

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



FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

or

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

For the transition period from _____ to _____

Commission File Number: 000-00255

GRAYBAR ELECTRIC COMPANY, INC.

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

13-0794380

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

34 North Meramec Avenue, St. Louis, Missouri

(Address of principal executive offices)

63105

(Zip Code)

(314) 573 - 9200

(Registrant's telephone number, including area code)

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 ☐

Emerging growth company ☐

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

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

YES ☐ NO ☒

Common Stock Outstanding at July 15, 2017: 17,679,874

(Number of Shares)

Graybar Electric Company, Inc. and Subsidiaries
Quarterly Report on Form 10-Q
For the Period Ended June 30, 2017
(Unaudited)

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(Stated in thousands, except per share data)</i>	2017	2016	2017	2016
Gross Sales	\$ 1,720,842	\$ 1,637,514	\$ 3,258,711	\$ 3,109,208
Cash discounts	(7,962)	(6,993)	(15,260)	(13,207)
Net Sales	1,712,880	1,630,521	3,243,451	3,096,001
Cost of merchandise sold	(1,389,987)	(1,324,922)	(2,620,729)	(2,510,755)
Gross Margin	322,893	305,599	622,722	585,246
Selling, general and administrative expenses	(257,338)	(250,565)	(515,383)	(495,297)
Depreciation and amortization	(12,144)	(11,564)	(24,020)	(22,875)
Other income, net	3,521	517	4,129	2,809
Income from Operations	56,932	43,987	87,448	69,883
Interest expense, net	(1,068)	(763)	(1,865)	(1,420)
Income before Provision for Income Taxes	55,864	43,224	85,583	68,463
Provision for income taxes	(22,463)	(17,530)	(34,459)	(27,672)
Net Income	33,401	25,694	51,124	40,791
Less: Net income attributable to noncontrolling interests	(67)	(59)	(109)	(111)
Net Income attributable to Graybar Electric Company, Inc.	\$ 33,334	\$ 25,635	\$ 51,015	\$ 40,680
Net Income per share of Common Stock^(A)	\$ 1.89	\$ 1.47	\$ 2.89	\$ 2.34
Cash Dividends per share of Common Stock	\$ 0.30	\$ 0.30	\$ 0.60	\$ 0.60
Average Common Shares Outstanding^(A)	17,642	17,397	17,631	17,383

^(A) Adjusted for the declaration of a 5% stock dividend in 2016, shares related to which were issued in February 2017. Prior to the adjustment, the average common shares outstanding were 16,569 and 16,555 for the three and six months ended June 30, 2016, respectively.

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

Graybar Electric Company, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(Stated in thousands)</i>	2017	2016	2017	2016
Net Income	\$ 33,401	\$ 25,694	\$ 51,124	\$ 40,791
Other Comprehensive Income				
Foreign currency translation	2,277	56	2,934	5,160
Pension and postretirement benefits liability adjustment (net of tax of \$(2,019), \$(1,696), \$(3,993), and \$(3,524), respectively)	3,171	2,662	6,272	5,534
Total Other Comprehensive Income	5,448	2,718	9,206	10,694
Comprehensive Income	\$ 38,849	\$ 28,412	\$ 60,330	\$ 51,485
Less: Comprehensive income attributable to noncontrolling interests, net of tax	140	69	248	362
Comprehensive Income attributable to Graybar Electric Company, Inc.	\$ 38,709	\$ 28,343	\$ 60,082	\$ 51,123

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

	June 30, 2017	December 31, 2016
<i>(Stated in thousands, except share and per share data)</i>		
ASSETS	(Unaudited)	
Current Assets		
Cash and cash equivalents	\$ 43,905	\$ 43,339
Trade receivables (less allowances of \$5,658 and \$5,025, respectively)	1,034,079	964,180
Merchandise inventory	585,544	516,732
Other current assets	25,636	24,148
Total Current Assets	1,689,164	1,548,399
Property, at cost		
Land	78,507	78,440
Buildings	460,095	454,587
Furniture and fixtures	293,693	286,615
Software	87,313	87,313
Capital leases	34,367	33,652
Total Property, at cost	953,975	940,607
Less – accumulated depreciation and amortization	(530,955)	(512,535)
Net Property	423,020	428,072
Other Non-current Assets	124,942	122,761
Total Assets	\$ 2,237,126	\$ 2,099,232
LIABILITIES		
Current Liabilities		
Short-term borrowings	\$ 208,162	\$ 140,465
Current portion of long-term debt	2,409	4,155
Trade accounts payable	831,724	752,171
Accrued payroll and benefit costs	70,283	121,421
Other accrued taxes	18,644	16,926
Other current liabilities	81,563	73,028
Total Current Liabilities	1,212,785	1,108,166
Postretirement Benefits Liability	70,565	70,628
Pension Liability	135,165	160,950
Long-term Debt	6,614	7,271
Other Non-current Liabilities	26,102	21,328
Total Liabilities	1,451,231	1,368,343
SHAREHOLDERS' EQUITY		
	Shares at	
Capital Stock	June 30, 2017	December 31, 2016
Common, stated value \$20.00 per share		
Authorized	50,000,000	50,000,000
Issued to voting trustees	14,612,710	14,606,830
Issued to shareholders	3,432,406	2,850,551
In treasury, at cost	(349,480)	(18,854)
Outstanding Common Stock	17,695,636	17,438,527
Advance Payments on Subscriptions to Common Stock	517	—
Retained Earnings	615,771	575,380
Accumulated Other Comprehensive Loss	(187,533)	(196,600)
Total Graybar Electric Company, Inc. Shareholders' Equity	782,668	727,551
Noncontrolling Interests	3,227	3,338
Total Shareholders' Equity	785,895	730,889
Total Liabilities and Shareholders' Equity	\$ 2,237,126	\$ 2,099,232

