SIGNALIFE, INC.
Form 10QSB
November 14, 2005

United States

Securities And Exchange Commission

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

x **Quarterly Report Under Section 13 Or 15(d) Of The Securities Exchange Act Of 1934**
For The Quarterly Period Ended September 30, 2005
o **Transition Report Under Section 13 Or 15(d) Of The Securities Exchange Act Of 1934**
For The Transition Period From ________ To _______
Commission File No. _______

SIGNALIFE, INC.

(Exact name of small business issuer as specified in its charter)

Delaware	**87-0441351**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

531 South Main Street, Suite 301
Greenville, South Carolina 29601
(864) 233-2300

(Address Of Principal Executive Offices)
(Issuer s Telephone Number)

Recom Managed Systems, Inc.

(former name, former address and former fiscal year, if change since last report)

Check whether the issuer (1) 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** x **No** o

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Securities Exchange Act of 1934): **Yes** o **No** x

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date: As of November 3, 2005, there were issued and outstanding 38,481,573 shares of common stock, par value $0.001 per share and 188,842 shares of series A preferred stock, par value $0.001 per share.

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ADVISEMENTS

Unless the context requires otherwise, *Signalife* , *the company* , *we* , *us* , *our* and similar terms refer to Signalife, Ir formerly known as Recom Managed Systems, Inc. Our common stock, par value $.001 per share, and our series A preferred stock, par value $.001 per share, are commonly referred to in this quarterly report as our *common shares* and *series A preferred shares* , respectively. The information in this quarterly report is current as of the date of this quarterly report (September 30, 2005), unless another date is specified.

We prepare our interim financial statements in accordance with United States generally accepted accounting principles. Our financial condition and results of operations for the nine-month interim period ended September 30, 2005 are not necessarily indicative of our prospective financial condition and results of operations for the pending full fiscal year ended December 31, 2005. The interim financial statements presented in this quarterly report as well as other information relating to our company contained in this quarterly report should be read in conjunction with the annual financial statements and more detailed background information relating to our company and our business contained in our annual report on form 10-KSB for our fiscal year ended December 31, 2004, as it may be amended, together with any reports, statements and information filed with the SEC relating to periods or events occurring after December 31, 2004.

On April 11, 2003, we effected a split in our common shares on a 3:1 forward basis through the mechanism of a stock dividend. Whenever we make any reference in this quarterly report to the grant or issuance of common shares or options or warrants to purchase common shares, such reference shall, for comparison purposes, be made in reference to post-split numbers and, in the case of options and warrants, exercise prices, unless we state otherwise.

In this quarterly report we make a number of statements, referred to as *forward-looking statements* , which are intended to convey our expectations or predictions regarding the occurrence of possible future events or the existence of trends and factors that may impact our future plans and operating results. These forward-looking statements are derived, in part, from various assumptions and analyses we have made in the context of our current business plan and information currently available to us and in light of our experience and perceptions of historical trends, current conditions and expected future developments and other factors we believe to be appropriate in the circumstances. You can generally identify forward-looking statements through words and phrases such as *seek* , *anticipate* , *believe* , *estimate* , *expect* , *intend* , *plan* , *budget* , *project* , *may be* , *may continue* , *may likely result* , and similar e When reading any forward looking statement you should remain mindful that actual results or developments may vary substantially from those expected as expressed in or implied by that statement for a number of reasons or factors, such as those relating to: (1) the success of our research and development activities, the development of a viable commercial production model, and the speed with which regulatory authorizations and product launches may be achieved; (2) whether or not a market for our products develops and, if a market develops, the pace at which it develops; (3) our ability to successfully sell our products if a market develops; (4) our ability to attract the qualified personnel to implement our growth strategies, (5) our ability to develop sales, marketing and distribution capabilities; (6) our ability to obtain reimbursement from third party payers for the products that we sell; (7) the accuracy of our estimates and projections; (8) our ability to fund our short-term and long-term financing needs; (9) changes in our business plan and corporate strategies; and (10) other risks and uncertainties discussed in greater detail in the sections of this report, including those captioned *Management s Discussion And Analysis Of Financial Condition, Results Of Operation And Plan Of Operation* and *Uncertainties And Other Risk Factors That May Affect Our Future Results And Financial Condition* .

