit cost	**$ 31,531**	$ 38,903	**$ 3,659**	$ 3,848

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

The Company made contributions to its defined benefit pension plan totaling $10,002 during the three-month periods ended September 30, 2014 and 2013. Contributions made during the nine-month periods ended September 30, 2014 and 2013 totaled $32,863 and $30,680, respectively. Additional contributions totaling $10,002 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 September 30, 2014 and 2013:

	Three Months Ended September 30, 2014			Three Months Ended September 30, 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	**$ 4,727**	**$ (307)**	**$ 4,420**	$ 7,042	$ (202)	$ 6,840
Tax (benefit) expense	**(1,839)**	**120**	**(1,719)**	(2,740)	79	(2,661)
Total reclassifications for the period, net of tax	**$ 2,888**	**$ (187)**	**$ 2,701**	$ 4,302	$ (123)	$ 4,179

The following table represents amounts reclassified from accumulated other comprehensive income (loss) for the nine months ended September 30, 2014 and 2013:

	Nine Months Ended September 30, 2014			Nine Months Ended September 30, 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	**$ 14,180**	**$ (921)**	**$ 13,259**	$ 21,124	$ (604)	$ 20,520
Tax (benefit) expense	**(5,517)**	**359**	**(5,158)**	(8,219)	236	(7,983)
Total reclassifications for the period, net of tax	**$ 8,663**	**$ (562)**	**$ 8,101**	$ 12,905	$ (368)	$ 12,537

The following table represents the activity included in accumulated other comprehensive income (loss) for the three months ended September 30, 2014 and 2013:

	Three Months Ended September 30, 2014			Three Months Ended September 30, 2013		
	Foreign Currency	**Pension and Other Postretirement Benefits**	**Total**	**Foreign Currency**	**Pension and Other Postretirement Benefits**	**Total**
Beginning balance July 1,	**$ 6,968**	**$ (141,616)**	**$ (134,648)**	$ 8,018	$ (170,496)	$ (162,478)
Other comprehensive (loss) income before reclassifications	**(3,529)**	**—**	**(3,529)**	1,519	—	1,519
Amounts reclassified from accumulated other comprehensive income (net of tax $(1,719) and $(2,661))	**—**	**2,701**	**2,701**	—	4,179	4,179
Net current-period other comprehensive (loss) income	**(3,529)**	**2,701**	**(828)**	1,519	4,179	5,698
Ending balance September 30,	**$ 3,439**	**$ (138,915)**	**$ (135,476)**	$ 9,537	$ (166,317)	$ (156,780)

The following table represents the activity included in accumulated other comprehensive income (loss) for the nine months ended September 30, 2014 and 2013:

	Nine Months Ended September 30, 2014			Nine Months Ended September 30, 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	**(3,214)**	**—**	**(3,214)**	(2,503)	—	(2,503)
Amounts reclassified from accumulated other comprehensive income (net of tax $(5,158) and $(7,983)	**—**	**8,101**	**8,101**	—	12,537	12,537
Net current-period other comprehensive (loss) income	**(3,214)**	**8,101**	**4,887**	(2,503)	12,537	10,034
Ending balance September 30,	**$ 3,439**	**$ (138,915)**	**$ (135,476)**	$ 9,537	$ (166,317)	$ (156,780)

8. ASSETS HELD FOR SALE

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

Upon designation as an asset held for sale, the Company records the carrying value of each property at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and depreciation of the property ceases. The net book value of assets held for sale was $8,409 and $7,626 at September 30, 2014 and December 31, 2013, respectively, and is recorded in net property in the condensed consolidated balance sheets.

Subsequent to September 30, 2014 but prior to issuance of this report, the Company sold one of the locations included as an asset held for sale. The location had a net book value of $740 and yielded a net gain of $85.

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

For assets held for sale, impairment occurs whenever the net book value of the property listed for sale exceeds the expected selling price less estimated selling expenses. The Company recorded no impairment charges during the three and nine month periods ended September 30, 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 for the foreseeable future. All outstanding shares of the Company have been issued at $20.00 per share.