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

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

	(Unaudited)	
	Six Months Ended June 30,	
<i>(Stated in thousands)</i>	2017	2016
Cash Flows from Operations		
Net Income	\$ 51,124	\$ 40,791
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	24,020	22,875
Deferred income taxes	(2,343)	2,585
Net gains on disposal of property	(193)	(1,719)
Net income attributable to noncontrolling interests	(109)	(111)
Changes in assets and liabilities:		
Trade receivables	(69,899)	(49,792)
Merchandise inventory	(68,812)	(101,735)
Other current assets	(1,488)	2,684
Other non-current assets	(4,987)	19,006
Trade accounts payable	79,553	79,513
Accrued payroll and benefit costs	(51,138)	(40,762)
Other current liabilities	12,021	9,589
Other non-current liabilities	(10,809)	(16,373)
Total adjustments to net income	(94,184)	(74,240)
Net cash used by operations	(43,060)	(33,449)
Cash Flows from Investing Activities		
Proceeds from disposal of property	1,675	3,039
Capital expenditures for property	(17,668)	(16,547)
Net cash used by investing activities	(15,993)	(13,508)
Cash Flows from Financing Activities		
Net increase in short-term borrowings	67,697	58,512
Repayment of long-term debt	—	(1,853)
Principal payments under capital leases	(2,754)	(3,101)
Sale of common stock	12,272	11,963
Purchases of common stock	(6,613)	(5,503)
Purchases of noncontrolling interests' common stock	(359)	(353)
Dividends paid	(10,624)	(9,977)
Net cash provided by financing activities	59,619	49,688
Net Increase in Cash	566	2,731
Cash, Beginning of Year	43,339	37,931
Cash, End of Period	\$ 43,905	\$ 40,662
Non-cash Investing and Financing Activities		
Acquisitions of equipment under capital leases	\$ 351	\$ 27

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, 2015	\$ 326,482	\$ —	\$ 548,780	\$ (190,435)	\$ 3,319	\$ 688,146
Net income			40,680		111	40,791
Other comprehensive income				10,443	251	10,694
Stock issued	11,452					11,452
Stock purchased	(5,503)				(353)	(5,856)
Advance payments		511				511
Dividends declared			(9,977)			(9,977)
June 30, 2016	\$ 332,431	\$ 511	\$ 579,483	\$ (179,992)	\$ 3,328	\$ 735,761

	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, 2016	\$ 348,771	\$ —	\$ 575,380	\$ (196,600)	\$ 3,338	\$ 730,889
Net income			51,015		109	51,124
Other comprehensive income				9,067	139	9,206
Stock issued	11,755					11,755
Stock purchased	(6,613)				(359)	(6,972)
Advance payments		517				517
Dividends declared			(10,624)			(10,624)
June 30, 2017	\$ 353,913	\$ 517	\$ 615,771	\$ (187,533)	\$ 3,227	\$ 785,895

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by Graybar 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 GAAP have been condensed or omitted pursuant to such rules and regulations, although we believe that our disclosures are adequate to make the information presented not misleading. The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that affect reported amounts. Our condensed consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates. 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, 2016, included in our 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. Results for interim periods are not necessarily indicative of results to be expected for the full year.

Principles of Consolidation

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

Estimates

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

Subsequent Events

We have evaluated subsequent events through the time of the filing of this Quarterly Report on Form 10-Q with the Commission. No material subsequent events have occurred since June 30, 2017 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. Our standard shipping terms are FOB shipping point, under which product title passes to the customer at the time of shipment. We also earn revenue for services provided to customers for supply chain management and logistics services. Service revenue is recognized when services are rendered and completed. Revenue is reported net of all taxes assessed by governmental authorities as a result of revenue-producing transactions, primarily sales tax.

Outgoing Freight Expenses

We record certain outgoing freight expenses as a component of selling, general and administrative expenses.

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Merchandise Inventory

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

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

Vendor Allowances

Our agreements with many of our suppliers provide for us to earn volume incentives based on purchases during the agreement period. Based on the provisions of our vendor agreements, we develop vendor accrual rates by estimating the point at which we will have completed our performance under the agreement and the deferred amounts will be earned. We perform analyses and review historical trends to ensure the deferred amounts earned are appropriately recorded. Certain vendor agreements contain purchase volume incentives that provide for increased funding when graduated purchase volumes are met. Amounts accrued throughout the year are based on estimates of future activity levels, and could be materially impacted if actual purchase volumes differ. Changes in the estimated amount of incentives are treated as changes in estimate and are recognized in earnings in the period in which the change in estimate occurs. In the event that the operating performance of our suppliers were to decline, however, there can be no assurance that amounts earned would be paid or that the volume incentives would continue to be included in future agreements.

Property and Depreciation

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

Credit Risk

Financial instruments that potentially expose us to concentrations of credit risk consist primarily of trade receivables. We perform ongoing credit evaluations of our customers, and a significant portion of our trade receivables may be protected by mechanic's lien or payment bond rights. We maintain allowances for potential credit losses, and such losses historically have been within management's expectations.

Fair Value

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

Foreign Currency Exchange Rate

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

Goodwill

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

Definite Lived Intangible Assets

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed, either on a straight-line or accelerated basis over the estimated periods benefited. Customer relationships, trade names and other non-contractual intangible assets with determinable lives are amortized over periods generally ranging from 5 to 20 years. Intangible assets are tested for impairment if events or circumstances occur indicating that the respective asset might be impaired.

Income Taxes

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

Other Postretirement Benefits

We account for postretirement benefits other than 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. Our condensed consolidated balance sheets reflect the funded status of postretirement benefits.

Pension Plan

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

New Accounting Standards

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

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

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). The core principle of Topic 842 requires that a lessee should recognize the assets and liabilities on the balance sheet and disclose key information about leasing arrangements. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The guidance is required to be adopted at the earliest period presented using a modified retrospective approach. We are currently evaluating the impact the provisions will have on our condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", with amendments in 2015 and 2016 ("ASU 2014-09"). The guidance was initially effective January 1, 2017 and early adoption was not permitted. The amended guidance provides for a one-year deferral of the effective date to January 1, 2018, with an option of applying the standard on the original effective date.

