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## Texas State Securities Board

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October 25, 2006

Mr. John H. Denne  
Winston & Strawn LLP  
200 Park Avenue  
New York, New York 10166-4193

RE: Graybar Electric Company, Inc.

Dear Mr. Denne:

This letter is in response to your letter dated October 13, 2006, and received by this Agency on October 16, 2006. Your letter was supplemented by your facsimiles dated October 20, 2006, and October 25, 2006.

Your letter describes a proposed offering by Graybar Electric Company, Inc., a New York corporation (the "Company"), of 48,681 shares of common stock (the "Common Stock") to 399 active, full-time employees and 17 qualified retirees of the Company who reside in Texas. Your facsimile dated October 20, 2006, provides that of the 17 qualified retirees, 16 are existing security holders. The offering is made pursuant to the Company's Three-Year Common Stock Purchase Plan (the "Three-Year Plan") adopted in 2004, which provided for annual offerings in each of 2004, 2005 and 2006.

You stated that since 1929 the Company's equity securities have been owned entirely by its active, full-time employees and retirees on a regular pension (or their estates for the one-year period after death). Periodically, in order to permit new, active employees to obtain an equity interest as well as to permit existing, active full-time employees to purchase additional shares, the Company has offered its active, full-time employees the right to subscribe for shares of Common Stock under a succession of Common Stock Purchase Plans, of which the Three-Year Plan is the latest.

Your letter states that pursuant to provisions in the Company's certificate of incorporation, no holder may sell, transfer or otherwise dispose of Common Stock without first offering the Company a 30-day option to purchase such shares for the issue price, adjusted for any unpaid dividends. The Company also has the option to purchase, at the same price, shares of an employee whose employment terminates for a reason other than death or retirement on a regular pension and from the estate of an employee or retiree at any time after the expiration of one year after death.

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You described the Company as set apart from other issuers because of the fact that repurchases are made at \$20 per share, the same price at which the Common Stock has historically been issued. The return on Common Stock comes from dividends, both cash and stock. You stated that since 1961, dividends have been paid at an annual rate of at least \$2.00 per share, a consistent 10% annual return without taking stock dividends into account. You stated that the shareholders may offer to sell their shares back to the Company at any time at the \$20 issue price and the Company has consistently exercised its repurchase option.

Your facsimile dated October 25, 2006, provides that the officers and other employees of the Company who aid in offering and selling Common Stock under the Three-Year Plan meet all of the following conditions: (1) the officer or employee was not hired for the purpose of offering or selling such securities; (2) the officer's or employee's activity involving the offer and sale of such securities is strictly incidental to his or her bona fide primary nonsecurities-related work duties; and (3) the officer's or employee's compensation is based solely on the performance of such other duties, i.e., the officer or employee does not receive any compensation for the offering for sale, selling, or otherwise aiding the sale of securities.

Based upon the foregoing understanding, the exemption provided by Section 5.1(b) of the Texas Securities Act (the "Act") is available for the Company's Common Stock to be issued to active employees under the Three-Year Plan. Further, the exemption provided by Section 5.E of the Act is available for the Company's Common Stock to be issued to its existing security holders. In regards to the one Texas retiree who is not an existing security holder, the staff will recommend no action to require registration of the Common Stock to be issued to this individual. Finally, the staff will recommend no action to require the registration, as dealers or agents, of the Company or its officers and employees who offer and sell Common Stock in accordance with the above.

Please note that this Agency has not made an independent investigation of the facts, but has relied solely upon the information you have provided. If this information is incorrect or changes substantially, the staff would reconsider the matter and the opinion stated above would be void.

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Further, this Agency does not grant nor confer the exemption. Its availability depends entirely upon full compliance with the statutory language. If a dispute arises as to availability of the exemption, the burden of proof falls upon the party claiming the exemption.

Finally, opinions expressed by this Agency are not binding upon civil litigants in future proceedings.

I trust this information answers your inquiry. Please feel free to write us if you need further information.

Very truly yours,

DENISE VOIGT CRAWFORD  
Securities Commissioner

/dw

David Weaver  
General Counsel