Business Overview

Graybar's investments in new locations, sales force expansion, and additional e-commerce capabilities continued to yield positive results for the nine months ended September 30, 2014. Following record net sales in the first and second quarters, Graybar set a quarterly net sales record in the third quarter with net sales of $1,569,757. Year-to-date September 30, 2014 net sales were $4,399,932, which was also a record for the Company.

Gross margin rate on net sales for the third quarter improved to 18.8%, from 18.7% for the same three-month period in 2013. The increase resulted from increased sales as well as several gross margin rate improvement initiatives. Gross margin for the nine months ended September 30, 2014 increased $48,474, or 6.2%, to $825,934. The combination of record sales and improved gross margin rate yielded net income of $70,829 for the nine months ended September 30, 2014, a 21.1% increase over the same period last year.

Graybar continues to reach new customers by opening additional locations, further expanding its sales organization, developing new e-commerce capabilities and introducing a new mobile platform to enhance the customer experience. Graybar remains focused on working to its customers' advantage, driving profitable growth and executing its long-term strategic plan and believes these initiatives will augment its existing network of locations and capabilities, positioning the Company well for sales growth during the remainder of 2014.

Consolidated Results of Operations

The following tables set forth certain information relating to the operations of the Company stated in thousands of dollars and as a percentage of net sales for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013	
	Dollars	**Percent**	Dollars	Percent
Net Sales	**$ 1,569,757**	**100.0%**	$ 1,486,459	100.0%
Cost of merchandise sold	**(1,275,222)**	**(81.2)**	(1,208,796)	(81.3)
Gross Margin	**294,535**	**18.8**	277,663	18.7
Selling, general and administrative expenses	**(233,773)**	**(14.9)**	(220,791)	(14.9)
Depreciation and amortization	**(9,786)**	**(0.6)**	(9,251)	(0.6)
Other income, net	**739**	**—**	451	—
Income from Operations	**51,715**	**3.3**	48,072	3.2
Interest expense, net	**(364)**	**—**	(407)	—
Income before Provision for Income Taxes	**51,351**	**3.3**	47,665	3.2
Provision for income taxes	**(20,815)**	**(1.4)**	(18,946)	(1.3)
Net Income	**30,536**	**1.9**	28,719	1.9
Less: Net income attributable to noncontrolling interests	**(72)**	**—**	(86)	—
Net Income attributable to Graybar Electric Company, Inc.	**$ 30,464**	**1.9%**	$ 28,633	1.9%

	Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	Dollars	**Percent**	Dollars	Percent
Net Sales	**$ 4,399,932**	**100.0%**	$ 4,237,500	100.0%
Cost of merchandise sold	**(3,573,998)**	**(81.2)**	(3,460,040)	(81.7)
Gross Margin	**825,934**	**18.8**	777,460	18.3
Selling, general and administrative expenses	**(678,647)**	**(15.4)**	(652,950)	(15.4)
Depreciation and amortization	**(29,140)**	**(0.7)**	(27,268)	(0.6)
Other income, net	**2,897**	**—**	1,653	—
Income from Operations	**121,044**	**2.7**	98,895	2.3
Interest expense, net	**(1,122)**	**—**	(1,171)	—
Income before Provision for Income Taxes	**119,922**	**2.7**	97,724	2.3
Provision for income taxes	**(48,929)**	**(1.1)**	(39,100)	(0.9)
Net Income	**70,993**	**1.6**	58,624	1.4
Less: Net income attributable to noncontrolling interests	**(164)**	**—**	(154)	—
Net Income attributable to Graybar Electric Company, Inc.	**$ 70,829**	**1.6%**	$ 58,470	1.4%

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Net sales totaled $1,569,757 for the quarter ended September 30, 2014, compared to $1,486,459 for the quarter ended September 30, 2013, an increase of $83,298, or 5.6%. Net sales to the electrical and comm/data market sectors for the three months ended September 30, 2014 increased 5.6% and 5.5%, respectively, compared to the same three-month period of 2013.

Gross margin increased $16,872, or 6.1%, to $294,535 from $277,663 primarily due to the Company's focus on gross margin rate improvement initiatives as well as increased net sales in the third quarter of 2014, compared to the same period of 2013. The Company’s gross margin as a percent of net sales totaled 18.8% for the three months ended September 30, 2014, up from 18.7% for the three months ended September 30, 2013.