The new standard and related amendments provide for two alternative implementation methods: a full retrospective approach and a modified retrospective approach. The full retrospective approach applies the new standard retrospectively to each prior reporting period presented. This method allows the use of certain practical expedients. The modified retrospective approach applies the new standard retrospectively in the year of initial adoption and records a cumulative effect adjustment for the impact of adjusting contracts open at the date of adoption. Under this transition method, we would apply this guidance retrospectively only to contracts that are not completed at the date of initial application, which for us will be January 1, 2018. We 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 us to disclose comparative information for the year of adoption.

Our primary source of revenues is from customer purchase orders in the construction, industrial & utility, and CIG markets for electrical and comm/data products. Revenue is currently 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. Given the scope of work required to implement the recognition and disclosure requirements under the new standard, we have identified and are currently assessing our revenue streams and reporting disclosures to determine the potential impact related to the adoption of ASU 2014-09. We do however believe that, upon adoption of ASU 2014-09, the timing of revenue related to our sales will remain relatively consistent with current practices. At the time of this filing, we still believe we will be adopting ASU 2014-09 under the modified retrospective approach although we continue to assess all potential impacts of the guidance and given normal ongoing business dynamics, preliminary conclusions are subject to change.

3. INCOME TAXES

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

Our unrecognized tax benefits of \$1,955 and \$1,755 at June 30, 2017 and December 31, 2016, respectively, are uncertain tax positions that would impact our effective tax rate if recognized. We are periodically engaged in tax return examinations, reviews of statute of limitations periods, and settlements surrounding income taxes. We do not anticipate a material change in unrecognized tax benefits during the next twelve months.

We classify interest expense and penalties as part of our provision for income taxes based upon applicable federal and state interest/underpayment percentages. We have accrued \$706 and \$650 in interest and penalties at June 30, 2017 and December 31, 2016, respectively. Interest was computed on the difference between the provision for income taxes recognized in accordance with GAAP and the amount of benefit previously taken or expected to be taken in our federal, state, and local income tax returns.

Our federal income tax returns for the tax years 2013 and forward are available for examination by the United States Internal Revenue Service ("IRS"). The statute of limitations for the 2013 federal return will expire on September 15, 2017, unless extended by consent. Our state income tax returns for 2012 through 2016 remain subject to examination by various state authorities with the latest period closing on December 31, 2021. We have not extended the statutes of limitations in any state jurisdictions with respect to years prior to 2012.

4. CAPITAL STOCK

Our common stock is 100% owned by active and retired employees, and there is no public trading market for our common stock. Since 1928, substantially all of the issued and outstanding shares of common stock have been held of record by voting trustees under successive voting trust agreements. Under applicable New York law, a voting trust may not have a term greater than ten years. Accordingly, a new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027. At June 30, 2017, approximately 81% of the total shares of common stock was held in the voting trust. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record.

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

Cash dividends declared were \$5,318 and \$4,994 for the three months ended June 30, 2017 and 2016, respectively. Cash dividends declared were \$10,624 and \$9,977 for the six months ended June 30, 2017 and 2016, respectively.

We also have authorized 10,000,000 shares of Delegated Authority Preferred Stock ("preferred stock"), par value one cent (\$0.01). The preferred stock may be issued in one or more series, with the designations, relative rights, preferences, and limitations of shares of each such series being fixed by a resolution of our Board of Directors. There were no shares of preferred stock outstanding at June 30, 2017 and December 31, 2016.

5. DEBT

Revolving Credit Facility

At June 30, 2017 and December 31, 2016, we along with Graybar Canada Limited, our Canadian operating subsidiary ("Graybar Canada"), had an unsecured, five-year, \$550,000 revolving credit agreement maturing in June 2019 with Bank of America, N.A. and the other lenders named therein (the "Credit Agreement"), which includes a combined letter of credit sub-facility of up to \$50,000, a U.S. swing line loan facility of up to \$50,000, and a Canadian swing line loan facility of up to \$20,000. The Credit Agreement includes a \$100,000 sublimit (in U.S. or Canadian dollars) for borrowings by Graybar Canada and contains an accordion feature, which allows us to request increases to the aggregate borrowing commitments of up to \$300,000.

The Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations on us and our subsidiaries with respect to indebtedness, liens, changes in the nature of our business, investments, mergers and acquisitions, issuance of equity securities, dispositions of assets and dissolution of certain subsidiaries, transactions with affiliates, restricted payments (subject to incurrence tests, with certain exceptions), as well as securitizations, factoring transactions, and transactions with sanctioned parties or in violation of certain U.S. or Canadian anti-corruption laws. There are also maximum leverage ratio and minimum interest coverage ratio financial covenants that we are subject to during the term of the Credit Agreement. We were in compliance with all these covenants as of June 30, 2017 and December 31, 2016.

There were \$208,162 and \$140,465 in short-term borrowings outstanding under the Credit Agreement at June 30, 2017 and December 31, 2016, respectively.

Short-term borrowings outstanding during the six months ended June 30, 2017 and 2016 ranged from a minimum of \$112,292 and \$105,014 to a maximum of \$229,782 and \$225,097, respectively.

We had total letters of credit of \$5,494 and \$5,244 outstanding, of which none were issued under the Credit Agreement at June 30, 2017 and December 31, 2016. The letters of credit are issued primarily to support certain workers' compensation insurance policies.

At June 30, 2017, we had unused lines of credit under the Credit Agreement amounting to \$341,838 available, compared to \$409,535 at December 31, 2016. These lines are available to meet our short-term cash requirements and are subject to annual fees of up to 40 basis points (0.40%).

