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

Graybar

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, 2023

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

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 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 such files).

YES ☒ NO ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	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 October 15, 2023: 26,694,183
(Number of Shares)

Graybar Electric Company, Inc. and Subsidiaries
Quarterly Report on Form 10-Q
For the Period Ended September 30, 2023
(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 September 30,		**Nine Months Ended September 30,**	
(Stated in millions, except per share data)	**2023**	2022	**2023**	2022
Net Sales	**$ 2,852.6**	$ 2,789.7	**$ 8,317.3**	$ 7,844.1
Cost of merchandise sold	**(2,283.7)**	(2,215.5)	**(6,640.6)**	(6,250.8)
Gross Margin	**568.9**	574.2	**1,676.7**	1,593.3
Selling, general and administrative expenses	**(389.6)**	(369.7)	**(1,126.9)**	(1,044.4)
Depreciation and amortization	**(18.0)**	(13.4)	**(47.6)**	(39.6)
Other income, net	**1.6**	0.2	**3.5**	2.6
Income from Operations	**162.9**	191.3	**505.7**	511.9
Non-operating expenses	**(2.7)**	(21.3)	**(8.6)**	(32.3)
Income before Provision for Income Taxes	**160.2**	170.0	**497.1**	479.6
Provision for income taxes	**(42.1)**	(43.7)	**(129.6)**	(123.1)
Net Income	**118.1**	126.3	**367.5**	356.5
Net income attributable to noncontrolling interests	**(0.4)**	(0.2)	**(0.8)**	(0.6)
Net Income attributable to Graybar Electric Company, Inc.	**$ 117.7**	$ 126.1	**$ 366.7**	$ 355.9
Net Income attributable to Graybar Electric Company, Inc. per share of Common Stock[(A)]	**$ 4.40**	$ 4.73	**$ 13.68**	$ 13.38
Cash Dividends per share of Common Stock	**$ 0.30**	$ 0.30	**$ 0.90**	$ 0.90
Average Common Shares Outstanding[(A)]	**26.7**	26.6	**26.8**	26.6

[(A)]Adjusted for the declaration of a 15% stock dividend in 2022, shares related to which were issued in February 2023. Prior to the adjustment, the average common shares outstanding were 23.1 million for the three and nine months ended September 30, 2022.

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 millions)	**2023**	2022	**2023**	2022
Net Income	**$ 118.1**	$ 126.3	**$ 367.5**	$ 356.5
Other Comprehensive Income				
Foreign currency translation	**(4.4)**	(9.7)	**(0.7)**	(12.0)
Pension and postretirement benefits liability adjustments (net of tax of $(—), $(5.5), $(0.2) and $(8.5), respectively)	**0.3**	15.7	**0.7**	24.4
Total Other Comprehensive (Loss) Income	**(4.1)**	6.0	**—**	12.4
Comprehensive Income	**$ 114.0**	$ 132.3	**$ 367.5**	$ 368.9
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of tax	**0.1**	(0.1)	**0.6**	0.3
Comprehensive Income attributable to Graybar Electric Company, Inc.	**$ 113.9**	$ 132.4	**$ 366.9**	$ 368.6

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 millions, except share and per share data)					**September 30, 2023**	December 31, 2022
ASSETS					(Unaudited)	
Current Assets						
Cash and cash equivalents					**$ 73.3**	$ 69.4
Trade receivables (less allowances of $14.3 and $13.4, respectively)					**1,781.9**	1,673.0
Merchandise inventory					**918.6**	1,026.3
Other current assets					**83.3**	83.7
Total Current Assets					**2,857.1**	2,852.4
Property, at cost						
Land					**97.3**	97.3
Buildings					**590.4**	562.1
Furniture and fixtures					**308.5**	282.9
Software					**151.3**	148.0
Finance leases					**12.9**	12.8
Total Property, at cost					**1,160.4**	1,103.1
Accumulated depreciation and amortization					**(670.5)**	(641.9)
Net Property					**489.9**	461.2
Operating Lease Right-of-use Assets					**191.3**	175.3
Goodwill					**180.9**	83.1
Intangible Assets (less accumulated amortization of $33.5 and $23.0, respectively)					**268.7**	91.3
Other Non-current Assets					**87.8**	85.8
Total Assets					**$ 4,075.7**	$ 3,749.1
LIABILITIES						
Current Liabilities						
Short-term borrowings					**$ 102.0**	$ 31.6
Current portion of long-term debt					**1.7**	1.6
Trade accounts payable					**1,307.6**	1,276.8
Accrued payroll and benefit costs					**166.8**	219.2
Other accrued taxes					**32.8**	34.3
Current operating lease liabilities					**49.7**	43.9
Other current liabilities					**210.3**	213.5
Total Current Liabilities					**1,870.9**	1,820.9
Postretirement Benefits Liability					**55.5**	55.5
Pension Liability					**57.4**	140.8
Long-term Debt					**3.0**	3.9
Non-current Operating Lease Liabilities					**158.5**	147.1
Other Non-current Liabilities					**55.9**	55.3
Total Liabilities					**2,201.2**	2,223.5
SHAREHOLDERS' EQUITY						
	Shares at					
Capital Stock	**September 30, 2023**	December 31, 2022				
Common, stated value $20.00 per share Authorized	**50,000,000**	50,000,000				
Issued to voting trustees	**22,899,208**	22,085,481				
Issued to shareholders	**4,711,944**	4,568,288				
In treasury, at cost	**(862,174)**	(63,563)				
Outstanding Common Stock	**26,748,978**	26,590,206			**535.0**	531.8
Advance Payments on Subscriptions to Common Stock					**1.1**	—
Retained Earnings					**1,483.5**	1,141.0
Accumulated Other Comprehensive Loss					**(152.6)**	(152.8)
Total Graybar Electric Company, Inc. Shareholders' Equity					**1,867.0**	1,520.0
Noncontrolling Interests					**7.5**	5.6
Total Shareholders' Equity					**1,874.5**	1,525.6
Total Liabilities and Shareholders' Equity					**$ 4,075.7**	$ 3,749.1

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 millions)	**2023**	2022
Cash Flows from Operating Activities		
Net Income	**$ 367.5**	$ 356.5
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	**47.6**	39.6
Non-cash operating lease expense	**36.8**	28.7
Deferred income taxes	**22.5**	(8.9)
Net gain on disposal of property	**(0.5)**	(0.2)
Losses on impairment of assets	**0.4**	—
Non-cash pension settlement charge	**—**	15.9
Earnings on investment in employee deferred compensation trust	**(0.5)**	—
Net income attributable to noncontrolling interests	**(0.8)**	(0.6)
Changes in assets and liabilities:		
Trade receivables	**(10.1)**	(260.7)
Merchandise inventory	**162.9**	(184.5)
Other current assets	**1.7**	(20.7)
Other non-current assets	**(1.1)**	(1.7)
Trade accounts payable	**(27.2)**	238.4
Accrued payroll and benefit costs	**(57.4)**	(22.7)
Other current liabilities	**(5.6)**	24.8
Other non-current liabilities	**(119.7)**	(38.1)
Total adjustments to net income	**49.0**	(190.7)
Net cash provided by operating activities	**416.5**	165.8
Cash Flows from Investing Activities		
Proceeds from disposal of property	**0.8**	0.5
Capital expenditures for property	**(58.7)**	(41.1)
Acquisitions, net of cash acquired	**(380.2)**	(18.7)
Investment in employee deferred compensation trust	**(25.0)**	—
Net cash used by investing activities	**(463.1)**	(59.3)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term borrowings	**70.4**	(83.0)
Principal payments under finance arrangements	**(1.3)**	(1.7)
Sales of common stock	**20.3**	18.0
Purchases of common stock	**(16.0)**	(11.6)
Sales of noncontrolling interests' common stock	**1.5**	—
Purchases of noncontrolling interests' common stock	**(0.2)**	(0.4)
Dividends paid	**(24.2)**	(20.9)
Net cash provided (used) by financing activities	**50.5**	(99.6)
Net Increase in Cash	**3.9**	6.9
Cash, Beginning of Year	**69.4**	48.5
Cash, End of Period	**$ 73.3**	$ 55.4

Non-cash Investing and Financing Activities		
Acquisitions of equipment under finance leases	**$ 0.5**	$ 1.3
Acquisitions of assets under operating leases	**$ 53.2**	$ 55.3

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 millions)

	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, 2022	$ 531.8	$ —	$ 1,141.0	$ (152.8)	$ 5.6	$ 1,525.6
Net income			124.8		0.2	125.0
Other comprehensive income				0.3		0.3
Stock issued	11.6					11.6
Stock purchased	(5.4)				(0.2)	(5.6)
Advance payments		1.2				1.2
Dividends declared			(8.0)			(8.0)
March 31, 2023	$ 538.0	$ 1.2	$ 1,257.8	$ (152.5)	$ 5.6	$ 1,650.1
Net income			124.2		0.2	124.4
Other comprehensive income				3.7	0.1	3.8
Stock issued	4.1					4.1
Stock purchased	(6.1)					(6.1)
Dividends declared			(8.1)			(8.1)
June 30, 2023	$ 536.0	$ 1.2	$ 1,373.9	$ (148.8)	$ 5.9	$ 1,768.2
Net income			117.7		0.4	118.1
Other comprehensive loss				(3.8)	(0.3)	(4.1)
Stock issued	3.5				1.5	5.0
Stock purchased	(4.5)					(4.5)
Advance payments		(0.1)				(0.1)
Dividends declared			(8.1)			(8.1)
September 30, 2023	$ 535.0	$ 1.1	$ 1,483.5	$ (152.6)	$ 7.5	$ 1,874.5

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 millions)

	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, 2021	$ 456.7	$ —	$ 850.3	$ (180.5)	$ 5.4	$ 1,131.9
Net income			102.2		0.2	102.4
Other comprehensive income				6.5	0.1	6.6
Stock issued	10.4					10.4
Stock purchased	(4.1)				(0.3)	(4.4)
Advance payments		1.1				1.1
Dividends declared			(7.0)			(7.0)
March 31, 2022	$ 463.0	$ 1.1	$ 945.5	$ (174.0)	$ 5.4	$ 1,241.0
Net income			127.6		0.2	127.8
Other comprehensive loss				(0.1)	(0.1)	(0.2)
Stock issued	3.7					3.7
Stock purchased	(4.2)				(0.1)	(4.3)
Advance payments		(0.6)				(0.6)
Dividends declared			(6.9)			(6.9)
June 30, 2022	$ 462.5	$ 0.5	$ 1,066.2	$ (174.1)	$ 5.4	$ 1,360.5
Net income			126.1		0.2	126.3
Other comprehensive income (loss)				6.3	(0.3)	6.0
Stock issued	2.9					2.9
Stock purchased	(3.3)					(3.3)
Advance payments		0.5				0.5
Dividends declared			(7.0)			(7.0)
September 30, 2022	$ 462.1	$ 1.0	$ 1,185.3	$ (167.8)	$ 5.3	$ 1,485.9

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 millions, 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, commercial, institutional and government ("CIG"), and industrial & utility 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"). In our primary role as third-party wholesale distributor, we neither manufacture nor contract to manufacture the products that we sell; however, one of our subsidiaries may contract to manufacture some of its private label lighting fixtures. Our business activity is primarily based in the United States (“U.S.”). We also have subsidiary operations with distribution facilities in Canada and Puerto Rico.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our accounting policies conform to generally accepted accounting principles in the U.S. ("GAAP”) and are applied on a consistent basis among all years presented. The full summary of our significant accounting policies is included in our latest Annual Report on Form 10-K for the year ended December 31, 2022.

Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by Graybar pursuant to the rules and regulations of the U.S. Securities and Exchange 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 as of and for the year ended December 31, 2022, 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 condensed consolidated 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 our subsidiary companies. All material intercompany balances and transactions have been eliminated. The ownership interests that are held by owners other than the Company are in subsidiaries owned by the Company and are accounted for and reported as noncontrolling interests.

Reclassifications

Certain reclassifications have been made to prior year's financial information to conform to the September 30, 2023 presentation. These changes consisted of disaggregating other non-current assets into separate captions within the December 31, 2022 consolidated balance sheet. The reclassifications had no effect on total assets or liabilities as of December 31, 2022.

New Accounting Standards

In December 2022, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU” or “Update”) 2022-06, “Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848” which provides final guidance that defers the sunset date for applying the reference rate reform relief in Accounting Standards Codification ("ASC") 848 to December 31, 2024, from December 31, 2022. The guidance is effective upon issuance. We have transitioned to the Secured Overnight Financing Rate (“SOFR”) as our reference rate effective March 29, 2023, as described in Note 5, “Debt”. The adoption of this Update did not have a material impact on our consolidated financial statements.

3. REVENUE

The following table summarizes the percentages of our net sales attributable to each of our vertical markets for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	**2023**	2022
Construction	**59.4 %**	55.8 %	**57.7 %**	56.7 %
CIG	**22.6**	26.5	**24.1**	25.9
Industrial & Utility	**18.0**	17.7	**18.2**	17.4
Total net sales	**100.0 %**	100.0 %	**100.0 %**	100.0 %

Certain reclassifications have been made to the vertical market assigned to customers in the prior year's information to conform to the September 30, 2023 presentation.

We had no material contract assets, contract liabilities, or deferred contract costs recorded on the condensed consolidated balance sheet as of September 30, 2023 and December 31, 2022. In addition, for the three and nine months ended September 30, 2023 and 2022, revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period was not material.

4. INCOME TAXES

Our total provision for income taxes was $42.1 million and $129.6 million for the three and nine months ended September 30, 2023, respectively. We record our income tax provision using a full-year forecasted methodology, including discrete items in the period in which they occur. Our year-to-date effective tax rate was 26.1% for the nine months ended September 30, 2023 compared to 25.7% for the nine months ended September 30, 2022.

Our federal income tax returns for the tax years 2020 and forward are available for examination by the U.S. Internal Revenue Service ("IRS"). The statute of limitations for the 2019 federal return expired on October 15, 2023. Our state income tax returns for 2018 through 2022 remain subject to examination by various state authorities with the latest period closing on December 31, 2027. We have not extended the statutes of limitations in any state jurisdictions with respect to years prior to 2018.

5. DEBT

Revolving Credit Facility

At December 31, 2022, we, along with Graybar Canada Limited, our Canadian operating subsidiary ("Graybar Canada"), had an unsecured, five-year, $750.0 million committed revolving credit agreement maturing in August 2026 with Bank of America, N.A. and the other lenders named therein (the "Revolving Credit Facility "), which included a combined letter of credit sub-facility of up to $25.0 million, a U.S. swing-line loan facility of up to $75.0 million, and a Canadian swing-line loan facility of up to $20.0 million. The Revolving Credit Facility included a $100.0 million sublimit (in U.S. or Canadian dollars) available for borrowings by Graybar Canada. Our borrowing availability under the facility is reduced by the amount of borrowings by Graybar Canada, but we may use the sublimit amount to increase our borrowings, to the extent available. If we were to use available borrowings under the Revolving Credit Facility that included the sublimit amount, then Graybar Canada's available capacity would be reduced by our use of such amount. The Revolving Credit Facility contained an accordion feature, which allowed us to request increases in the aggregate borrowing commitments of up to $375.0 million.

On March 29, 2023, we, along with Graybar Canada, amended the Revolving Credit Facility, pursuant to the terms and conditions of a Fifth Amendment to Credit Agreement, dated as of March 29, 2023 (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 replaced the London Interbank Offered Rate ("LIBOR")-based Eurodollar reference interest rate with a reference interest rate based on Term SOFR and introduced transition language for the Canadian Dealer Offered Rate

("CDOR"), in anticipation of the eventual discontinuation of CDOR, which is expected to be on or before June 28, 2024. Our borrowing availability remains unchanged under the Amended Credit Agreement.

The Amended Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations on us and all but certain of our subsidiaries with respect to indebtedness (with specified, limited exceptions), 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, as well as securitizations, factoring transactions, and transactions with sanctioned parties or in violation of certain US or Canadian anti-corruption and anti-money laundering laws. There are also maximum leverage ratio and minimum interest coverage ratio financial covenants to which we will be subject during the term of the Amended Credit Agreement.

We were in compliance with all covenants under the Amended Credit Agreement and Revolving Credit Facility, respectively, as of September 30, 2023 and December 31, 2022.

There were $102.0 million in short-term borrowings as of September 30, 2023, of which all were under the Amended Credit Agreement. There were $31.6 million in short-term borrowings as of December 31, 2022, of which $30.0 million were under the Revolving Credit Facility.

Short-term borrowings outstanding during the nine months ended September 30, 2023 ranged from no short-term borrowings to a maximum of $232.0 million. Short-term borrowings outstanding during the nine months ended September 30, 2022 ranged from no short-term borrowings to a maximum of $173.1 million.

At September 30, 2023, we had unused lines of credit under the Amended Credit Agreement amounting to $645.7 million available, compared to $718.1 million at December 31, 2022 under the Revolving Credit Facility. 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%).

Interest expense, net was $1.5 million and $0.8 million for the three months ended September 30, 2023 and 2022, respectively. Interest expense, net was $3.9 million and $2.3 million for the nine months ended September 30, 2023 and 2022, respectively.

Private Placement Shelf Agreements

We have an uncommitted, unsecured private placement shelf agreement (the "Prudential Shelf Agreement") with PGIM, Inc., which is expected to allow us to issue senior promissory notes to affiliates of PGIM, Inc. at fixed rate terms to be agreed upon at the time of any issuance during a three-year issuance period. On July 20, 2023, we amended the Prudential Shelf Agreement to increase borrowing availability from $100.0 million to $200.0 million and to extend the issuance period to August 2026.

We also have an uncommitted, unsecured $150.0 million private placement shelf agreement (the "MetLife Shelf Agreement") with MetLife Investment Management, LLC (formerly known as MetLife Investment Advisors, LLC), and MetLife Investment Management Limited (collectively, "MetLife") and each other MetLife affiliate that becomes a party to the agreement. The MetLife Shelf Agreement is expected to allow us to issue senior promissory notes to MetLife at fixed or floating rate economic terms to be agreed upon at the time of issuance during a three-year issuance period ending in June 2024.

We remain obligated under a most favored lender clause which is designed to ensure that any notes in the future under the Prudential Shelf Agreement and MetLife Shelf Agreement will continue to be of equal ranking with indebtedness under our Amended Credit Agreement.

No notes have been issued under either the Prudential Shelf Agreement or the MetLife Shelf Agreement as of September 30, 2023 and December 31, 2022.

Each shelf agreement contains representations and warranties of the Company and the applicable lender, events of default and affirmative and negative covenants, customary for agreements of this type. These covenants are substantially similar to those contained in the Amended Credit Agreement, subject to a number of exceptions and qualifications set forth in the applicable shelf 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.

We were in compliance with all covenants under the Prudential Shelf Agreement and the MetLife Shelf Agreement as of September 30, 2023 and December 31, 2022.

Letters of Credit

We had total letters of credit of $8.1 million outstanding at September 30, 2023, of which $2.3 million were issued under the Amended Credit Agreement. We had total letters of credit of $7.8 million outstanding at December 31, 2022, of which $1.9 million were issued under the Revolving Credit Facility. The letters of credit are issued primarily to support certain workers' compensation insurance policies and support performance under certain customer contracts.

6. PENSION AND OTHER POSTRETIREMENT BENEFITS

We have a noncontributory defined benefit pension plan (the "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 Pension Plan provides retirement benefits based on an employee's final average earnings and years of service. A supplemental benefit plan provides nonqualified pension benefits for compensation in excess of the IRS compensation limits applicable to the Pension Plan and eligible compensation deferred by a participant.

Our funding policy is to make contributions to the Pension Plan, provided that the total annual contributions will not be less than the Employee Retirement Income Security Act of 1974 ("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 Pension Plan are invested primarily in fixed income investments and equity securities. We pay nonqualified pension benefits when they are due according to the terms of the supplemental benefit plan.

We provide certain postretirement healthcare and life insurance benefits to retired employees. Substantially all of our employees hired or rehired prior to 2014 may become eligible for postretirement medical benefits if they reach the age and service requirements of the retiree medical plan and retire on a pension (except a deferred pension) under the Pension Plan. 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 September 30, 2023 and December 31, 2022.

The net periodic benefit cost for the three and nine months ended September 30, 2023 and 2022 included the following components:

	Pension Benefits Three Months Ended September 30,		Postretirement Benefits Three Months Ended September 30,	
Components of Net Periodic Benefit Cost	**2023**	2022	**2023**	2022
Selling, general and administrative expenses:				
Service cost	**$ 6.1**	$ 7.0	**$ 0.3**	$ 0.5
Total selling, general and administrative expenses	**$ 6.1**	$ 7.0	**$ 0.3**	$ 0.5
Non-operating expenses:				
Interest cost	**$ 8.0**	$ 5.9	**$ 0.9**	$ 0.5
Expected return on plan assets	**(7.2)**	(7.6)	—	—
Amortization of net actuarial loss	**0.3**	5.7	**—**	0.1
Settlement charge	**—**	15.9	**—**	—
Total non-operating expenses	**$ 1.1**	$ 19.9	**$ 0.9**	$ 0.6
Net periodic benefit cost	**$ 7.2**	$ 26.9	**$ 1.2**	$ 1.1

	Pension Benefits Nine Months Ended September 30,		Postretirement Benefits Nine Months Ended September 30,	
Components of Net Periodic Benefit Cost	**2023**	2022	**2023**	2022
Selling, general and administrative expenses:				
Service cost	**$ 18.3**	$ 21.0	**$ 1.0**	$ 1.5
Total selling, general and administrative expenses	**$ 18.3**	$ 21.0	**$ 1.0**	$ 1.5
Non-operating expenses:				
Interest cost	**$ 23.9**	$ 17.9	**$ 2.6**	$ 1.5
Expected return on plan assets	**(21.7)**	(22.8)	**—**	—
Amortization of net actuarial loss	**0.9**	17.1	**—**	0.4
Settlement charge	**—**	15.9	**—**	—
Total non-operating expenses	**$ 3.1**	$ 28.1	**$ 2.6**	$ 1.9
Net periodic benefit cost	**$ 21.4**	$ 49.1	**$ 3.6**	$ 3.4

During the nine months ended September 30, 2022, we made lump-sum pension benefit distributions exceeding the cumulative amount of service and interest cost components of the net periodic pension cost for the year. Accordingly, we recorded a non-cash pension settlement charge of $15.9 million in non-operating expenses on our condensed consolidated statements of income for the nine months ended September 30, 2022. This settlement charge represented the immediate recognition into expense of a portion of the unrecognized loss within accumulated other comprehensive loss in proportion to the share of the projected benefit obligation that was settled by the lump-sum pension benefit distributions.