Selling, general and administrative expenses increased $12,982, or 5.9%, to $233,773 in the third quarter of 2014 from $220,791 in the third quarter of 2013, due primarily to higher compensation related expenses for the three months ended September 30, 2014. Selling, general and administrative expenses as a percentage of net sales totaled 14.9% for the three months ended September 30, 2014 and 2013.

Depreciation and amortization expenses for the three months ended September 30, 2014 increased $535, or 5.8%, to $9,786 from $9,251 in the third quarter of 2013 due to an increase in property, at cost. Depreciation and amortization expenses as a percentage of net sales totaled 0.6% for the three months ended September 30, 2014 and 2013.

Other income, net totaled $739 for the three-month period ended September 30, 2014, compared to $451 for the three months ended September 30, 2013. Other income, net consists primarily of gains on the disposal of property, trade receivable interest charges to customers, and other miscellaneous income items related to the Company’s business activities. The increase in other income, net for the three months ended September 30, 2014 was due to net gains on the disposal of personal property of $47 compared to a net loss of $352 during the same three-month period in 2013, partially offset by a decrease in other miscellaneous income of $97 for the three months ended September 30, 2014.

Income before provision for income taxes totaled $51,351 for the three months ended September 30, 2014, an increase of $3,686, or 7.7%, from $47,665 for the three months ended September 30, 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 $1,869, or 9.9%, to $20,815 for the three months ended September 30, 2014, compared to $18,946 for the same period of 2013. The Company’s effective tax rate was 40.5% for the three months ended September 30, 2014, compared to 39.7% for the same period of 2013. The increase in the effective tax rate was attributable to changes in pretax income.

Net income attributable to Graybar Electric Company, Inc. for the three months ended September 30, 2014 increased $1,831, or 6.4%, to $30,464 from $28,633 for the three months ended September 30, 2013.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Net sales totaled $4,399,932 for the nine-month period ended September 30, 2014, compared to $4,237,500 for the nine-month period ended September 30, 2013, an increase of $162,432, or 3.8%. Net sales to the electrical and comm/data market sectors for the nine months ended September 30, 2014, increased 4.5% and 2.4%, respectively, compared to the same nine-month period of 2013.

Gross margin increased $48,474, or 6.2%, to $825,934 from $777,460 primarily due to the Company's focus on gross margin rate improvement initiatives as well as increased net sales in the first nine months of 2014, compared to the same period of 2013. The Company’s gross margin as a percent of net sales increased to 18.8% for the nine months ended September 30, 2014 from 18.3% for the same period of 2013.

Selling, general and administrative expenses increased $25,697, or 3.9%, to $678,647, for the nine-month period ended September 30, 2014, compared to $652,950 for the nine-month period ended September 30, 2013, mainly due to higher employment-related costs. Selling, general and administrative expenses as a percentage of net sales totaled 15.4% for the nine months ended September 30, 2014 and 2013.

Depreciation and amortization expenses for the nine months ended September 30, 2014 increased $1,872, or 6.9%, to $29,140 from $27,268 for the same nine-month period in 2013 due to an increase in property, at cost. Depreciation and amortization expenses as a percentage of net sales totaled 0.7% for the nine months ended September 30, 2014, up from 0.6% for the same period of 2013.

Other income, net totaled $2,897 for the nine-month period ended September 30, 2014, compared to $1,653 for the nine months ended September 30, 2013. Other income, net consists primarily of gains on the disposal of property, trade receivable interest charges to customers, and other miscellaneous income items related to the Company’s business activities. The increase in other income, net for the nine months ended September 30, 2014 compared to the same nine-month period in 2013 was primarily due to increases in net gains on the disposal of personal property of $601 and other miscellaneous income items of $607.