Each forward-looking statement should be read in context with, and with an understanding of, the various other disclosures concerning our company and our business made elsewhere in this report as well as other public reports we

file with the United States Securities and Exchange Commission (the *SEC*), including our annual report on form 10-KSB for our fiscal year ended December 31, 2004, as it may be amended. You should not place undue reliance on any forward-looking statement as a prediction of actual results or developments. We are not obligated to update or revise any forward-looking statement contained in this report to reflect new events or circumstances unless and to the extent required by applicable law.

SIGNALIFE, INC.

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

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SIGNALIFE, INC.

(A Development Stage Company)

Balance Sheet

September 30, 2005

(Unaudited)

ASSETS		
Current assets:		
Cash and cash equivalents	$	5,990,265
Prepaid expenses and other current assets		63,733
Total current assets		6,053,998
Property and equipment, net of accumulated depreciation of $152,601.		298,052
Intangible patents, including related party amounts, net of accumulated amortization of $30,652		381,275
TOTAL ASSETS	$	6,733,325
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$	555,755
Lease payable current portion		3,307
Total current liabilities		559,062

Lease payable net of current portion	6,615
Total liabilities	565,677
Commitments and contingencies	
Stockholders equity:	
Series A convertible preferred stock, $.001 par value; 10,000,000 shares authorized; 112,991 shares issued and outstanding	113
Series A convertible preferred stock to be issued for accrued dividends, 75,851 shares	76
Common stock, $.001 par value; 100,000,000 shares authorized; 38,393,455 shares issued and outstanding	38,393
Additional paid-in capital	27,856,991
Deferred compensation	(1,711)
Deficit accumulated during development stage	(21,726,214)
Total stockholders equity	6,167,648
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 6,733,325

The accompanying notes are an integral part of these financial statements

1

SIGNALIFE, INC.

(A Development Stage Company)

Statements Of Operations

For The Three And Nine Months Ended September 30, 2005 And 2004 And From Inception

Of Development Stage (November 7, 2000) To September 30, 2005

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		From Inception of Development Stage (Nov. 7, 2000) to Sept. 30, 2005
	2005	2004	2005	2004	
Revenue	$	$	$	$	$
Research and development	365,327	448,078	1,197,597	880,523	3,426,090
General and administrative expenses	1,382,600	934,520	4,955,336	3,957,647	15,057,486
Loss before other income (expense)	(1,747,927)	(1,382,598)	(6,152,933)	(4,838,170)	(18,483,576)
Interest income	31,499	25,210	49,318	51,664	107,835
Interest expense, including amortization of debt discount	(488,130)		(1,292,463)		(1,307,638)
			318,000		187,570

Change in fair value of warrant liability					
Warrant re-pricing and other financing (cost) recovery			(226,294)		(384,810)
Loss before provision for income taxes	(2,204,558)	(1,357,388)	(7,304,372)	(4,786,506)	(19,880,619)
Provision for income taxes					
Net loss	(2,204,558)	(1,357,388)	(7,304,372)	(4,786,506)	(19,880,619)
Preferred dividend	11,134	68,258	43,620	246,962	2,292,242
Net loss attributable to common stockholders	$ (2,215,692)	$ (1,425,646)	$ (7,347,992)	$ (5,033,468)	$ (22,172,861)
Basic and diluted loss per share	$ (0.06)	$ (0.04)	$ (0.20)	$ (0.14)	$ (0.89)
Basic and diluted loss per share attributable to common stockholders	$ (0.06)	$ (0.04)	$ (0.20)	$ (0.15)	$ (0.99)
Weighted average shares outstanding basic and diluted	38,174,854	33,758,040	36,889,282	33,419,220	22,355,636

The accompanying notes are an integral part of these financial statements

SIGNALIFE, INC.

(A Development Stage Company)

Statement Of Stockholders Equity

From Inception Of Development Stage (November 7, 2000) To September 30, 2005

(Unaudited)

Series A Convertible Preferred Stock	
	Amount
	$

305

te my voting choices?

ur proxy in time to permit its use at the meeting, your shares will be voted in accordance with the instructions you indicate. If we have received your
t indicated otherwise, your shares will be voted as recommended by Grainger's Board. Specifically, your shares will be voted, either individually or

R the election of the director nominees;

R the proposal to ratify the appointment of the independent auditor;

R the approval of the advisory resolution on the compensation of Grainger's Named Executive Officers; and

R ONE YEAR as the frequency for shareholder advisory votes on the compensation of Grainger's Named Executive Officers.