We made qualified and nonqualified pension contributions totaling $80.0 million during the three-month period ended September 30, 2023 and contributions totaling $22.8 million during the three-month period ended September 30, 2022. Contributions made during the nine-month periods ended September 30, 2023 and 2022 totaled $103.9 million and $44.8 million, respectively. No additional contributions are expected to be paid during the remainder of 2023, but may change at our discretion.

7. 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. A new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027 because under applicable New York law, a voting trust may not have a term greater than ten years. At September 30, 2023, approximately 83% of our outstanding common stock was held in the voting trust. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record. Shareholders may elect to participate in the voting trust at any time during the term of the voting trust.

No holder of our common stock or voting trust interests representing our common stock ("common stock", "common shares", or "shares") may sell, transfer or otherwise dispose of any shares without first offering us the option to purchase those shares at the price at which they were issued. 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 paid were $8.1 million and $7.0 million for the three months ended September 30, 2023 and 2022, respectively. Cash dividends paid were $24.2 million and $20.9 million for the nine months ended September 30, 2023 and 2022, 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 September 30, 2023 and December 31, 2022.

8. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table represents amounts reclassified from accumulated other comprehensive loss for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
	Amortization of Pension and Other Postretirement Benefits Items	Amortization of Pension and Other Postretirement Benefits Items
	Actuarial Losses Recognized	Actuarial Losses Recognized
Affected Line in Condensed Consolidated Statement of Income:		
Non-operating expenses[A]	**$ 0.3**	$ 21.7
Tax benefit	**—**	(5.6)
Total reclassifications for the period, net of tax	**$ 0.3**	$ 16.1

[A] A settlement charge of $15.9 million is included in 2022 non-operating expenses.

The following table represents amounts reclassified from accumulated other comprehensive loss for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	Amortization of Pension and Other Postretirement Benefits Items	Amortization of Pension and Other Postretirement Benefits Items
	Actuarial Losses Recognized	Actuarial Losses Recognized
Affected Line in Condensed Consolidated Statement of Income:		
Non-operating expenses[B]	**$ 0.9**	$ 33.4
Tax benefit	**(0.2)**	(8.6)
Total reclassifications for the period, net of tax	**$ 0.7**	$ 24.8

[B] A settlement charge of $15.9 million is included in 2022 non-operating expenses.

The following table represents the activity included in accumulated other comprehensive loss for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Foreign Currency	**Pension and Other Postretirement Benefits**	**Total**	**Foreign Currency**	**Pension and Other Postretirement Benefits**	**Total**
Beginning balance July 1,	**$ (11.0)**	**$ (137.8)**	**$ (148.8)**	$ (7.3)	$ (166.8)	$ (174.1)
Other comprehensive loss before reclassifications	**(4.1)**	**—**	**(4.1)**	(9.4)	—	(9.4)
Amounts reclassified from accumulated other comprehensive income (net of tax $(—) and $(5.6))	**—**	**0.3**	**0.3**	—	16.1	16.1
Actuarial loss (net of tax of $— and $0.1)	**—**	**—**	**—**	—	(0.4)	(0.4)
Net current-period other comprehensive (loss) income	**(4.1)**	**0.3**	**(3.8)**	(9.4)	15.7	6.3
Ending balance September 30,	**$ (15.1)**	**$ (137.5)**	**$ (152.6)**	$ (16.7)	$ (151.1)	$ (167.8)

The following table represents the activity included in accumulated other comprehensive loss for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Foreign Currency	**Pension and Other Postretirement Benefits**	**Total**	**Foreign Currency**	**Pension and Other Postretirement Benefits**	**Total**
Beginning balance January 1,	**$ (14.6)**	**$ (138.2)**	**$ (152.8)**	$ (5.0)	$ (175.5)	$ (180.5)
Other comprehensive loss before reclassifications	**(0.5)**	**—**	**(0.5)**	(11.7)	—	(11.7)
Amounts reclassified from accumulated other comprehensive income (net of tax $(0.2) and $(8.6))	**—**	**0.7**	**0.7**	—	24.8	24.8
Actuarial loss (net of tax of $— and $0.1)	**—**	**—**	**—**	—	(0.4)	(0.4)
Net current-period other comprehensive (loss) income	**(0.5)**	**0.7**	**0.2**	(11.7)	24.4	12.7
Ending balance September 30,	**$ (15.1)**	**$ (137.5)**	**$ (152.6)**	$ (16.7)	$ (151.1)	$ (167.8)

9. COMMITMENTS AND CONTINGENCIES

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

We have in place insurance coverage for litigation defense and claim settlement costs incurred in connection with our asbestos claims. We estimate the value of probable insurance recoveries associated with our asbestos reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage. We estimate the future payments for litigation defense and claim settlement costs based on our historical liabilities and current and projected caseloads. At September 30, 2023 and December 31, 2022, we had $2.5 million and $41.5 million of insurance receivables recorded in other current assets and other non-current assets, respectively, and $2.5 million and $41.5 million recorded in other current liabilities and other non-current liabilities, respectively, related to our asbestos litigation defense and claims settlement reserve.

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

10. ACQUISITIONS

During the nine months ended September 30, 2023, we completed two acquisitions for a combined preliminary purchase price of $380.2 million in cash, net of cash acquired. The acquisitions were financed using cash on hand and short-term borrowings.

The 2023 acquisitions present a strategic opportunity for us to expand our reach in current markets and provide a solid foundation for growth into new markets.

The following table sets forth the preliminary purchase price allocation and summarizes the estimated fair values of the assets acquired and liabilities assumed at the respective dates of the acquisitions. The purchase price allocation is preliminary pending finalization of the calculations of the fair values of the assets acquired and liabilities assumed, and the valuations of the acquired identifiable intangible assets.

		Fair Value
Current Assets	$	153.5
Property		5.0
Goodwill		97.8
Intangible Assets		187.9
Other Non-current Assets		0.4
Current Liabilities		(64.4)
Total combined preliminary purchase price	**$**	**380.2**

The fully tax-deductible goodwill resulting from the acquisitions largely consists of our expected future product sales and synergies from combining the newly acquired subsidiaries' products and services with our existing product and service offerings. The following table sets forth the components of preliminary identifiable intangible assets acquired and their useful lives as of the respective dates of the acquisitions:

	Weighted Average Life (in years)		**Fair Value**
Customer relationships	14.9	**$**	146.1
Trade name	15.0		38.2
Other intangibles	6.3		2.4
Non-Compete Agreements	5.0		1.2
Total Intangible Assets	**14.7**	**$**	**187.9**

The fair values of the identified customer relationships and trade name intangible assets were estimated using the multi-period excess earnings and relief-from-royalty methods, respectively. Significant inputs used to value these identifiable intangible assets included projected revenues and expected operating margins, customer attrition rates, discount rates, and royalty rates.

Since the respective dates of the acquisitions, the results of the newly acquired subsidiaries are reflected in our Condensed Consolidated Financial Statements, which consisted of approximately $155.9 million in revenue and $1.3 million in operating income. Pro forma results of the acquisitions were 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, 2022, 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; a sustained interruption in the operation of our information systems; volatility in the prices of industrial commodities; cyber-attacks; increased funding requirements and expenses related to our pension plan; disruptions in our sources of supply; a pandemic, epidemic, or other public health emergency similar to the recent COVID-19 pandemic; the inability, or limitations on our ability, to borrow under our existing credit facilities or any replacements thereof; adverse legal proceedings or other claims; compliance with changing governmental regulations; and the inability, or limitations on our ability, to raise debt or equity capital. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless otherwise required by applicable securities law. Further information concerning our business, including additional factors that could materially impact our financial results, is included herein and in our other filings with the 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, 2022.

All dollar amounts, except per share data, are stated in millions 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, commercial, institutional and government ("CIG"), and industrial & utility 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"). In our primary role as third-party wholesale distributor, we neither manufacture nor contract to manufacture the products that we sell; however, one of our subsidiaries may contract to manufacture some of its private label lighting fixtures. Our business activity is primarily based in the United States ("U.S."). We also have subsidiary operations with distribution facilities in Canada and Puerto Rico.

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. 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

We set a new quarterly net sales record in the third quarter of 2023. Our net sales for the third quarter of 2023 totaled $2,852.6 million, compared to $2,789.7 million for the third quarter of 2022, an increase of $62.9 million, or 2.3%. Our gross margin for the third quarter of 2023 decreased $5.3 million, or 0.9%, to $568.9 million, compared to gross margin of $574.2 million for the same three-month period ended September 30, 2022, mainly due to competitive pricing pressures. As a result, our gross margin rate decreased to 19.9% for the third quarter of 2023, compared to 20.6% for the third quarter of 2022.

Selling, general and administrative ("SG&A") expenses increased $19.9 million, or 5.4%, to $389.6 million for the three months ended September 30, 2023 from $369.7 million for the three months ended September 30, 2022, primarily due to higher compensation, rent, and maintenance expenses. SG&A expenses as a percentage of net sales increased to 13.7% for the third quarter of 2023, compared to 13.2% for the same three-month period in 2022. As a result, income from operations decreased $28.4 million, or 14.8%, to $162.9 million for the three months ended September 30, 2023, from $191.3 million for the same three-month period last year. Because of the decrease in gross margin coupled with the increase in SG&A expenses, net income attributable to Graybar for the three months ended September 30, 2023 decreased by $8.4 million, or 6.7%, to $117.7 million for the three months ended September 30, 2023, compared to $126.1 million for the same three-month period last year.

Net sales for the nine months ended September 30, 2023 were $8,317.3 million, an increase of $473.2 million, or 6.0%, from net sales of $7,844.1 million for the same nine-month period last year. Gross margin for the nine months ended September 30, 2023 was $1,676.7 million, an increase of $83.4 million, or 5.2%, compared to gross margin of $1,593.3 million for the same nine-month period last year. Gross margin rate was 20.2% for the nine-month period ended September 30, 2023, compared to 20.3% for the nine-month period ended September 30, 2022. Net income attributable to Graybar for the nine months ended September 30, 2023 was $366.7 million, an increase of $10.8 million, or 3.0%, from net income attributable to Graybar of $355.9 million for the same nine-month period last year.

We continue to see demand for our products and services, even as the markets we serve are affected by rising interest rates, skilled labor shortages and economic uncertainty. Supply chain conditions have improved, although ongoing challenges persist for some product categories. Looking ahead, we remain focused on providing exceptional service to our customers, minimizing potential risks, and managing our business wisely. We are also moving forward with a strategic business transformation program and pursuing opportunities to expand our reach and strengthen our long-term position in the industry.