Income before provision for income taxes totaled $119,922 for the nine months ended September 30, 2014, an increase of $22,198, or 22.7%, from $97,724 for the nine months ended September 30, 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 $9,829, or 25.1%, to $48,929 for the nine months ended September 30, 2014, compared to $39,100 for the same period in 2013. The Company’s year-to-date effective tax rate was 40.8% for the nine months ended September 30, 2014, compared to 40.0% for the same period in 2013. The increase in the effective tax rate 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 nine-month period ended September 30, 2014 increased $12,359, or 21.1%, to $70,829 from $58,470 for the nine months ended September 30, 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 $65,099 for the nine-month period ended September 30, 2014, compared to $52,158 during the nine months ended September 30, 2013. Positive cash flows from operations for the nine months ended September 30, 2014 were primarily due to net income of $70,993 and an increase in trade accounts payable of $93,947, partially offset by an increase of trade receivables of $78,159, an increase in merchandise inventory of $38,564, and a decrease in accrued payroll and benefit costs of $2,216.

The average number of days of sales in trade receivables for the nine-month period ended September 30, 2014 increased modestly compared to the same nine-month period ended September 30, 2013. Merchandise inventory turnover increased moderately for the nine months ended September 30, 2014, compared to the nine months ended September 30, 2013, as a result of higher sales volume partially offset by increased merchandise inventory levels at September 30, 2014 compared to September 30, 2013.

Current assets exceeded current liabilities by $490,650 at September 30, 2014, an increase of $39,932, or 8.9%, from $450,718 at December 31, 2013.

Investing Activities

Net cash used by investing activities totaled $31,385 for the nine months ended September 30, 2014, compared to $39,852 for the same nine-month period of 2013. Capital expenditures for property were $31,775 and $40,014, and proceeds from the disposal of property were $390 and $162, for the nine months ended September 30, 2014 and 2013, respectively. The proceeds received for the nine months ended September 30, 2014 and 2013 were from the sale of personal property.

Financing Activities

Net cash used by financing activities totaled $27,459 for the nine months ended September 30, 2014, compared to $3,006 for the nine months ended September 30, 2013.

Cash used to reduce short-term borrowings was $8,760 for the nine months ended September 30, 2014, compared to cash provided by short-term borrowings of $19,130 for the nine months ended September 30, 2013. The Company made payments on long-term debt of $897 and capital lease obligations of $2,503 during the nine months ended September 30, 2014. During the nine months ended September 30, 2013, the Company made payments on long-term debt of $7,386 and capital lease obligations of $2,308.

Cash provided by the sale of common stock amounted to $12,503 and $11,347, and purchases of stock to be held in treasury were $13,212 and $10,105, for the nine months ended September 30, 2014 and 2013, respectively. Cash dividends paid were $14,302 and $14,041 for the nine months ended September 30, 2014 and 2013, respectively.

Cash paid for noncontrolling interests' common stock totaled $288 and $130 during the nine months ended September 30, 2014 and 2013, respectively. There were no sales of noncontrolling interests' stock for the nine months ended September 30, 2014. Cash provided by the sale of noncontrolling interests' stock was $487 for the nine months ended September 30, 2013.

Cash and cash equivalents were $40,920 at September 30, 2014, compared to $34,665 at December 31, 2013, an increase of $6,255, or 18.0%.

Liquidity

Revolving Credit Facility

On 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 included 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 included a $100,000 sublimit (in U.S. or Canadian dollars) for borrowings by Graybar Canada and contained an accordion feature, which allowed the Company to request increases in the aggregate borrowing commitments of up to $200,000.

On June 6, 2014, the Company and Graybar Canada amended and extended their five-year revolving credit facility to, among other things, increase the availability from $500,000 to $550,000, 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, pursuant to the terms and conditions of a Second Amendment to Credit Agreement, dated as of June 6, 2014 (the “Amended Credit Agreement”), by and among Graybar, as parent borrower, Graybar Canada Limited, as a borrower, the lenders party thereto, Bank of America, N.A. as Domestic Administrative Agent, Domestic Swing Line Lender and Domestic L/C Issuer and Bank of America, N.A., acting through its Canada branch, as Canadian Administrative Agent, Canadian Swing Line Lender and Canadian L/C Issuer. The Amended 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 Graybar to request increases to the aggregate borrowing commitments of up to $300,000. The Amended Credit Agreement matures in June 2019.