owner and the shares you own are held in street name by a brokerage firm, bank, or other nominee **you must specifically instruct your nominee how voted for the election of directors, on the advisory resolution on the compensation of Grainger's Named Executive Officers, and on the eholder advisory votes on the compensation of Grainger's Named Executive Officers; otherwise your nominee is not allowed to vote your** your brokerage firm, bank, or other nominee with instructions to vote your shares for the election of directors and on other matters to be considered at

ry voting apply?

f any matter not described in this proxy statement that will be presented for consideration at the meeting. If another matter is properly presented, your the matter in accordance with the judgment of the person or persons voting the proxy unless your proxy withholds discretionary authority.

xy?

your proxy at any time before the voting at the meeting. You can do so in one of the following ways:

liver to Grainger's Corporate Secretary timely written notice that you are revoking your proxy; or

ovide to Grainger another proxy with a later date (which can be done by telephone, by Internet, or by signing, dating, and returning a proxy form); or

te in person at the meeting.

I receive more than one set of proxy materials?

of proxy-soliciting materials generally means that your Grainger shares are held in different names or in different accounts. You must sign, date and o ensure that all of your shares are voted.

orum at the meeting?

anding shares entitled to vote on a matter, whether present in person or by proxy, constitutes a quorum for consideration of that matter at the meeting. for valid action to be taken on the matter. Your shares will be present by proxy and count toward the quorum if you give us your proxy by telephone, ng, dating, and returning a proxy form.

f shareholder engagement occurred in 2016.

pansive shareholder engagement process. We hosted our annual investor day in November with more than 90 investors and analysts in attendance and

ebcast. In addition, we presented at 11 investor conferences and met with 500 unique firms and more than 850 unique investors in 2016. Our investor existing and potential shareholders and we ensure that we meet with at least 80% of our largest investors each year. We also met with 90% of our top index and exchange traded funds, between January and April prior to our 2016 annual meeting of shareholders to answer their questions regarding lts, governance, executive compensation and other topics. We plan to follow a similar practice in 2017. Further, management, including our Chief Chief Financial Officer, actively engages with investors throughout the year, in addition to the Investor Relations team.

soliciting proxies?

e costs of soliciting management proxies. Brokerage firms, custodians, nominees, fiduciaries, and other intermediaries are being asked to forward the als to beneficial owners of Grainger common stock and to obtain their authority to give proxies. Grainger will reimburse these intermediaries for their

proxy-soliciting materials, Grainger's directors, officers, and regular employees may solicit proxies personally, by telephone, or by other means. They nal compensation for these services, other than normal overtime pay, if applicable. Representatives of Grainger's transfer agent may also solicit ionally has employed D.F. King & Co., Inc. to help solicit proxies and will pay that firm approximately $7,000 for its services, plus reasonable costs

voting results?

ng results on a Form 8-K within four business days after the end of our annual meeting.

for receipt of shareholder proposals for inclusion in the 2018 annual meeting proxy statement?

nds to present a proposal at the next annual meeting of shareholders and who wishes the proposal to be included in our proxy materials for that le 14a-8 under the Securities Exchange Act of 1934, as amended (Exchange Act), must submit the proposal in writing to the Corporate Secretary at ce of annual meeting accompanying this proxy statement. The proposal must be received by Grainger no later than November 16, 2017, and must able SEC rules and other requirements prescribed in our by-laws.

e for nomination of directors at the 2018 annual meeting of shareholders using Grainger's proxy access by-laws?

er, or a group of up to 20 qualifying shareholders, owning 3% or more of the Company's outstanding shares of common stock continuously for at least ate and include in Grainger's proxy statement and proxy card qualifying director nominees constituting up to the greater of two directors or 20% of the on the Board, provided that the shareholder(s) and nominee(s) satisfy the requirements specified in our by-laws.

e for other nominations of directors or proposals to transact business at the 2018 annual meeting of shareholders?

to vote for the election of directors at an annual meeting and who is a shareholder of record on:

record date for that annual meeting,

date the shareholder provides timely notice to Grainger, and

date of the annual meeting

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persons for director, or make proposals of other business to be brought before the annual meeting, by providing proper timely written notice to the the address on the notice of annual meeting accompanying this proxy statement.

at written notice of proposals intended to be presented by a shareholder at the next annual meeting, but that are not intended for inclusion in our proxy ing pursuant to Rule 14a-8 of the Exchange Act, be delivered no earlier than December 27, 2017, and no later than January 26, 2018.