Consolidated Results of Operations

Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022

The following table sets forth certain information relating to our operations stated in millions of dollars and as a percentage of net sales for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022	
	Dollars	**Percent**	Dollars	Percent
Net Sales	**$ 2,852.6**	**100.0 %**	$ 2,789.7	100.0 %
Cost of merchandise sold	**(2,283.7)**	**(80.1)**	(2,215.5)	(79.4)
Gross Margin	**568.9**	**19.9**	574.2	20.6
Selling, general and administrative expenses	**(389.6)**	**(13.7)**	(369.7)	(13.2)
Depreciation and amortization	**(18.0)**	**(0.6)**	(13.4)	(0.5)
Other income, net	**1.6**	**0.1**	0.2	—
Income from Operations	**162.9**	**5.7**	191.3	6.9
Non-operating expenses	**(2.7)**	**(0.1)**	(21.3)	(0.8)
Income before Provision for Income Taxes	**160.2**	**5.6**	170.0	6.1
Provision for income taxes	**(42.1)**	**(1.5)**	(43.7)	(1.6)
Net Income	**118.1**	**4.1**	126.3	4.5
Net income attributable to noncontrolling interests	**(0.4)**	**—**	(0.2)	—
Net Income attributable to Graybar Electric Company, Inc.	**$ 117.7**	**4.1 %**	$ 126.1	4.5 %

Net sales increased to $2,852.6 million for the quarter ended September 30, 2023, compared to $2,789.7 million for the quarter ended September 30, 2022, an increase of $62.9 million, or 2.3%. For the three months ended September 30, 2023, net sales in our construction and industrial & utility vertical markets increased by 8.9% and 3.4%, respectively, when compared to the same three-month period of 2022. Net sales in our CIG vertical market decreased by 12.6% when compared to the same three-month period of 2022.

Gross margin decreased $5.3 million, or 0.9%, to $568.9 million from $574.2 million for the three months ended September 30, 2023, compared to the same period of 2022. Our gross margin as a percentage of net sales was 19.9% for the three months ended September 30, 2023, down from 20.6% for the same three-month period in 2022. The decreases in gross margin and gross margin rate were primarily due to competitive pricing pressures.

SG&A expenses increased $19.9 million, or 5.4%, to $389.6 million in the third quarter of 2023 from $369.7 million in the third quarter of 2022, primarily due to higher compensation, rent, and maintenance expenses. SG&A expenses as a percentage of net sales were 13.7% for the three months ended September 30, 2023, up from 13.2% for the three months ended September 30, 2022.

Depreciation and amortization for the three months ended September 30, 2023 increased $4.6 million, or 34.3%, to $18.0 million from $13.4 million, compared to the same period in 2022 primarily due to higher amortization expense of intangible assets.

Non-operating expenses for the three months ended September 30, 2023 decreased $18.6 million, or 87.3%, to $2.7 million from $21.3 million for the three months ended September 30, 2022. This was primarily due to decreases in non-service cost components of pension net periodic benefit costs of $18.8 million, partially offset by an increase in interest expense, net of $0.7 million for the three months ended September 30, 2023, compared to the same three-month period in 2022. The decrease in non-service cost components of pension net periodic benefit costs was primarily due to a nonrecurring non-cash pension settlement charge of $15.9 million recognized during the third quarter of 2022.

Income before provision for income taxes totaled $160.2 million for the three months ended September 30, 2023, a decrease of $9.8 million, or 5.8%, from $170.0 million for the three months ended September 30, 2022 primarily due to our increases in SG&A expenses and decrease in gross margin, partially offset by decreases in non-operating expenses.

Our total provision for income taxes decreased $1.6 million, or 3.7%, to $42.1 million for the three months ended September 30, 2023, compared to $43.7 million for the same period of 2022. This decrease in our provision for income taxes was due to slightly lower pretax income. Our effective tax rate was 26.3% for the three months ended September 30, 2023, compared to 25.7% for the same period of 2022. The effective tax rate for the three months ended September 30, 2023 was higher than the 21.0% U.S. federal statutory rate primarily due to state, local and foreign income taxes.

Net income attributable to Graybar Electric Company, Inc. for the three months ended September 30, 2023 decreased $8.4 million, or 6.7%, to $117.7 million from $126.1 million for the three months ended September 30, 2022.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

The following table sets forth certain information relating to our operations stated in millions of dollars and as a percentage of net sales for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
	Dollars	**Percent**	Dollars	Percent
Net Sales	**$ 8,317.3**	**100.0 %**	$ 7,844.1	100.0 %
Cost of merchandise sold	**(6,640.6)**	**(79.8)**	(6,250.8)	(79.7)
Gross Margin	**1,676.7**	**20.2**	1,593.3	20.3
Selling, general and administrative expenses	**(1,126.9)**	**(13.5)**	(1,044.4)	(13.3)
Depreciation and amortization	**(47.6)**	**(0.6)**	(39.6)	(0.5)
Other income, net	**3.5**	**—**	2.6	—
Income from Operations	**505.7**	**6.1**	511.9	6.5
Non-operating expenses	**(8.6)**	**(0.1)**	(32.3)	(0.4)
Income before Provision for Income Taxes	**497.1**	**6.0**	479.6	6.1
Provision for income taxes	**(129.6)**	**(1.6)**	(123.1)	(1.6)
Net Income	**367.5**	**4.4**	356.5	4.5
Net income attributable to noncontrolling interests	**(0.8)**	**—**	(0.6)	—
Net Income attributable to Graybar Electric Company, Inc.	**$ 366.7**	**4.4 %**	$ 355.9	4.5 %

Net sales increased to $8,317.3 million for the nine months ended September 30, 2023, compared to $7,844.1 million for the nine months ended September 30, 2022, an increase of $473.2 million, or 6.0%. Net sales in our construction and industrial & utility vertical markets increased by 8.0%, and 10.7%, respectively, for the nine months ended September 30, 2023, compared to the same nine-month period of 2022. Net sales in our CIG vertical market decreased by 1.4% for the nine months ended September 30, 2023, compared to the same nine-month period of 2022.

Gross margin increased $83.4 million, or 5.2%, to $1,676.7 million from $1,593.3 million for the nine months ended September 30, 2023, compared to the same period of 2022. Our gross margin as a percentage of net sales was 20.2% for the nine months ended September 30, 2023, down from 20.3% for the same nine-month period in 2022.

SG&A expenses increased $82.5 million, or 7.9%, to $1,126.9 million, for the nine months ended September 30, 2023, compared to $1,044.4 million for the nine months ended September 30, 2022, mainly due to higher compensation, rent, and maintenance expenses. SG&A expenses as a percentage of net sales were 13.5% for the nine months ended September 30, 2023, up from 13.3% for the nine months ended September 30, 2022.

Depreciation and amortization for the nine months ended September 30, 2023 increased $8.0 million, or 20.2%, to $47.6 million from $39.6 million for the same nine-month period in 2022 primarily due to higher amortization expense of intangible assets.

Non-operating expenses decreased $23.7 million, or 73.4%, to $8.6 million for the nine months ended September 30, 2023, compared to $32.3 million for the same period of 2022. This was primarily due to decreases in non-service cost components of pension net periodic benefit costs of $25.0 million, partially offset by an increase in interest expense, net of $1.6 million for the nine months ended September 30, 2023, compared to the same nine-month period in 2022. The decrease in non-service cost components of pension net periodic benefit costs was primarily due to a nonrecurring non-cash pension settlement charge of $15.9 million recognized during the nine months ended September 30, 2022.

Income before provision for income taxes totaled $497.1 million for the nine months ended September 30, 2023, an increase of $17.5 million, or 3.6%, from $479.6 million for the nine months ended September 30, 2022. The increase was primarily due to our increase in gross margin and decreases in non-operating expenses, partially offset by increases in SG&A expenses.

Our total provision for income taxes increased $6.5 million, or 5.3%, to $129.6 million for the nine months ended September 30, 2023, compared to $123.1 million for the same period in 2022. The increase in our provision for income taxes year over year resulted from increased pretax income. Our year-to-date effective tax rate was 26.1% for the nine months ended September 30, 2023 compared to 25.7% for 2022. The effective tax rate for the nine months ended September 30, 2023 was higher than the 21.0% U.S. federal statutory rate primarily due to state, local, and foreign income taxes.

Net income attributable to Graybar Electric Company, Inc. for the nine-month period ended September 30, 2023 increased $10.8 million, or 3.0%, to $366.7 million from $355.9 million for the nine months ended September 30, 2022.

Financial Condition and Liquidity

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

We have historically funded our working capital requirements using cash flows generated from the collection of trade receivables and trade accounts payable terms with our suppliers, supplemented by short-term borrowings on our revolving credit facility, if necessary. Capital expenditures have been financed primarily with cash from working capital management and short-term borrowings on our revolving credit facility.

Our cash and cash equivalents at September 30, 2023 were $73.3 million, compared to $69.4 million at December 31, 2022, an increase of $3.9 million, or 5.6%. Short-term borrowings increased by $70.4 million to $102.0 million at September 30, 2023, from $31.6 million at December 31, 2022. Cash on hand and low levels of short-term borrowings at September 30, 2023 are reflective of strong cash flows from operating activities as a result of effective working capital management and borrowings to fund our business needs. Current assets exceeded current liabilities by $986.2 million at September 30, 2023, a decrease of $45.3 million, or 4.4%, from $1,031.5 million at December 31, 2022.

<u>Operating Activities</u>

Net cash flows provided by operating activities for the nine months ended September 30, 2023 was $416.5 million, compared to cash provided by operating activities of $165.8 million for the nine months ended September 30, 2022, an increase of $250.7 million, or 151.2%. Net cash provided by operating activities for the nine months ended September 30, 2023 was primarily attributable to net income of $367.5 million adjusted for non-cash depreciation and amortization expenses of $47.6 million, and a decrease in merchandise inventory levels of $162.9 million during the nine months ended September 30, 2023, partially offset by decreases in other non-current liabilities of $119.7 million and accrued payroll and benefit costs of $57.4 million from December 31, 2022 to September 30, 2023.

The average number of days of sales in trade receivables for the nine-month period ended September 30, 2023 increased modestly compared to the same nine-month period ended September 30, 2022. The days in inventory improved significantly for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

Investing Activities

Net cash used by investing activities totaled $463.1 million for the nine months ended September 30, 2023, compared to net cash used by investing activities of $59.3 million for the same nine-month period in 2022, an increase of $403.8 million. Cash used by investing activities for the nine months ended September 30, 2023 was primarily the result of acquisitions, net of cash acquired of $380.2 million, capital expenditures of $58.7 million, and an investment in an employee deferred compensation trust of $25.0 million. Cash used by investing activities for the nine months ended September 30, 2022 was primarily the result of capital expenditures of $41.1 million and third quarter acquisitions, net of cash acquired of $18.7 million.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2023 totaled $50.5 million, compared to net cash used by financing activities of $99.6 million for the nine months ended September 30, 2022. The net cash provided by financing activities was primarily due to a net increase in short-term borrowings of $70.4 million, partially offset by $24.2 million in cash dividends paid during the nine months ended September 30, 2023, compared to net payments on short-term borrowings of $83.0 million, partially offset by $20.9 million in cash dividends paid in the same nine-month period in 2022.