Private Placement Shelf Agreements

At June 30, 2017 and December 31, 2016, we had an uncommitted \$100,000 private placement shelf agreement with Prudential Investment Management, Inc. (the "Prudential Shelf Agreement"). The Prudential Shelf Agreement allows us to issue senior promissory notes to affiliates of Prudential at fixed rate terms to be agreed upon at the time of any issuance during a three year issuance period ending in September 2017. No notes had been issued under the Prudential Shelf Agreement as of June 30, 2017 and December 31, 2016. We are currently in the process of amending the Prudential Shelf Agreement prior to expiration.

On September 22, 2016, we entered into an uncommitted \$100,000 private placement shelf agreement (the "MetLife Shelf Agreement") with Metropolitan Life Insurance Company and MetLife Investment Advisors, LLC and each other affiliate of MetLife that becomes a party to the agreement (collectively, "MetLife"). Subject to the terms and conditions set forth below, the MetLife Shelf Agreement is expected to allow the Company to issue senior promissory notes to MetLife at fixed or floating rate economic terms to be agreed upon at the time of any issuance during a three-year issuance period ending in September 2019. Floating rate note interest rates will be based on London Interbank Offered Rate ("LIBOR") plus a spread. No notes have been issued under the MetLife Shelf Agreement, which ranks equally with the Company's Credit Agreement and Prudential Shelf Agreement. No notes had been issued under the MetLife Shelf Agreement as of June 30, 2017 and December 31, 2016.

Under these shelf agreements, the term of each note issuance will be selected by us and will not exceed 12 years and will have such other particular terms as shall be set forth, in the case of any series of notes, in the Confirmation of Acceptance with respect to such series. Any notes issued under the Prudential Shelf Agreement or under the MetLife Shelf Agreement will be guaranteed by our material domestic subsidiaries, if any, as described in the Prudential Shelf Agreement and the MetLife Shelf

Agreement. Any future proceeds of any issuance under the facilities will be used for general corporate purposes, including working capital and capital expenditures, to refinance existing indebtedness and/or to fund potential acquisitions.

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

Each shelf agreement contains customary affirmative and negative covenants for facilities of this type, including limitations on us and our subsidiaries with respect to indebtedness, liens, changes in the nature of our business, investments, mergers and acquisitions, issuance of equity securities, dispositions of assets and dissolution of certain subsidiaries, transactions with affiliates, restricted payments (subject to incurrence tests, with certain exceptions), as well as securitizations, factoring transactions, and transactions with sanctioned parties or in violation of certain U.S. or Canadian anti-terrorism laws. There are also maximum leverage ratio and minimum interest coverage ratio financial covenants that we are subject to during the term of the shelf agreements. We were in compliance with all covenants as of June 30, 2017 and December 31, 2016.

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

6. PENSION AND OTHER POSTRETIREMENT BENEFITS

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

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

We provide certain postretirement health care and life insurance benefits to retired employees. Substantially all of our employees hired or rehired prior to 2014 may become eligible for postretirement medical benefits if they reach the age and service requirements of the retiree medical plan and retire on a service pension (except a deferred pension) under the defined benefit pension plan. Medical benefits are self-insured and claims are administered 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. We fund postretirement benefits as incurred, and accordingly, there were no assets held in the postretirement benefits plan at June 30, 2017 and December 31, 2016.

The net periodic benefit cost for the three and six months ended June 30, 2017 and 2016 includes the following components:

Components of Net Periodic Benefit Cost	Pension Benefits		Postretirement Benefits	
	Three Months Ended		Three Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Service cost	\$ 6,508	\$ 6,309	\$ 588	\$ 569
Interest cost	6,909	7,006	722	740
Expected return on plan assets	(7,590)	(6,733)	—	—
Amortization of:				
Net actuarial loss	5,451	4,632	169	154
Prior service cost (gain)	110	112	(540)	(540)
Net periodic benefit cost	\$ 11,388	\$ 11,326	\$ 939	\$ 923

Components of Net Periodic Benefit Cost	Pension Benefits		Postretirement Benefits	
	Six Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Service cost	\$ 13,208	\$ 12,684	\$ 1,163	\$ 1,144
Interest cost	13,909	14,131	1,422	1,515
Expected return on plan assets	(15,315)	(13,508)	—	—
Amortization of:				
Net actuarial loss	10,751	9,582	394	354
Prior service cost (gain)	210	212	(1,090)	(1,090)
Net periodic benefit cost	\$ 22,763	\$ 23,101	\$ 1,889	\$ 1,923

We made qualified and nonqualified pension contributions totaling \$18,002 and \$26,000 during the three-month periods ended June 30, 2017 and 2016, respectively. Contributions made during the six-month periods ending June 30, 2017 and 2016 totaled \$37,586 and \$37,631, respectively. Additional contributions totaling \$24,003 are expected to be paid during the remainder of 2017.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table represents amounts reclassified from accumulated other comprehensive income (loss) for the three months ended June 30, 2017 and 2016:

	Three Months Ended			Three Months Ended		
	June 30, 2017			June 30, 2016		
	Amortization of Pension and Other Postretirement Benefits Items			Amortization of Pension and Other Postretirement Benefits Items		
	Actuarial Losses Recognized	Prior Service Costs Recognized	Total	Actuarial Losses Recognized	Prior Service Costs Recognized	Total
Affected Line in Condensed Consolidated Statement of Income:						
Selling, general and administrative expenses	\$ 5,620	\$ (430)	\$ 5,190	\$ 4,786	\$ (428)	\$ 4,358
Tax (benefit) expense	(2,186)	167	(2,019)	(1,862)	166	(1,696)
Total reclassifications for the period, net of tax	\$ 3,434	\$ (263)	\$ 3,171	\$ 2,924	\$ (262)	\$ 2,662