re that written notice of nominees for the election of directors intended to be made by a shareholder at the next annual meeting be delivered by no later ct to submission of shareholder proposals under Rule 14a-8 of the Exchange Act as set forth in the proxy statement for the preceding annual meeting in this case is November 16, 2017.

form, these notices must include certain information required by our by-laws, including information about the shareholder, any beneficial owner on nation or proposal is being made, their respective affiliates or associates or others acting in concert with them, and any proposed director nominee.

is available in the Governance section of Grainger's website at www.grainger.com/investor or may be obtained free of charge on written request to the the address on the notice of annual meeting accompanying this proxy statement.

dates for Board Membership

Nominating Committee recommends candidates for Board membership based on a number of criteria, including ethical standards, judgment, ctivity, strategic perspective, record of accomplishment, business knowledge and experience applicable to Grainger's goals. Suggestions as to from members of the Board Affairs and Nominating Committee, other directors, employees, search firms and others, including shareholders.

vould like the Board Affairs and Nominating Committee to consider a candidate for Board membership should send a letter of recommendation d address of the proposing shareholder and of the proposed candidate and setting forth the business, professional, and educational background of the well as a description of any agreement or relationship between the proposing shareholder and proposed candidate. A written consent of the proposed tified as a nominee and to serve as a director if elected must also be provided. The communication should be sent by mail or other delivery service to porate Secretary at Grainger's headquarters.

"categorical standards" to assist it in making independence determinations of nominees. The categorical standards are intended to help the Board in rtain relationships between nominees and Grainger are "material relationships" for purposes of the New York Stock Exchange (NYSE) independence cal standards adopted by the Board have more restrictive thresholds than the NYSE's bright line revenue test for non-independence. The categorical he Board are set forth in Appendix A to this proxy statement and are also available in the Governance section of Grainger's website at estor.

of its operations during 2016, Grainger engaged in various types of transactions with organizations with which Grainger directors are associated in occupations or otherwise. Specifically, in the ordinary course of its business during 2016, Grainger bought products and/or services from, or sold s to, companies with which Messrs. Santi and Slavik are or were associated as executive officers or otherwise as of December 31, 2016. In no instance the purchases from or sales to any such company during 2016 represent more than 0.241% of the projected consolidated gross revenues of that r more than 0.325% of the consolidated gross revenues of Grainger for the year.

s overall 2016 charitable contributions program, Grainger made donations to tax-exempt organizations with which Messrs. Novich and Santi serve as istees. In no instance did the total amount of the contributions to such an organization during 2016 represent more than 0.0526% of that organization's for the year.

hese transactions and donations in assessing the independence of the directors involved against the NYSE's independence standards and Grainger's nd determined that none of the directors had any direct or indirect material interest in the transactions and donations. Similar transactions and occur in the future, and are not expected to impair the independence of the directors involved.

ned that each of Messrs. Adkins, Anderson, Levenick, Novich, Roberts, Santi, and Slavik, and Ms. Hailey has no material relationship with Grainger
he NYSE independence standards and Grainger's categorical standards. The other nominees, Messrs. Ryan and Macpherson, are Grainger employees
ot considered "independent." Mr. Rogers, who is not standing for re-election at the annual meeting, has also been determined by the Board to have no
ith Grainger within the meaning of the NYSE independence standards and Grainger's categorical standards.

ectors

elected each year at the annual meeting. As set forth in the Operating Principles for the Board of Directors, Grainger expects all directors and
ual meetings. At the 2016 annual meeting, all of the persons serving as directors at the time were in attendance. In addition, all directors attended at
Committee meetings.

nt Board members, have been nominated by the Board for election at this year's annual meeting of shareholders. While Gary L. Rogers is also a current
not be standing for re-election this year in accordance with the Company's Criteria for Membership on the Board of Directors, which provide that an
lly will not be nominated after the age of 72. All directors are elected for a one-year term. Each director will therefore serve until the 2018 annual
s or until his or her successor has been qualified and elected. Details concerning the nominees are provided below.

ois law, majority voting applies to all Grainger director elections. Accordingly, directors are elected by the votes of a majority of the shares of
k represented in person or by proxy at the meeting and entitled to vote. A shareholder directing to withhold authority for re-election of a director will
votes against the election of that director. Assuming a quorum is present, broker non-votes will not affect the outcome of the vote. If any of the
nentioned below should be unavailable for election, a circumstance that is not expected, the person or persons voting your proxy may exercise
substitute nominee selected by the Board.