Liquidity

Our cash and cash equivalents at September 30, 2023 were $73.3 million, compared to $69.4 million at December 31, 2022. We also had a $750.0 million unsecured, committed revolving credit facility (“Amended Credit Agreement”) with $645.7 million in available capacity at September 30, 2023, compared to available capacity of $718.1 million at December 31, 2022 under the Revolving Credit Facility. At September 30, 2023 and December 31, 2022, we also had two uncommitted, unsecured private placement shelf agreements ("Shelf Agreements"). One of the Shelf Agreements is expected to allow us to issue senior promissory notes to PGIM, Inc. at fixed rate terms to be agreed upon at the time of any issuance during a three-year issuance period. On July 20, 2023, we amended the Prudential Shelf Agreement, as defined in Note 5, “Debt”, of the notes to the condensed consolidated statements located in Item 1., “Financial Statements”, of this Quarterly Report on Form 10-Q, to increase borrowing availability from $100.0 million to $200.0 million and extend the issuance period to August 2026. Our other Shelf Agreement is expected to allow us to issue senior promissory notes up to $150.0 million to MetLife Investment Management, LLC (formerly known as MetLife Investment Advisors, LLC), and MetLife Investment Management Limited (collectively, “MetLife”) and each other MetLife affiliate that becomes party to the agreement 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 June 2024.

We have not issued any notes under the Shelf Agreements as of September 30, 2023 and December 31, 2022. For further discussion related to our Amended Credit Agreement and our Shelf Agreements, refer to Note 5, "Debt", of the notes to the condensed consolidated financial statements located in Item 1., “Financial Statements”, of this Quarterly Report on Form 10-Q.

We had total letters of credit of $8.1 million outstanding at September 30, 2023, of which $2.3 million were issued under the Amended Credit Agreement. We had total letters of credit of $7.8 million outstanding at December 31, 2022, of which $1.9 million were issued under the Revolving Credit Facility. The letters of credit are issued primarily to support certain workers' compensation insurance policies and support performance under certain customer contracts.

New Accounting Standards Updates

Our adoption of new accounting standards is 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, 2022.

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 September 30, 2023, 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.

During the nine months ended September 30, 2023, we completed two acquisitions which operated under their own set of systems and internal controls. Management is in process of evaluating and integrating the internal controls of the acquired businesses during the first year of the business combination into our internal controls framework.

(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. A new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027, because under applicable New York law, a voting trust may not have a term greater than ten years. At September 30, 2023, approximately 83% of our outstanding common stock was held in the voting trust. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record. Shareholders may elect to participate in the voting trust at any time during the term of the voting trust.

No holder of our common stock or voting trust interests representing our common stock ("common stock", "common shares", or "shares") may sell, transfer, or otherwise dispose of any shares without first offering us the option to purchase those shares at the price at which they were issued. 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
July 1 - July 31, 2023	62,491	$20.00	N/A
August 1 - August 31, 2023	86,427	$20.00	N/A
September 1 - September 30, 2023	72,706	$20.00	N/A
Total	221,624	$20.00	N/A

Item 5. Other Information.

(c) None of the Company’s directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company’s fiscal quarter ended September 30, 2023. Such arrangements would not apply to the Company because no holder of our shares may sell, transfer or otherwise dispose of our shares without first offering the Company the option to purchase those shares at the price at which they were issued.

Item 6. Exhibits.

3.1	Restated Certificate of Incorporation, as amended, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated June 8, 2017 (Commission File No. 000-00255) and incorporated herein by reference.
3.2	By-laws as amended through March 8, 2023, filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K dated March 8, 2023 (Commission File No. 000-00255) and incorporated herein by reference.
4	Voting Trust Agreement, dated as of March 3, 2017, a form of which is attached as Exhibit A to the Prospectus dated January 6, 2017, constituting a part of the Company's Registration Statement on Form S-1/A (Registration No. 333-214560), and incorporated herein by reference.
9	Voting Trust Agreement dated as of March 3, 2017, included at Exhibit 4 above.
10.1	Graybar Electric Company, Inc. Supplemental Benefit Plan, amended and restated, entered into between the Company and certain employees effective January 1, 2024.*
10.2	Amendment No. 5 to Private Shelf Agreement, dated July 20, 2023, between the Company and PGIM, Inc.
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Executive Officer
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Financial Officer
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Principal Executive Officer
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Principal Financial Officer
101.INS	XBRL Instance Document – the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL 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
104	Cover Page Interactive Data File (formatted in Inline XBRL contained in Exhibit 101)
	*Compensation arrangement

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.

October 30, 2023	/s/ Kathleen M. Mazzarella
Date	Kathleen M. Mazzarella President and Chief Executive Officer (Principal Executive Officer)
October 30, 2023	/s/ David M. Meyer
Date	David M. Meyer Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 10.1

GRAYBAR ELECTRIC COMPANY, INC.

SUPPLEMENTAL BENEFIT PLAN

Amended and Restated as of January 1, 2024

AMENDED AND RESTATED

GRAYBAR ELECTRIC COMPANY, INC.

SUPPLEMENTAL BENEFIT PLAN

1. Purpose

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

This Supplemental Benefit Plan is amended and restated effective January 1, 2024 to clarify eligibility for the supplemental match benefit and modify administrative provisions relating to distributions. The Plan Year shall mean the calendar year.

2. Eligibility

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

Effective for Plan Years beginning on and after January 1, 2024, an eligible Match Participant (as defined in Section 3(d) hereof) shall be eligible for a supplemental match benefit under this Supplemental Benefit Plan.

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

3. Amount of Benefits

(a) Supplemental Pension Benefit. The supplemental pension benefit payable to an eligible Participant or the Participant's spouse shall equal the excess, if any, of (1) over (2), where:

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

(2) is the Retirement Income which is payable to the Participant or the Participant's spouse under the Pension Plan.

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

(b) Supplemental Profit Sharing Benefit. The supplemental profit sharing benefit credited on behalf of an eligible Participant for a Plan Year shall equal the excess, if any, of (1) over (2), where:

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

(2) is the allocation which is made to such Participant's Account B under the Profit Sharing Plan for such Plan Year.

(c) Deferred Compensation Benefit. The deferred compensation benefit credited on behalf of an eligible Deferred Compensation Participant for a Plan Year shall equal the portion of the Participant's annual base salary and annual incentive payment that such Participant has elected to defer with respect to such Plan Year in accordance with this Supplemental Benefit Plan and the terms of the Participant's Deferral Agreement. For purposes of this Plan, a Deferral Agreement is a written agreement between the Participant and the Company specific to this Plan which is presented to the Participant annually to permit the Participant to make deferral elections with respect to annual base salary and annual incentive pay. If the Participant elects to defer a portion of the Participant's annual base salary with respect to a Plan Year, such Participant must defer at least two percent but no more than fifty percent of the Participant's annual base salary. If the Participant elects to defer a portion of the Participant's annual incentive payment, such Participant must defer at least two percent but no more than one hundred percent of the Participant's annual incentive payment. Any

Deferral Agreement hereunder must be made before the beginning of the Plan Year in which the compensation to be deferred is earned.

For purposes of this Section 3(c), a Participant eligible for a Deferred Compensation Benefit for a particular Plan Year ("Deferred Compensation Participant") means (i) an employee who was hired, or was last rehired, by the Company before July 1, 2015 and who, as of the first day of the Plan Year beginning January 1, 2024 is in Salary Grade 20, or (ii) an employee who as of the first day of any Plan Year, is in Salary Grade N, O, P or Q . In the event, the Salary Grade of a Deferred Compensation Participant is modified to a Salary Grade other than N, O, P, Q or 20, the Deferred Compensation Participant shall not be eligible for a Deferred Compensation Benefit for the Plan Year beginning immediately on or after the date the modification in Salary Grade is effective.

Effective January 1, 2021, any individual employed by an Affiliate of the Company which is not an Adopting Affiliate shall not be eligible to participate in the Deferred Compensation Benefit for the Plan Year in which the individual is employed by such Affiliate. Nonetheless, in the event a Deferred Compensation Participant is employed by the Company and timely elects to participate in the Deferred Compensation Benefit for a Plan Year, his election to participate in the Deferred Compensation Benefit shall not be revoked for such Plan Year, even if he terminates employment with the Company and is rehired by an Affiliate of the Company during such Plan Year. Notwithstanding the preceding, an individual employed by an Adopting Affiliate shall be eligible to participate in the Deferred Compensation Benefit for the Plan Year in which the individual is employed by the Company or Adopting Affiliate.

For these purposes, an Affiliate means a legal entity in the same group of related organizations which includes Graybar Electric Company, Inc. for purposes of Code §§414(b), 414(c) or 414(m). In no event shall an Affiliate include a legal entity located in Puerto Rico or any other territory or possession of the United States.

Adopting Affiliate means any Affiliate which has been approved for participation in the Plan by the Committee. Approval by the Committee shall include the date for which the Adopting Affiliate's participation in the Plan is effective. Each Adopting Affiliate shall be listed on Exhibit A, which may be amended from time to time by the Committee as necessary to reflect participating Affiliates in the Plan.

For purposes of this Plan, references throughout to annual incentive payment(s) do not include the Graybar Long Term Incentive Plan.

(d) Supplemental Match Benefit. The supplemental match benefit credited on behalf of an eligible Match Participant for a Plan Year shall equal the excess, if any, of (1) over (2), where:

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

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

For purposes of this Section 3(d), a Participant eligible for a supplemental match (a "Match Participant") includes a Participant who (i) as of the first day of any Plan Year is in Salary Grade N, O, P or Q ; (ii) is hired or rehired on or after July 1, 2015; (iii) has maximized the Participant's Before-Tax Employee Savings and/or Roth Contributions under Article 3 of the Profit Sharing Plan for the Plan Year under the terms of the Profit Sharing Plan; (iv) has a Company Matching Contribution under the Profit Sharing Plan limited directly or indirectly for the Plan Year by Code §§401(a)(17), 402(g) or 415; and (v) elects to defer to this Plan at least 6% of the total of the Participant's annual base salary and his or her annual incentive payment paid for the Plan Year under paragraph (c) above.

As an example and for avoidance of doubt with respect to (v) above, eligibility for a 2024 supplemental match requires that the Participant elect to defer to the Plan at least 6% of his annual base salary paid in 2024 and 6% of the annual incentive payment earned in 2023, but paid in 2024.

Notwithstanding the preceding, for purposes of (v) above for a Match Participant's initial year of eligibility for a supplemental match, the Participant only must defer at least 6% of his annual base salary. As an example and for avoidance of doubt, if a Match Participant commences employment in 2023 and becomes first eligible for a supplemental match in 2024, he only must defer 6% of his annual base salary paid in 2024 to this Plan, and is not required to defer his annual incentive payment, because he will not be receiving an annual incentive payment in 2024 for incentive earned in 2023.

4. <u>Compensation</u>

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

5. Funding

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

6. Payment of Benefits

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

(1) In the event that the Participant's employment terminates before the Participant attains age 55, but after the earlier of his or her Early Retirement Date or Normal Retirement Date, each as defined in the Pension Plan, the Actuarial Present Value of the Participant's supplemental pension benefit, plus interest through December 31 of the year in which the termination of employment occurs, shall be payable in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event later than March 15 of such year.