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 Amended 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 the Company's borrowings under the Amended Credit Agreement are based on, at the borrower's election, either (A) (i) the base rate (as defined in the Amended 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 Amended 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). 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 Amended 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 LIBOR loans plus a margin ranging from 1.00% to 1.60%, subject to adjustment based upon the Company's consolidated leverage ratio. Availability under the Amended 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 Amended Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations on Graybar and its 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 the Company is subject to during the term of the Amended Credit Agreement. The Company was in compliance with all these covenants as of September 30, 2014 and December 31, 2013.

The Amended 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 of Graybar and its 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 any of the credit parties (subject to certain permitted transactions as described in the Amended 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 Amended Credit Agreement may be declared immediately due and payable.

At September 30, 2014, the Company had total letters of credit of $6,081 outstanding, of which $356 were issued under the $550,000 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 $73,682 and $82,442 in short-term borrowings outstanding under the revolving credit facility at September 30, 2014 and December 31, 2013, respectively.

At September 30, 2014, the Company had unused lines of credit amounting to $475,963 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 40 basis points (0.40%).

Short-term borrowings outstanding during the nine months ended September 30, 2014 and 2013 ranged from a minimum of $31,574 and $27,530 to a maximum of $111,703 and $126,188, respectively.

Private Placement Shelf Agreement

On September 22, 2014, the Company entered into an uncommitted $100,000 private placement shelf agreement with Prudential Investment Management, Inc. Subject to the terms and conditions set forth below, the facility is expected to allow the Company to issue senior promissory notes to affiliates of Prudential at fixed rate economic terms to be agreed upon at the time of any issuance during a three year issuance period ending in September 2017. At September 30, 2014, no notes had been issued under the shelf agreement.

The term of each note issuance will be selected by the Company 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 shelf agreement will be guaranteed by the Company's material domestic subsidiaries, if any, as described in the 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.

The shelf agreement contains customary representations and warranties of the Company and Prudential. The 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 Amended Credit Agreement or certain other indebtedness of Graybar and its 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 Amended Credit Agreement). Upon the occurrence of an event of default, all outstanding obligations of Graybar under the shelf agreement may be declared immediately due and payable.

The shelf agreement contains customary affirmative and negative covenants for facilities of this type, including limitations on Graybar and its 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 the Company is subject to during the term of the shelf agreement. In addition, the Company has agreed to a most favored lender clause which is designed to ensure that any notes issued under the shelf agreement in the future shall continue to be of equal ranking with the Company's indebtedness under the Amended Credit Agreement.

New Accounting Standards Updates

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" or "Update") 2014-09, "Revenue from Contracts with Customers", which provides guidance on a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific guidance. Public business entities must implement the new guidance for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that year. Earlier application is not permitted.

The new standard provides for two alternative implementation methods. The first is to apply the new standard retrospectively to each prior reporting period presented. This method allows the use of certain practical expedients. The second method is to apply the new standard retrospectively in the year of initial adoption and record a cumulative effect adjustment for the impact of adjusting contracts open at the date of adoption. Under this transition method, the Company would apply this guidance retrospectively only to contracts that are not completed contracts at the date of initial application (which for the Company will be January 1, 2017). The Company would then recognize the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. This method also requires the Company to disclose comparative information for the year of adoption.

Graybar has not yet determined which method the Company will use to implement the new standard or the impact the new standard is expected to have on the consolidated financial statements or on other matters or aspects of the Company's business.

In July 2013, the FASB issued ASU 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 and nine months ended September 30, 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 September 30, 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 September 30, 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 for the foreseeable future. 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
July 1 to July 31, 2014	51,546	$20.00	N/A
August 1 to August 31, 2014	40,970	$20.00	N/A
September 1 to September 30, 2014	52,798	$20.00	N/A
Total	145,314	$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.

(10.7) Private Shelf Agreement, dated September 22, 2014, between the Company and Prudential Investment Management, Inc.

(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

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.

November 4, 2014	/s/ KATHLEEN M. MAZZARELLA
Date	Kathleen M. Mazzarella President and Chief Executive Officer (Principal Executive Officer)
November 4, 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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101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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.

November 4, 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.

November 4, 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 September 30, 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.

November 4, 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 September 30, 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.

November 4, 2014	/s/ RANDALL R. HARWOOD
Date	Randall R. Harwood Senior Vice President and Chief Financial Officer (Principal Financial Officer)