The following table represents amounts reclassified from accumulated other comprehensive income (loss) for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Amortization of Pension and Other Postretirement Benefits Items			Amortization of Pension and Other Postretirement Benefits Items		
	Actuarial Losses Recognized	Prior Service Costs Recognized	Total	Actuarial Losses Recognized	Prior Service Costs Recognized	Total
Affected Line in Condensed Consolidated Statement of Income:						
Selling, general and administrative expenses	\$ 11,145	\$ (880)	\$ 10,265	\$ 9,936	\$ (878)	\$ 9,058
Tax (benefit) expense	(4,335)	342	(3,993)	(3,865)	341	(3,524)
Total reclassifications for the period, net of tax	\$ 6,810	\$ (538)	\$ 6,272	\$ 6,071	\$ (537)	\$ 5,534

The following table represents the activity included in accumulated other comprehensive income (loss) for the three months ended June 30, 2017 and 2016:

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
	Foreign Currency	Pension and Other Postretirement Benefits	Total	Foreign Currency	Pension and Other Postretirement Benefits	Total
Beginning balance April 1,	\$ (9,752)	\$ (183,156)	\$ (192,908)	\$ (7,553)	\$ (175,147)	\$ (182,700)
Other comprehensive income (loss) before reclassifications	2,204	—	2,204	46	—	46
Amounts reclassified from accumulated other comprehensive income (net of tax \$(2,019) and \$(1,696))	—	3,171	3,171	—	2,662	2,662
Net current-period other comprehensive income (loss)	2,204	3,171	5,375	46	2,662	2,708
Ending balance June 30,	\$ (7,548)	\$ (179,985)	\$ (187,533)	\$ (7,507)	\$ (172,485)	\$ (179,992)

The following table represents the activity included in accumulated other comprehensive income (loss) for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Foreign Currency	Pension and Other Postretirement Benefits	Total	Foreign Currency	Pension and Other Postretirement Benefits	Total
Beginning balance January 1,	\$ (10,343)	\$ (186,257)	\$ (196,600)	\$ (12,416)	\$ (178,019)	\$ (190,435)
Other comprehensive income (loss) before reclassifications	2,795	—	2,795	4,909	—	4,909
Amounts reclassified from accumulated other comprehensive income (net of tax \$(3,993) and \$(3,524))	—	6,272	6,272	—	5,534	5,534
Net current-period other comprehensive income (loss)	2,795	6,272	9,067	4,909	5,534	10,443
Ending balance June 30,	\$ (7,548)	\$ (179,985)	\$ (187,533)	\$ (7,507)	\$ (172,485)	\$ (179,992)

8. ASSETS HELD FOR SALE

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

Upon designation as an asset held for sale, we record the carrying value of each property at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and depreciation of the property ceases. The net book value of assets held for sale was \$464 at December 31, 2016, and is recorded in net property in the condensed consolidated balance sheets. During the three months ended June 30, 2017, we sold assets classified as held for sale with a net book value of \$464 and recorded net gains on the asset held for sale of \$197 in other income, net. We did not sell any assets that were classified as held for sale during the three months ended June 30, 2016. During the six months ended June 30, 2017 and 2016, we sold assets classified as held for sale with net book values of \$464 and \$58, respectively, and recorded net gains on the assets held for sale of \$197 and \$1,627, respectively, in other income, net. There are no assets held for sale at June 30, 2017.

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

For assets held for sale, impairment occurs whenever the net book value of the property listed for sale exceeds the expected selling price less estimated selling expenses. There were no impairment charges recorded during the three and six month periods ended June 30, 2017 and 2016.

9. COMMITMENTS AND CONTINGENCIES

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

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

10. ACQUISITIONS

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

Since the date of acquisition, Cape Electric results are reflected in our condensed consolidated financial statements. Pro forma results of this acquisition are not material; therefore, they are not presented.

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, 2016, included in our Annual Report on Form 10-K for such period as filed with the United States Securities and Exchange Commission (the "Commission"). The results shown herein are not necessarily indicative of the results to be expected in any future periods.

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believes", "projects", "expects", "anticipates", "estimates", "intends", "strategy", "plan", "may", "will", "would", "will be", "will continue", "will likely result", and other similar expressions. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the PSLRA. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse impact on our operations and future prospects on a consolidated basis include, but are not limited to: general economic conditions, particularly in the residential, commercial, and industrial building construction industries; volatility in the prices of industrial commodities; cyber-attacks; a sustained interruption in the operation of our information systems; increased funding requirements and expenses related to our pension plan; the inability, or limitations on our ability to borrow under our existing credit facilities or any replacements thereof; disruptions in our sources of supply; compliance with increasing governmental regulations; adverse legal proceedings or other claims; and the inability, or limitations on our ability to raise debt or equity capital. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless otherwise required by applicable securities law. Further information concerning our business, including additional factors that could materially impact our financial results, is included herein and in our other filings with the 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 our Annual Report on Form 10-K for the year ended December 31, 2016.

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

Our common stock is 100% owned by active and retired employees, and there is no public trading market for our common stock. No holder of our common stock or voting trust interests representing our common stock ("common stock", "common shares", or "shares") may sell, transfer, or otherwise dispose of any shares without first offering us the option to purchase those shares at the price at which they were issued. Additionally, a shareholder was entitled to any cash dividends, if any, accrued for the quarter in which the purchase offer is made, adjusted pro rata for the number of days such shares were held prior to the dividend record date. On June 8, 2017, the shareholders voted to remove this adjustment for accruing dividends on the common stock. We also have the option to purchase at the issue price the common shares of any shareholder who ceases to be an employee for any reason other than death or "retirement" (as defined in our amended restated certificate of incorporation), and on the first anniversary of any holder's death. In the past, we have always exercised these purchase options, and we expect to continue to do so in the foreseeable future. However, we can make no assurance that we will continue to exercise our purchase option in the future. All outstanding shares have been issued at \$20.00 per share.