(2) In the event that the Participant's employment terminates prior to the earlier of his or her Early Retirement Date or Normal Retirement Date, each as defined in the Pension Plan, the Actuarial Present Value of the Participant's supplemental pension benefit and of the Retirement Income otherwise payable to the Participant shall be determined using the applicable interest rate and applicable mortality table prescribed by the Secretary of the Treasury pursuant to Code §417(e). For this purpose, the interest rate used for distributions made pursuant to this paragraph shall be the applicable interest rate for the month of November in the prior Plan Year. The Actuarial Present Value of the Participant's supplemental pension benefit, plus interest at the first segment rate through December 31 of the year in which the termination of employment occurs, shall be payable in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event later than March 15 of such year.

(3) (A) Subject to Subsection (6), in the event of the death of a Participant before attaining age 55 and before supplemental pension benefit payments have commenced, as applicable, hereunder, the Actuarial Present Value of the supplemental pension benefit payable to the Participant, plus interest through December 31 of the year in which the death occurs, shall be payable to the Participant's spouse in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's death, but in no event later than March 15 of such year. If the Participant is not married on the date of death, no supplemental pension benefit shall be payable hereunder on behalf of the Participant. In the event the Participant is married on the date of death, but his or her surviving spouse dies before the supplemental pension benefit is paid, such benefit shall be paid to the surviving spouse's named beneficiary, or to the spouse's estate if there is no beneficiary on file.

(B) Subject to subsection (6), in the event of the death of a Participant on or after attaining age 55 and before supplemental pension benefit payments have commenced, as applicable, hereunder, any supplemental pension benefit, plus interest through December 31 of the year prior to the applicable January 1, shall be paid to the Participant's spouse in ten annual installments, beginning as soon as administratively possible on or after the January 1 following the Participant's death, but in no event later than March 15 of such year. Any installments remaining upon the death of the spouse shall continue to be made annually to the spouse's named beneficiary or to the spouse's estate if there is no beneficiary on file. Payments shall be made as soon as administratively possible beginning on or after the January 1 following the death of the spouse, but in no event later than March 15 of such year. Interest on any unpaid installments shall be determined as set forth in Section 6(a). If the Participant is not married on the date of death, no supplemental pension benefit shall be payable hereunder on behalf of the Participant.

(4) In the event of a Change in Control with respect to the Company, the Actuarial Present Value of any unpaid supplemental pension benefit, plus interest to the date of payment, shall be payable in an immediate lump sum as soon as administratively possible on or after the date of the Change in Control, but in no event later than March 15 following the Plan Year in which the Change in Control occurs.

(5) Notwithstanding anything herein to the contrary, the Participant may request, and, in its sole and absolute discretion, the Company may agree to allow the Participant to change the method or time for distribution of any supplemental pension benefit payable hereunder, in accordance with such form and procedures as the Company may establish from time to time; provided that such agreement is reached and recorded at least 12 months prior to the date the benefit payment hereunder would otherwise commence, as applicable, and such agreement shall not take effect until at least 12 months following the date on which such agreement was reached and recorded, and any such agreement defers the payment for a period of at least five years from the date it would otherwise be made.

(6) Notwithstanding anything herein to the contrary, payment of the supplemental pension benefit shall commence, as applicable, at the time and in the manner provided with respect to the first to occur of a termination of employment, death or Change in Control, to the extent provided herein, and any such subsequent event (other than a Change in Control, as provided below) shall not change the time and form of payment. Upon a Change in Control subsequent to a termination of employment or death of the Participant, payment of any unpaid supplemental pension benefit shall be payable in accordance with subsection (4) above. In the event of the death of a Participant after a termination of employment or Change in Control, distribution of any unpaid supplemental pension benefits shall commence or continue, as applicable, to the Participant's spouse at such time and in such form as provided on account of such termination of employment or Change in Control, without regard to such death. Any installments remaining upon the death of the spouse shall continue to be made annually to the spouse's named beneficiary, or to the spouse's estate if there is no beneficiary

designation on file. If the Participant is not married on the date of death and supplemental pension benefit payments have commenced, any unpaid supplemental pension benefit shall be payable hereunder to the Participant's named beneficiary, or to the Participant's estate if there is no beneficiary designation on file.

(7) Notwithstanding any other provision in Section 6(a) to the contrary, in the event a Participant or a Participant's spouse is entitled to receive a supplemental pension benefit in the form of annual installment distributions and the Actuarial Present Value of such installment distributions does not exceed $5,000 as of December 31 in the year of the Participant's termination of employment, the Actuarial Present Value shall be paid in an immediate lump sum as soon as administratively possible on or after January 1 following the year of the Participant's termination of employment. For purposes of this Section 6(a)(7), the calculation of Actuarial Present Value shall include consideration of all benefits to which the Participant is entitled to from all nonaccount balance nonqualified deferred compensation plans, within the meaning of Treasury Regulation Section 1.409A-1(c)(2)(C), sponsored by the Company and Affiliates.

(b) <u>Supplemental Profit Sharing Benefit, Deferred Compensation Benefit and Supplemental Match Benefit</u>. If the Participant has executed a Deferral Agreement with the Company for the Plan Year prior to January 1 thereof, any Compensation the Participant has elected to defer in accordance with the terms hereof and the supplemental profit sharing benefit and supplemental match benefit, if any, to which the Participant is entitled hereunder for such Plan Year shall automatically be credited to the deferred compensation account established for the Participant on the Company's books pursuant to such Deferral Agreement and this Supplemental Benefit Plan, shall be credited with interest at the rate determined under the Participant's Deferral Agreement and shall be payable, at or after the termination of the Participant's employment, as provided herein, in accordance with the terms of such Deferral Agreement. With respect to the supplemental match benefit, such amount shall be paid in accordance with the terms of such Deferral Agreement if and only if the Participant is fully vested in the value of the Participant's interest in Account D under the Profit Sharing Plan. Any such election to defer shall remain in effect only for the given Plan Year. Any supplemental match benefits which are not fully vested at the time of termination shall be forfeited and never restored.

(1) No Deferred Compensation Election. If no Deferral Agreement is in force with respect to the Participant for the Plan Year, any supplemental profit sharing benefit payable for such Plan Year shall be paid to the Participant on April 1 following the Plan Year with respect to which such supplemental profit sharing benefit applies.

(2) Employment Termination on or after Age 55. In the event that the Participant's employment terminates on or after the Participant attains age 55, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan Year which immediately precedes the last applicable January 1 installment, as set forth below, shall be payable to the Participant beginning as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event shall such benefits commence later than March 15 of such Plan Year.

(A) With respect to a Participant who was hired, or was last re-hired, by the Company before July 1, 2015, such benefits shall be payable in ten equal annual installments.

(B) With respect to a Participant who is hired, or is last re-hired, by the Company on or after July 1, 2015, such benefits shall be payable in five equal annual installments.

(3) Employment Termination Before Age 55. In the event that the Participant's employment terminates before the Participant's attainment of age 55, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan Year in which the Participant terminates employment, shall be payable in an immediate lump sum as soon as administratively possible on or after the January 1 following the Participant's termination of employment, but in no event later than March 15 of such Plan Year.

(4) Death Before Age 55. Subject to subsection (10), in the event of the death of a Participant before attaining age 55 and before any supplemental profit sharing benefits, deferred compensation benefits or supplemental match benefits have commenced, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the Plan Year in which the Participant dies, shall be payable to the Participant's beneficiary in an immediate lump sum as soon as administratively possible on or after the January 1 following the date of the Participant's death, but in no event later than March 15 of such Plan Year.

(5) Death On Or After Age 55. Subject to subsection (10), in the event of the death of a Participant, on or after attaining age 55 and before any supplemental profit sharing benefits, deferred compensation benefits or supplemental match benefits have commenced, any

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

(A) With respect to a Participant who was hired, or was last re-hired, by the Company before July 1, 2015, such benefits shall be payable to the beneficiary in ten equal annual installments.

(B) With respect to a Participant who is hired, or last re-hired, by the Company on or after July 1, 2015, such benefits shall be payable to the beneficiary in five equal annual installments.

(6) Change in Control. In the event of a Change in Control of the Company, any unpaid supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit, plus interest to the date of payment, shall be payable in an immediate lump sum as soon as administratively possible on or after the date of the Change in Control, but in no event later than March 15 following the Plan Year in which the Change in Control occurs.

(7) Disability.

(A) Subject to subsection (10), in the event that a Participant is Disabled, as determined in accordance with Section 409A of the Code, prior to age 55 and before any supplemental profit sharing benefits, deferred compensation benefits or supplemental match benefits have commenced, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit, plus interest through the end of the calendar month in which the Disability occurred, shall be payable in an immediate lump sum as soon as possible on or after the first day of the calendar month following the date of such Disability, but in no event later than March 15 following the Plan Year in which the Disability occurs.

(B) In the event that a Participant is so Disabled on or after age 55 and before any such benefits have commenced, any supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit credited on behalf of such Participant, plus interest through December 31 of the

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

(8) Unforeseeable Emergency. A Participant may apply in writing to the Company for, and the Company may permit, the acceleration of a distribution of all or part of a Participant's unpaid supplemental profit sharing benefit, deferred compensation benefit and/or supplemental match benefit (to which such Participant is vested) if the Company, in its sole discretion, determines that the Participant has incurred an Unforeseeable Emergency. For purposes of this Supplemental Benefit Plan, an Unforeseeable Emergency shall be deemed to exist when the Company, in its sole and absolute discretion, determines that a Participant requires a distribution to meet an Unforeseeable Emergency, as determined in accordance with Section 409A of the Code. A distribution based upon Unforeseeable Emergency shall be limited to the amount reasonably necessary to meet the immediate financial need created by such Unforeseeable Emergency, plus the federal and state taxes due on such amount, as determined by the Company. The Company may require a Participant who requests such a distribution to submit such evidence as the Company, in its sole discretion, deems necessary or appropriate to substantiate the circumstances upon which the request is based. Any distribution due to an Unforeseeable Emergency hereunder shall be made as soon as administratively possible on or after the first day of the calendar month following the date on which the Company has determined, in its sole and absolute discretion, that an Unforeseeable Emergency exists.

(9) Change in Distribution Method or Timing. Notwithstanding anything herein to the contrary, the Participant may request, and, in its sole and absolute discretion, the Company may agree to allow the Participant to change the method or time for distribution of any supplemental profit sharing benefits, deferred compensation benefits or supplemental match benefits payable hereunder, in accordance with such form and procedures as the Company may establish from time to time; provided that such agreement is reached and recorded at least 12 months prior to the date the benefit payments hereunder

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

(10) Impact of Subsequent Distributable Events. Notwithstanding anything herein to the contrary, payment of the supplemental profit sharing benefit, deferred compensation benefit and supplemental match benefit shall commence, as applicable, at the time and in the manner provided herein with respect to the first to occur of a termination of employment, death, Disability or Change in Control, to the extent provided herein, and any such subsequent event (other than a Change in Control, as provided below) shall not change the time and form of payment. Upon a Change in Control subsequent to a termination of employment, death or Disability of the Participant, payment of any unpaid benefit shall be payable in accordance with subsection (6) above. In the event of the death of a Participant after a termination of employment, Disability or Change in Control, distribution of any unpaid supplement profit sharing benefits, deferred compensation benefits and supplemental match benefits shall commence or continue, as applicable, to the Participant's beneficiary at such time and in such form as provided on account of such termination of employment, Disability or Change in Control, without regard to such death.