Experience, Qualifications, Attributes, and Skills

vided the following information about themselves, including their ages as of March 2017. Each nominee has provided information on his or her
at includes the nominee's experience for at least the past five years.

d nominees have varied experience, qualifications, attributes, and skills that assist them in providing guidance and oversight to Grainger's management
ess through a network of highly integrated distribution centers, websites and branches and with more than 25,600 employees in the United States,
and Latin America. With 2016 sales of $10.1 billion and as a broad line distributor of maintenance, repair and operating (MRO) supplies and other
rvices used by businesses and institutions primarily in the United States and Canada, with a presence also in Europe, Asia and Latin America, Grainger
base necessitating depth and breadth of product lines and offerings.

ed experience, qualifications, attributes, and skills that in light of Grainger's business, structure and challenges are relevant to service on the Board of
onsiders nominees who have demonstrated integrity and accomplishment in their business and professional careers and who possess the necessary
ns, attributes, and skills to contribute to the Board and Grainger. In addition, ongoing director education, whether provided by Grainger or by a third
ervice on the Board of Directors. Current nominees have engaged in continuing education and other programs to remain current in their particular areas
o further their understanding of corporate governance and in other matters relevant to Grainger.

experience, qualifications, attributes, and skills of each nominee qualify the nominee for service on the Board of Directors. Each of the current nt leadership experience in large, multifaceted organizations. This experience includes developing and executing corporate strategy, overseeing ng risks in organizations similar in size or complexity to Grainger. The summary provided below is not a comprehensive statement of each nominee's ided to describe the primary experience, qualifications, attributes, and skills that led the Board to nominate each individual.

e 58, is President of 3RAM Group LLC, a privately held company specializing in capital investments, business consulting services and property , Mr. Adkins was Senior Vice President of International Business Machines Corporation (IBM), a leading manufacturer of information technologies, osition from 2007 until 2014. In his over 30-year career with IBM, Mr. Adkins held a number of development and management roles, including Senior orate Strategy from 2013 to 2014, Senior Vice President of Systems and Technology Group from 2009 to 2013, Senior Vice President of facturing from 2007 to 2009, and Vice President of Development of IBM Systems and Technology Group from 2003 to 2007. He is also a director of erves on its audit committee, PPL Corporation, where he serves on its audit committee, and United Parcel Service, Inc., where he chairs the risk nber of the compensation committee. Mr. Adkins was also a director of Pitney Bowes Inc. from 2007 to 2013, where he served on its audit committee ation committee. Mr. Adkins, an independent director, was first appointed a director of Grainger in July 2014 and is a member of the Compensation ber of the Board Affairs and Nominating Committee.

ns

. Adkins served as the senior vice president of a global information technology and innovation-focused public company and held senior positions ponsible for development, management and strategy. Over the course of 30 years with this company, he developed deep product development and nd management experience. He also gained significant experience managing and understanding corporate finance, financial statements and accounting ough his many operational roles with the company. Additionally, Mr. Adkins managed the company's supply chain and procurement, giving him direct ight into global trade and supply chains, and the role of distributors in those efforts. Mr. Adkins has extensive experience in corporate governance tters and is a director at three other public companies, in addition to Grainger, and serves on the audit committee of two of them.

ge 66, is the former Executive Vice President of Finance and Chief Financial Officer of OfficeMax Incorporated, a distributor of business-to-business ts, having served in that position until January 2005. Prior to assuming this position in 2004, Mr. Anderson was Senior Vice President and Chief xter International Inc., a position he assumed in 1998. He is also a director of James Hardie Industries plc where he chairs the audit committee and tion committee, PulteGroup, Inc. where he chairs the audit committee and serves on the nominating and governance committee, and Stericycle, Inc. audit committee. He is a director and Chairman of The Nemours Foundation, a non-profit children's health organization, and a member of the e Center for Audit Quality's (CAQ) Governing Board. Mr. Anderson was also a director of A.M. Castle & Co. from 2005 to 2016, where he served as and Chairman of its audit committee. Mr. Anderson, an independent director, was first elected a director of Grainger in 1999 and is a member of the udit committee financial expert," and a member of the Board Affairs and Nominating Committee.