Business Overview

Net sales for the second quarter 2017 set a new company record, beating the previous net sales record set in the third quarter of 2016. Our net sales for the three months ended June 30, 2017 were \$1,712,880, and were \$82,359, or 5.1%, more than net sales of \$1,630,521 for the second quarter last year. Sales in our construction and industrial & utility vertical markets increased 6.4% and 11.1%, respectively, while our CIG vertical market sales decreased 4.9% for the quarter.

The gross margin rate for the three months ended June 30, 2017 was 18.9%, an increase from 18.7% for the second quarter last year. Our increased gross margin rate was the result of our pricing and product diversification initiatives and our acquisitions. Gross margin increased \$17,294, or 5.7%, to \$322,893 for the three months ended June 30, 2017, when compared to gross margin of \$305,599 for the same quarter last year.

Net income for the three months ended June 30, 2017 increased \$7,699, or 30.0%, to \$33,334 from \$25,635 for the three months ended June 30, 2016. This represents the second best net income quarter for the Company. Our performance for the three months ended June 30, 2017 was the result, in part, of our sustained focus on profitably growing our business and our disciplined approach to managing resources.

Net sales for the six months ended June 30, 2017 were \$3,243,451, an increase of \$147,450, or 4.8% from net sales of \$3,096,001 for the same six-month period last year. Year-to-date net sales in our construction and industrial & utility vertical markets increased 5.9% and 11.1%, respectively, while our CIG vertical market net sales decreased 4.6%. Gross margin for the six months ended June 30, 2017 was \$622,722, an increase of \$37,476, or 6.4%, compared to gross margin of \$585,246 for the same six-month period last year. Gross margin rate was 19.2% for the six-month period ended June 30, 2017 compared to 18.9% for the six-month period ended June 30, 2016. Net income for the six months ended June 30, 2017 was \$51,015, an increase of \$10,335, or 25.4% from net income of \$40,680 for the same six-month period last year.

We remain focused on achieving profitable growth and strengthening our position as a leader in the supply chain. We will continue to enhance our value proposition to drive growth, while we pursue strategic investments in technology and potential acquisitions to broaden our reach and diversify our business.

Consolidated Results of Operations

The following table sets forth certain information relating to our operations stated in thousands of dollars and as a percentage of net sales for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30, 2017		Three Months Ended June 30, 2016	
	Dollars	Percent	Dollars	Percent
Net Sales	\$ 1,712,880	100.0%	\$ 1,630,521	100.0%
Cost of merchandise sold	(1,389,987)	(81.1)	(1,324,922)	(81.3)
Gross Margin	322,893	18.9	305,599	18.7
Selling, general and administrative expenses	(257,338)	(15.1)	(250,565)	(15.3)
Depreciation and amortization	(12,144)	(0.7)	(11,564)	(0.7)
Other income, net	3,521	0.2	517	—
Income from Operations	56,932	3.3	43,987	2.7
Interest expense, net	(1,068)	—	(763)	—
Income before Provision for Income Taxes	55,864	3.3	43,224	2.7
Provision for income taxes	(22,463)	(1.4)	(17,530)	(1.1)
Net Income	33,401	1.9	25,694	1.6
Less: Net income attributable to noncontrolling interests	(67)	—	(59)	—
Net Income attributable to Graybar Electric Company, Inc.	\$ 33,334	1.9%	\$ 25,635	1.6%

	Six Months Ended June 30, 2017		Six Months Ended June 30, 2016	
	Dollars	Percent	Dollars	Percent
Net Sales	\$ 3,243,451	100.0%	\$ 3,096,001	100.0%
Cost of merchandise sold	(2,620,729)	(80.8)	(2,510,755)	(81.1)
Gross Margin	622,722	19.2	585,246	18.9
Selling, general and administrative expenses	(515,383)	(15.9)	(495,297)	(16.0)
Depreciation and amortization	(24,020)	(0.7)	(22,875)	(0.7)
Other income, net	4,129	0.1	2,809	—
Income from Operations	87,448	2.7	69,883	2.2
Interest expense, net	(1,865)	—	(1,420)	—
Income before Provision for Income Taxes	85,583	2.7	68,463	2.2
Provision for income taxes	(34,459)	(1.1)	(27,672)	(0.9)
Net Income	51,124	1.6	40,791	1.3
Less: Net income attributable to noncontrolling interests	(109)	—	(111)	—
Net Income attributable to Graybar Electric Company, Inc.	\$ 51,015	1.6%	\$ 40,680	1.3%

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Net sales totaled \$1,712,880 for the quarter ended June 30, 2017, compared to \$1,630,521 for the quarter ended June 30, 2016, an increase of \$82,359, or 5.1%. Net sales in our construction and industrial & utility vertical markets increased for the three months ended June 30, 2017, compared to the same three-month period of 2016 by 6.4% and 11.1%, respectively, while net sales in our CIG vertical market declined by 4.9%.

Our gross margin as a percent of net sales for the three months ended June 30, 2017 was 18.9%, a moderate increase from 18.7% for the three months ended June 30, 2016. The increase in gross margin rate was primarily due to pricing and product diversification initiatives and recent acquisitions, as well as increased net sales in the second quarter of 2017. Gross margin increased \$17,294, or 5.7%, to \$322,893 for the three months ended June 30, 2017, from \$305,599 for the same period of 2016.

Selling, general and administrative expenses ("SG&A") increased \$6,773, or 2.7%, to \$257,338 in the second quarter of 2017 from \$250,565 in the second quarter of 2016, due primarily to growth in headcount and normal compensation increases. Selling, general and administrative expenses as a percentage of net sales totaled 15.1% for the three months ended June 30, 2017, compared to 15.3% for the three months ended June 30, 2016.

Depreciation and amortization expenses for the three months ended June 30, 2017 increased \$580, or 5.0%, to \$12,144 from \$11,564 in the second quarter of 2016, due to an increase in property, at cost. Total property, at cost, at June 30, 2017 was \$953,975, an increase of \$30,538, or 3.3%, when compared to total property, at cost, at June 30, 2016 of \$923,437. Depreciation and amortization expenses as a percentage of net sales totaled 0.7% for the three months ended June 30, 2017 and 2016.