(11) Interest Crediting on Installments. For purposes of Section 6(b) interest paid on any unpaid installments shall be credited at the rate determined under the Participant's Deferral Agreement.

(c) To avoid administrative difficulties: (i) If and only if Section 6 otherwise provides for the payment of a benefit following the death of the Participant or beneficiary, a Participant may name a beneficiary to receive his or her interest in the Plan in the event of the Participant's death and the beneficiary of a Participant may also name a beneficiary to receive benefits in the event of the beneficiary's death; (ii) Notwithstanding the preceding, in the event a Participant or beneficiary fails to name a beneficiary to whom benefits can be paid, the benefit shall be paid to the estate of the Participant or the beneficiary as the case may be. In the event a Participant or a beneficiary dies with no beneficiary on file and no estate has been opened, the Company has the discretion, upon presentation of satisfactory documentation, to pay benefits to specific individuals in lieu of requiring that an estate be opened for the purpose of receiving said benefits; and (iii) If any beneficiary, including a spouse of a Participant, shall die simultaneously with the person whose death gives rise to the beneficiary's right to receive benefits under the Plan, or under such circumstances as to render it impossible or difficult to determine who died first, the beneficiary, including the spouse of a Participant, shall be deemed to have not survived such beneficiary; and the provisions of this Plan shall be construed and the distribution of benefits herein shall be governed accordingly.

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

7. <u>Right to Continued Employment</u>

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

8. <u>Assignability of Benefits</u>

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

9. <u>Unsecured Right to Benefits</u>

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

10. <u>Taxes</u>

If the Participant or beneficiary becomes entitled to receive benefits or other taxable income pursuant to this Supplemental Benefit Plan, the Company shall have the right to withhold from the amount the Company would otherwise be required to pay to the Participant or beneficiary pursuant to this Supplemental Benefit Plan, the amount of any taxes which the Company is or will be required to withhold under the applicable federal, state and local income and employment tax laws. Furthermore, the Company may elect to deduct such taxes from any other amounts payable at any time in cash or otherwise to the Participant or beneficiary on or after the date any benefit hereunder must be taken into account for purposes of such taxes. The Company shall bear no responsibility whatsoever for the Participant's or beneficiary's taxes, including interest and penalties, or tax effects resulting from this Supplemental Benefit Plan or for the payment of benefits to a beneficiary consistent with Subsection 6(c), following the death of a Participant or a beneficiary.

11. Claims Procedure

(a) Claim - The Participant or other person who believes that he or she is being denied a benefit to which he or she is entitled (hereinafter referred to as "Claimant") may file a written request for such benefit with the Company setting forth his or her claim. The Company shall advise the Claimant that a reply will be forthcoming within thirty (30) days and deliver a reply within thirty (30) days. However, the Company may extend the reply period for an additional fifteen (15) days for reasonable cause. If the claim is denied in whole or in part, the Company will adopt a written opinion using language calculated to be understood by the Claimant setting forth:

(i) the specific reason or reasons for denial;

(ii) the specific references to pertinent Plan provisions on which the denial is based;

(iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation why such material or such information is necessary;

(iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review; and

(v) the time limits for review under Subsection 11(b), below.

(b) Review – Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the previous determination be reviewed by the Employees' Benefit Committee (hereinafter referred to as the "Committee"). If the Claimant does not request a review of the Company's determination within such 60- day period, he or she shall be barred and estopped from challenging the Company's decision. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Committee. Within thirty (30) days after the Committee's receipt of a request for review, it will render a written opinion setting forth the specific reasons for the decision, the specific references to the pertinent Plan provisions on which the decision is based, a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all relevant documents, records and other information, and a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following the adverse benefit determination on such review. If special circumstances require that the thirty (30) day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible but not later than sixty (60) days after receipt of the request for review. The Committee has discretionary authority to determine a Claimant's eligibility for benefits and to interpret the terms of the Plan.

12. Administration

The Supplemental Benefit Plan shall be administered by the Company in a manner generally consistent with the substance of Article VIII of the Pension Plan. The Company may designate such person(s) or the Committee as it deems appropriate to assume all or any portion of such administration.

13. Amendment and Termination

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

14. Other Distributions

Notwithstanding anything herein to the contrary, any distributions that commenced prior to January 1, 2021 shall be made or continue in the same time and manner as provided under the terms of the applicable governing documents prior to January 1, 2021, provided that such time and manner of distribution would not be subject to the adverse tax consequences under Code §409A.

15. Beneficiary

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

16. Section 409A

(a) General. The Company intends that the benefits and rights to which the Participant could be entitled pursuant to this Plan either comply with Code §409A, and the Treasury Regulations and other guidance promulgated or issued thereunder, or fall within one of the exceptions to Code §409A including, without limitation, the short-term deferral exception, and the provisions of this Plan and each benefit or right shall be construed in a manner consistent with that intention. If a Participant or the Company believes, at any time, that any such benefit or right that is subject to Code §409A does not so comply, it shall promptly advise the other and the parties shall negotiate reasonably and in good faith to amend the terms of such benefits and rights such that they comply with Code §409A (with the most limited possible economic effect on the Participant and on the Company).

(b) No Acceleration of Payments. Neither the Company nor any Participant, individually or in combination, may accelerate any payment or benefit that is subject to Code §409A, except in compliance with Code §409A and the provisions of this Plan, and no amount that is subject to Code §409A shall be paid prior to the earliest date on which it may be paid without violating Code §409A.

(c) Treatment of Each Installment as a Separate Payment. For purposes of applying the provisions of Code §409A to this Plan, each separately identified amount to which a Participant is entitled under this Plan or any benefit or right shall be treated as a separate payment. In addition, to the extent permissible under Code §409A, any series of installment payments under this Plan shall be treated as a right to a series of separate payments.

(d) Responsibility for Taxes. Each Participant is solely responsible and liable for the satisfaction of all taxes (including any related penalties and interest) that may arise in connection with this Plan (including any taxes arising under Code §409A), and the Company shall have no obligation to indemnify or otherwise hold any Participant harmless from any or all of such taxes.

(e) “Termination of Employment” or words of similar import, as used in this Plan means, for purposes of any payments under this Plan that are payment subject to Code §409A, the Participant’s “separation from service” as defined in Code §409A. For purposes of Code §409A, the right to a series of installment payments under this Plan shall be treated as a right to a series of separate payment.

(f) If a payment obligation under the Plan arises on account of a Participant’s termination of employment while a “specified employee” (as defined under Code §409A and determined in good faith by the Committee), any payment of “deferred compensation” (as defined under Treasury Regulation Section

1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Section 1.409A-1(b)(3) through (b)(12) shall be made within fifteen (15) days after the end of the six-month period beginning on the date of such termination of employment or, if earlier, within fifteen (15 days after appointment of the personal representative or executor of the Participant's estate following the death of the Participant.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed in its name and behalf this 13th day of September 2023, by its officer thereunto duly authorized.

GRAYBAR ELECTRIC COMPANY, INC.

By:____
Senior Vice President-Human Resources

By:____
Senior Vice President -Secretary & General Counsel

EXHIBIT A

ADOPTING AFFILIATES
(Effective Date: January 1, 2024)

Entity	Effective Date of Participation
1. Graybar Management Services, LLC	January 1, 2021

As approved by the Graybar Electric Company, Inc. Employees' Benefit Committee

By: ______________________________
Senior Vice President-Human Resources

Exhibit 10.2

AMENDMENT NO. 5
TO
PRIVATE SHELF AGREEMENT

Dated as of July 20, 2023

PGIM, Inc. ("**Prudential**") and
Each other Prudential Affiliate which becomes
bound by the Agreement (defined below)
c/o Prudential Capital Group
2200 Ross Avenue, Suite 4300
Dallas, Texas 75201

Ladies and Gentlemen:

We refer to the Private Shelf Agreement, dated as of September 22, 2014, as amended by Amendment No. 1 to the Private Shelf Agreement, dated August 2, 2017, as further amended by Amendment No. 2 to the Private Shelf Agreement, dated August 10, 2018, as further amended by Amendment No. 3 to the Private Shelf Agreement, dated July 29, 2020, and as further amended by Amendment No. 4 to the Private Shelf Agreement, dated August 13, 2021 (as it may be further amended, restated, supplemented or otherwise modified from time to time, the "**Agreement**"), by and among Graybar Electric Company, Inc., a New York corporation (the "**Company**"), Prudential and each Prudential Affiliates which becomes party to the Agreement (each, a "**Purchaser**" and collectively, the "**Purchasers**"). Unless otherwise defined herein, the terms defined in the Agreement shall be used herein as therein defined.

The Company desires to amend the Agreement to (i) increase the size of the Facility to $200,000,000 and (ii) extend the Issuance Period, which would otherwise end on August 2, 2023, to August 2, 2026.

It is hereby agreed by you and us as follows:

I. AMENDMENTS TO AGREEMENT.

Subject to the conditions herein (including, without limitation, Section II(b)), effective on the date hereof (the "**Effective Date**"), the Agreement is hereby amended by this letter amendment (this "**Amendment**") as follows:

(a) **Section 1 Authorization of Notes**. Section 1 of the Agreement is hereby deleted and replaced in its entirety as follows:

> "The Company will authorize the issue of senior promissory notes (the '**Shelf Notes**', such term to include any such notes issued in substitution thereof pursuant to Section 13) in the aggregate principal amount of up to $200,000,000, each to be dated the date of issue thereof, to mature, in the case of each Shelf Note so issued, no more than 12 years after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so

issued, of no more than 12 years after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in the Confirmation of Acceptance with respect to such Shelf Note delivered pursuant to Section 2(f), and to be substantially in the form of Schedule 1 attached hereto. The terms 'Note' and 'Notes' as used herein shall include each Shelf Note delivered pursuant to any provision of this Agreement and each Note delivered in substitution or exchange for any such Note pursuant to any such provision. Notes which have (i) the same final maturity, (ii) the same principal prepayment dates, (iii) the same principal prepayment amounts (as a percentage of the original principal amount of each Note), (iv) the same interest rate, (v) the same interest payment periods and (vi) the same date of issuance (which, in the case of a Note issued in exchange for another Note, shall be deemed for these purposes the date on which such Note's ultimate predecessor Note was issued), are herein called a 'Series' of Notes. *Certain capitalized and other terms used in this Agreement are defined in* *<u>Schedule A</u>. References to a 'Schedule' are references to a Schedule attached to this Agreement unless otherwise specified. References to a 'Section' are references to a Section of this Agreement unless otherwise specified."*

(b) **Section 2(b) Issuance Period.** Clause (b) of Section 2 of the Agreement is hereby deleted and replaced in its entirety as follows:

"(b) *Issuance Period*. Shelf Notes may be issued and sold pursuant to this Agreement until the earlier of (i) August 2, 2026 (or if such date is not a Business Day, the Business Day next preceding such date), and (ii) the thirtieth day after Prudential shall have given to the Company, or the Company shall have given to Prudential, a written notice stating that it elects to terminate the issuance and sale of Shelf Notes pursuant to this Agreement (or if such thirtieth day is not a Business Day, the Business Day next preceding such thirtieth day). The period during which Shelf Notes may be issued and sold pursuant to this Agreement is herein called the 'Issuance Period'."

II. CONDITIONS TO EFFECTIVENESS OF AMENDMENTS.

(a) **<u>Representations and Warranties</u>**. The Company represents and warrants that (i) the execution and delivery of this Amendment has been duly authorized by all necessary corporate action of the Company and this Amendment has been executed and delivered by a duly authorized officer of the Company, and all necessary or required consents to this Amendment (other than any consents required to be obtained solely by a Purchaser) have been obtained and are in full force and effect, (ii) the Agreement, as amended by this Amendment, constitutes the legal, valid and binding obligation contract and agreement of the Company enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), (iii) each representation and warranty set forth in Section 5 of the Agreement (as modified by the updated Schedules 5.3, 5.4, 5.5, and 5.9 attached hereto), is true and correct as of the date of execution and delivery of this Amendment by the Company with the same effect as if made on such date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they were true and correct as of such earlier date), and (iv) no Event of Default or Default under the Agreement exists or has occurred and is continuing on the date hereof.

(b) **Effectiveness**. This Amendment shall become effective upon fulfillment of the following conditions: (i) the Company and Prudential shall have executed a copy of this Amendment on or prior to the Effective Date, (ii) Prudential shall have received a copy of the resolutions of the board of the Company authorizing the execution, delivery and performance by the Company of this Amendment, certified by its secretary or assistant secretary, (iii) the Company shall have paid the structuring fee described in Section III(b) of this Amendment to Prudential, and (iv) Prudential shall have received such other documents and certificates as it may reasonably request relating to the Amendment and the transactions contemplated by the Amendment.

III. MISCELLANEOUS.

(a) **Reference to and Effect on Agreement**. Upon the effectiveness of this Amendment, each reference to the Agreement in any other document, instrument or agreement shall mean and be a reference to the Agreement as modified by this Amendment. Except as specifically set forth in Section I hereof, the Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. The execution, delivery and effectiveness of this Amendment shall not be construed as a course of dealing or other implication that any holder of the Notes has agreed to or is prepared to grant any consents or agree to any waiver to the Agreement in the future, whether or not under similar circumstances.

(b) **Structuring Fee**. The Company agrees to pay to Prudential on the date hereof a structuring fee of $50,000.00. Such payment shall be made to Prudential at the address for payments specified in Schedule B to the Agreement, or by such other method or at such other address as Prudential shall specify to the Company in writing for such purpose.

(c) **Expenses.** The Company hereby confirms its obligations under the Agreement, whether or not the transactions hereby contemplated are consummated, to pay, promptly after request by Prudential, all reasonable out-of-pocket costs and expenses, including attorneys' fees and expenses, incurred by them in connection with this Amendment and the transactions contemplated hereby, in enforcing any rights under this Amendment, or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Amendment or the transactions contemplated hereby.

(d) **Governing Law. THIS AMENDMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK (EXCLUDING ANY CONFLICTS OF LAW RULES WHICH WOULD OTHERWISE CAUSE THIS AMENDMENT TO BE CONSTRUED OR ENFORCED IN ACCORDANCE WITH, OR THE RIGHTS OF THE PARTIES TO BE GOVERNED BY, THE LAWS OF ANY OTHER JURISDICTION).**

(e) **Counterparts; Section Titles.** This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment. The section titles contained in this Amendment are and shall be without substance, meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

[SIGNATURE PAGE TO FOLLOW]

If you agree to the terms and provisions hereof, please evidence your agreement by executing and returning at least one counterpart of this Letter Amendment No. 5 to Senior Vice President, Secretary and General Counsel, Graybar Electric Company, Inc., 34 North Meramec Avenue, St. Louis, MO 63105.

Very truly yours,

GRAYBAR ELECTRIC COMPANY, INC.

By: /s/ T. E. Carpenter
Name: Timothy E. Carpenter
Title: Vice President and Treasurer

Agreed as of the date first above written:

PGIM, INC.

By: /s/ Brooke Ansel
Name: Brooke Ansel
Title: Vice President

SCHEDULE 5.3
DISCLOSURE MATERIALS

Filings	Filed/Effective	File/Film Number
8-K	**2023-06-08**	000-00255 231001519
DEFA14C	**2023-04-28**	000-00255 23861748
DEF 14C	**2023-04-28**	000-00255 23861733
ARS	**2023-04-25**	000-00255 23845868
10-Q	**2023-04-24**	000-00255 23839712
8-K	**03-29-2023**	000-00255 23775011
10-K	**2023-03-16**	000-00255 23737739
10-K	**2023-03-09**	000-00255 23718694
SC 13G/A	**2023-02-10**	0000205402-23-000003

All of the above filings by the Company or the Voting Trust with the United States Securities and Exchange Commission are incorporated herein by this reference.

SCHEDULE 5.4
SUBSIDIARIES OF THE COMPANY AND
OWNERSHIP OF SUBSIDIARY STOCK

(i) SUBSIDIARIES OF THE COMPANY

ENTITY NAME	JURISDICTION OF INCORPORATION, FORMATION OR ORGANIZATION	PERCENTAGE OF SHARES HELD OR BENEFICIALLY OWNED (DOMESTIC SUBSIDIARIES ONLY)
Distribution Associates Incorporated	Missouri	100%
GRIPP, LLC (f/k/a 25 NC, LLC)	Missouri	100%
Gnewco, LLC	Delaware	100%
GBE Sub, LLC	Missouri	100%
Cape Electrical Supply Holding LLC	Delaware	100%
Cape Electrical Supply LLC	Delaware	100%
St. Louis-Metro Electric Supply, Inc.	Missouri	100%
Advantage Industrial Automation, Inc.	Georgia	100%
Michigan Utility Supply, LLC	Michigan	100%
Shepherd Electric Company, LLC(2)	Maryland	100%
Shepherd Electric Supply of Washington DC, LLC(2)	Delaware	100%
GBE2, LLC	Delaware	100%
Shingle & Gibb Automation, LLC	Delaware	100%
Steven Engineering Incorporated	California	100%
Walker Industrial Products, Inc.	Connecticut	100%
Valin Corporation(1)	California	100%
USAutomation(1)	California	100%
The Filter Factory, Inc.(1)	Delaware	100%
GBE3, LLC	Delaware	100%
Lab Development, LLC	Illinois	100%
Graybar Aus. Pty Ltd.	Australia (Victoria)	
Graybar Business Services, Inc.	Missouri	100%
Graybar Electric Limited	Nova Scotia	
Graybar Electric Canada Limited	Nova Scotia	
Graybar Canada Limited	Nova Scotia	
Graybar Energy Limited	Ontario	
Électro-Mag Inc.	Quebec	

Les Controles JAD Inc.	Quebec	
Graybar de México S. de RL de CV	Mexico	
Graybar Financial Services, Inc.	Missouri	100%
Graybar International, Inc.	Missouri	100%
Graybar Services, Inc.	Illinois	100%
Graybar Newfoundland Limited	Newfoundland & Labrador	*

(1) Acquired effective May 1, 2023.
(2) Acquired effective July 14, 2023

(ii) **AFFILIATES OF THE COMPANY**

The Affiliates of the Company are as follows:

(1) Graybar Voting Trust. The Graybar Voting Trust, pursuant to the Voting Trust Agreement dated as of March 3, 2017, holds approximately 83% of the outstanding shares of the Company at March 31, 2023.

(2) Graybar Newfoundland Limited is the 49% general partner in Innunuk Traders Limited Partnership.

(iii) **DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY**

K. M. Mazzarella	Chairman, President and Chief Executive Officer and Director
D. A. Bender	Director
D. E. DeSousa	Senior Vice President and General Manager and Director
M. W. Geekie	Senior Vice President, Secretary and General Counsel and Director
R. H. Harvey	Director
D. M. Meyer	Senior Vice President and Chief Financial Officer and Director
W. P. Mansfield	Senior Vice President, Strategy and Business Development and Director
D. G. Maxwell	Senior Vice President – Sales, and Director
B. L. Propst	Senior Vice President – Human Resources and Director

SCHEDULE 5.5
FINANCIAL STATEMENTS

See unaudited Company financial statements for and as of the period ended March 31, 2023 as filed by the Company with the Securities and Exchange Commission in its Form 10-Q filed on April 24, 2023.

SCHEDULE 5.9
MOST RECENT CLOSED TAX YEAR

December 31, 2018

SCHEDULE 5.15
EXISTING INDEBTEDNESS

(stated in thousands)		
Debt Source	Obligor	Balance Outstanding as of March 31, 2023
Long Term Debt:		**Amount**
Various capital leases due in monthly installments with various maturities & long term debt for a vehicle	Graybar Electric Company, Inc., Cape Electrical Supply LLC, & Cape Electrical Supply Holdings, LLC	$5,224
Total Long Term Debt		$5,224
Undrawn letters of credit issued by Commerce Bank, Bank of America and BMO	Graybar Electric Company, Inc.	$7,824

1) There are various inter-company notes that are eliminated in consolidation.

2) Graybar Canada Limited overdraft line.

3) Indebtedness under the Fifth Amendment to Credit Agreement, dated March 29, 2023, by and among, the Company, Graybar Canada Limited and the lenders from time to time 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.

4) Notes issuable under the Senior Notes (none outstanding at Fifth Amendment Effective Date).

SCHEDULE 10.3

Liens Securing	Obligor	Security
Various capital leases due in monthly installments, various maturities, long term debt for a vehicle, securing debt in Schedule 5.15	Graybar Electric Company, Inc., Cape Electrical Supply Holdings LLC & Cape Electrical Supply LLC	Computer Equipment, Buildings & Vehicles

SCHEDULE 10.6

EXISTING INVESTMENTS

Graybar Management Services, LLC
GBE Sub, LLC
GBE2, LLC
GBE3, LLC
Advantage Industrial Automation, Inc.
Graybar Electric Limited
Graybar International, Inc.
Distribution Associates, Inc.
Graybar Financial Services, Inc.
Graybar Business Services, Inc.
Graybar AUST. PTY. LTD.

In addition to the subsidiaries listed above, the Company (and its subsidiaries) have outstanding investments in the subsidiaries and affiliates set forth in Schedule 5.4, which are incorporated by reference.

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.

Date: October 30, 2023

/s/ Kathleen M. Mazzarella

Kathleen M. Mazzarella
President, Chief Executive Officer and Principal Executive Officer

Exhibit 31.2

CERTIFICATION

I, David M. Meyer, 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.

Date: October 30, 2023

/s/ David M. Meyer

David M. Meyer
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, 2023 (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.

Date: October 30, 2023

/s/ Kathleen M. Mazzarella

Kathleen M. Mazzarella
President, Chief Executive Officer and 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, David M. Meyer, 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, 2023 (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.

Date: October 30, 2023

/s/ David M. Meyer

David M. Meyer
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)