Other income, net totaled \$3,521 for the three-month period ended June 30, 2017, compared to \$517 for the three months ended June 30, 2016. Other income, net consists primarily of gains on the disposal of property, trade receivable interest charges to customers, and other miscellaneous income items related to our business activities. The increase in other income, net was primarily due to a favorable settlement of a prior claim for the three months ended June 30, 2017 compared to the same three-month period in 2016.

Interest expense, net increased \$305, or 40.0%, to \$1,068 for the three months ended June 30, 2017, compared to \$763 for the same period of 2016. The increase was due to higher interest rates and higher levels of average outstanding short-term borrowings.

Income before provision for income taxes totaled \$55,864 for the three months ended June 30, 2017, an increase of \$12,640, or 29.2%, from \$43,224 for the three months ended June 30, 2016. The increase was primarily due to our growth in gross margin and increase in other income, net partially offset by increases in SG&A and depreciation and amortization expenses.

Our total provision for income taxes increased \$4,933, or 28.1%, to \$22,463 for the three months ended June 30, 2017, compared to \$17,530 for the same period of 2016. The increase in our provision for income taxes is due to higher pretax income for the three months ended June 30, 2017 as compared to the same period in 2016. Our effective tax rate was 40.2% for the three months ended June 30, 2017, compared to 40.6% for the same period of 2016. The effective tax rate for the three months ended June 30, 2017 and 2016 was higher than the 35.0% U.S. federal statutory rate primarily due to state and local income taxes.

Net income attributable to Graybar Electric Company, Inc. for the three months ended June 30, 2017 increased \$7,699, or 30.0%, to \$33,334 from \$25,635 for the three months ended June 30, 2016.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Net sales totaled \$3,243,451 for the six-month period ended June 30, 2017, compared to \$3,096,001 for the six-month period ended June 30, 2016, an increase of \$147,450, or 4.8%. Net sales in our construction and industrial & utility vertical markets increased by 5.9% and 11.1%, respectively, for the six months ended June 30, 2017, compared to the same six-month period of 2016, while net sales in our CIG vertical market declined by 4.6%.

Gross margin increased \$37,476, or 6.4%, to \$622,722 from \$585,246 primarily due to pricing and product diversification initiatives and recent acquisitions, as well as increased net sales in the first six months of 2017, compared to the same period of 2016. Our gross margin as a percentage of net sales totaled 19.2% for the six months ended June 30, 2017, up from 18.9% for the six months ended June 30, 2016.

Selling, general and administrative expenses increased \$20,086, or 4.1%, to \$515,383, for the six-month period ended June 30, 2017, compared to \$495,297 for the six-month period ended June 30, 2016, due primarily to growth in headcount and normal compensation increases for the six months ended June 30, 2017. Selling, general and administrative expenses as a percentage of net sales were 15.9% for the six months ended June 30, 2017, compared to 16.0% for the six months ended June 30, 2016.

Depreciation and amortization expenses for the six months ended June 30, 2017 increased \$1,145, or 5.0%, to \$24,020 from \$22,875 for the same six-month period in 2016, due to an increase in property, at cost. Total property, at cost, at June 30, 2017 was \$953,975, an increase of \$30,538, or 3.3%, when compared to total property, at cost, at June 30, 2016 of \$923,437. Depreciation and amortization expenses as a percentage of net sales remained constant at 0.7% for the six months ended June 30, 2017 and 2016.

Other income, net totaled \$4,129 for the six-month period ended June 30, 2017, compared to \$2,809 for the six months ended June 30, 2016. Other income, net consists primarily of gains on the disposal of property, trade receivable interest charges to customers, and other miscellaneous income items related to our business activities. The increase in other income, net was due to a favorable settlement of a prior claim partially offset by reduced net gains on the disposal of real and personal property of \$1,534 for the six months ended June 30, 2017, compared to the same six-month period in 2016.

Interest expense, net increased \$445, or 31.3%, to \$1,865 for the six months ended June 30, 2017, compared to \$1,420 for the same period of 2016. The increase was due to higher interest rates and higher levels of average outstanding short-term borrowings.

Income before provision for income taxes totaled \$85,583 for the six months ended June 30, 2017, an increase of \$17,120, or 25.0%, from \$68,463 for the six months ended June 30, 2016. The increase was primarily due to our growth in gross margin and increase in other income, net partially offset by increases in SG&A and depreciation and amortization expenses.

Our total provision for income taxes increased \$6,787, or 24.5%, to \$34,459 for the six months ended June 30, 2017, compared to \$27,672 for the same period in 2016. The increase in our provision for income taxes is due to higher pretax income for the six months ended June 30, 2017 as compared to the same period in 2016. Our year-to-date effective tax rate was 40.3% for the six months ended June 30, 2017, compared to 40.4% for the same period in 2016. The effective tax rate for the six months ended June 30, 2017 was higher than the 35.0% U.S. federal statutory rate primarily due to state and local income taxes.

Net income attributable to Graybar Electric Company, Inc. for the six-month period ended June 30, 2017 increased \$10,335, or 25.4%, to \$51,015 from \$40,680 for the six months ended June 30, 2016.

Financial Condition and Liquidity

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

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

Our cash and cash equivalents at June 30, 2017 were \$43,905, compared to \$43,339 at December 31, 2016, an increase of \$566, or 1.3%. Our short-term borrowings increased significantly, \$67,697, or 48.2% during the six-month period to \$208,162 at June 30, 2017 from \$140,465 at December 31, 2016, primarily due to working capital requirements to support operating activities due to the growth in sales, funding of employee benefits, and additional voluntary pension contributions, all funded via short-term lines of credit. Current assets exceeded current liabilities by \$476,379 at June 30, 2017, an increase of \$36,146, or 8.2%, from \$440,233 at December 31, 2016.

Operating Activities

Cash used by operations for the six months ended June 30, 2017 was \$43,060, compared to cash used by operations of \$33,449 for the six months ended June 30, 2016. Cash flows used by operations for the six months ended June 30, 2017 was attributable to an increase in trade receivables of \$69,899 as a result of increased sales, increased inventory levels of \$68,812 to support our continued growth of sales for the six months ended June 30, 2017, and a decrease in accrued payroll benefits of \$51,138, partially offset by net income of \$51,124 and increases in trade accounts payable of \$79,553.

The average number of days of sales in trade receivables for the six-month period ended June 30, 2017 increased modestly compared to the same six-month period ended June 30, 2016. Merchandise inventory turnover improved significantly for the six months ended June 30, 2017, compared to the six months ended June 30, 2016.

Investing Activities

Net cash used by investing activities totaled \$15,993 for the six months ended June 30, 2017, compared to \$13,508 for the same six-month period in 2016, an increase of \$2,485, or 18.4%. The increase was due to slightly higher capital expenditures in the six months ended June 30, 2017, compared to the six months ended June 30, 2016, partially offset by lower proceeds on the disposal of property. Proceeds on the disposal of property decreased during the six months ended June 30, 2017, compared to 2016 as a result of disposing of a local distribution facility that provided proceeds of \$1,686 in the first quarter of 2016.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2017 totaled \$59,619, compared to \$49,688 for the six months ended June 30, 2016, an increase of \$9,931, or 20.0%. The increase was primarily due to the increase in cash provided by short-term borrowings for the six months ended June 30, 2017, compared to the six months ended June 30, 2016.

Liquidity

We had a \$550,000 revolving credit facility with \$341,838 in available capacity at June 30, 2017, compared to \$409,535 at December 31, 2016. At June 30, 2017 and December 31, 2016, we also had two uncommitted \$100,000 private placement shelf agreements ("shelf agreement"). The first shelf agreement allows us to issue senior promissory notes to affiliates of Prudential Investment Management, Inc. at fixed rate terms to be agreed upon at the time of any issuance during a three year issuance period ending in September 2017. We are currently in the process of amending the Prudential Shelf Agreement prior to expiration.

The second shelf agreement that allows us to issue senior promissory notes to Metropolitan Life Insurance Company and MetLife Investment Advisors, LLC and each other affiliate of MetLife Investment Advisors, LLC that becomes a party to the agreement, at fixed or floating rate terms to be agreed upon at the time of any issuance during a three-year issuance period ending in September 2019.

We have not issued any notes under the shelf agreements as of June 30, 2017 and December 31, 2016. For further discussion related to our revolving credit facility and our private placement shelf agreements, refer to Note 5, "Debt", of the notes to the condensed consolidated financial statements located in Item 1.

We had total letters of credit of \$5,494 and \$5,244 outstanding, of which none were issued under the \$550,000 revolving credit facility at June 30, 2017 and December 31, 2016. The letters of credit are issued primarily to support certain workers' compensation insurance policies.

New Accounting Standards Updates

Our adoption of new accounting standards are discussed in Note 2, "Summary of Significant Accounting Policies", of the notes to the condensed consolidated financial statements located in Item 1., "Financial Statements", of this Quarterly Report on Form 10-Q.

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 our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2017, was performed under the supervision and with the participation of management. Based on that evaluation, our management, including the Principal Executive Officer and Principal Financial Officer, concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in internal control over financial reporting

There were no changes in our 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 likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

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

Our common stock is 100% owned by active and retired employees, and there is no public trading market for our common stock. Since 1928, substantially all of the issued and outstanding shares of common stock have been held of record by voting trustees under successive voting trust agreements. Under applicable New York law, a voting trust may not have a term greater than ten years. Accordingly, a new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027. At June 30, 2017, approximately 81% of the common stock was held in the voting trust. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record.

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

The following table sets forth information regarding purchases of common stock by the Company, all of which were made pursuant to the foregoing provisions:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs
April 1 to April 30, 2017	44,226	\$20.00	N/A
May 1 to May 31, 2017	52,589	\$20.00	N/A
June 1 to June 30, 2017	52,383	\$20.00	N/A
Total	149,198	\$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 8, 2017 (Commission File No. 000-00255) and incorporated herein by reference.
	(ii) Bylaws
	(a) By-laws as amended through March 9, 2017, filed as Exhibit 3(ii) to the Company's Current Report on Form 8-K dated March 9, 2017 (Commission File No. 000-00255) and incorporated herein by reference.
(4) and (9)	Voting Trust Agreement
	Voting Trust Agreement, dated as of March 3, 2017, a form of which is attached as Exhibit A to the Prospectus dated January 6, 2017, constituting a part of the Company's Registration Statement on Form S-1/A (Registration No. 333-214560), and incorporated herein by reference.
(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.

August 1, 2017

Date

/s/ KATHLEEN M. MAZZARELLA

Kathleen M. Mazzarella

President and Chief Executive Officer
(Principal Executive Officer)

August 1, 2017

Date

/s/ RANDALL R. HARWOOD

Randall R. Harwood

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibits

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CERTIFICATION

I, Kathleen M. Mazzarella, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Graybar Electric Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, 2017

Date

/s/ KATHLEEN M. MAZZARELLA

Kathleen M. Mazzarella

President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Randall R. Harwood, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Graybar Electric Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, 2017

Date

/s/ RANDALL R. HARWOOD

Randall R. Harwood

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

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

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

- (1) The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 1, 2017

Date

/s/ KATHLEEN M. MAZZARELLA

Kathleen M. Mazzarella

President and Chief Executive Officer
(Principal Executive Officer)

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

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

- (1) The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 1, 2017

Date

/s/ RANDALL R. HARWOOD

Randall R. Harwood

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)