ns

. Anderson served as the chief financial officer of two public companies, held finance positions including corporate controller and vice president of lit and was an audit partner at an international public accounting firm. As a result, Mr. Anderson has in-depth knowledge of accounting and finance as ll as familiarity in risk management and risk assessment and the application of the Committee of Sponsoring Organizations of the Treadway mmission internal controls framework. In addition, while serving as a chief financial officer of one of the two public companies noted above, . Anderson had primary responsibility for the supply chain and logistics of that company. Mr. Anderson also has in-depth experience in corporate vernance matters and is the chairman of the board of a public company as well as a member of the governance committee of one other public company. addition, Mr. Anderson serves as the chairman of the audit committees of two public companies and as a member of the audit committees of two other blic companies, including Grainger. See "Audit Committee" below for the Board's determination concerning Mr. Anderson's service on more than three blic company audit committees.

, spent 10 years with L Brands, Inc. (formerly Limited Brands, Inc.), a retail apparel, personal care and beauty products company, where she served as nt and Chief Financial Officer from 1997 to 2006, as Executive Vice President of Corporate Development from 2006 to 2007 and as a board member or to joining L Brands, Ms. Hailey spent 13 years at PepsiCo, Inc. in various leadership positions, including Vice President, Headquarters Finance, nd Vice President, Finance and Chief Financial Officer of Pepsi-Cola Fountain Beverage and USA Divisions. She most recently served from July President, Chief Executive Officer and Chief Financial Officer of Famous Yard Sale, Inc., an online marketplace for celebrities offering items in a , and as Chief Financial Officer of Gilt Groupe, Inc., an Internet retailer of discount luxury goods, from January 2009 until January 2010. Ms. Hailey roles at Pillsbury Company and RJR Nabisco Foods, Inc. Ms. Hailey serves as a director of Realogy Holdings Corp., where she chairs its audit nber of its nominating and corporate governance committee. She also serves as a director of TD Ameritrade Holdings, Inc., where she serves on es, including its audit and risk committees. She was formerly a director of Avon Products, Inc. from 2008 to 2016, where she served on its audit and d the Federal Reserve Bank of Cleveland, where she served as the chair of its audit committee. Ms. Hailey, an independent director, was first elected a 2006 and is a member of the Audit Committee, an "audit committee financial expert," and a member of the Board Affairs and Nominating Committee.

ns

. Hailey has spent her career in consumer businesses and brings key financial and operations experience to the Company. In particular, Ms. Hailey sesses broad expertise in finance, strategic planning, branding and marketing, retail goods and sales and distribution on a global scale. Ms. Hailey's itions as a former chief financial officer, her current and prior service on the audit committees of other companies and as audit chair of the Federal serve Bank of Cleveland and her accounting and financial knowledge, also impart significant expertise to the Board, including an understanding of ancial statements, corporate finance, accounting and capital markets. Through her experiences at Gilt Groupe Inc. and Famous Yard Sale, Ms. Hailey added experience in Internet site development and selling as well as new venture management and funding.

ge 64, is a retired Group President of Caterpillar Inc., a manufacturer of construction and mining equipment, diesel and natural gas engines, and
Prior to assuming that position in 2004, Mr. Levenick served as Vice President, Caterpillar Inc., and Chairman of Shin Caterpillar Mitsubishi Ltd.
l as Vice President, Asia Pacific Division, from 2001 to 2004. He is also the Lead Director of Entergy Corporation, where he also chairs its finance
mber of its governance and executive committee, and Finning International Inc., where he is a member of its audit committee and safety, environment
y committee. Mr. Levenick, an independent director, was first appointed a director of Grainger in 2005, and is the Lead Director, Chair of the Board
g Committee and a member of the Compensation Committee.

ns

. Levenick has served as the president of a division of a public multinational manufacturing company and has had extensive international operations
perience including positions outside the United States in numerous countries for more than 20 years. Mr. Levenick also had operational responsibility
supply chain and logistics and responsibility for the global parts and product support business as well as global marketing of his previous employer. In
dition, he had led his former employer's global human resources function and had responsibility for that company's enterprise risk assessment.

e 49, is Chief Executive Officer of Grainger, a position assumed in October 2016 at which time he was also appointed to the Board. Previously, he
ing Officer of Grainger from August 2015 through September 2016. Prior to these roles, Mr. Macpherson was Senior Vice President and Group
ly Chain and International, where he led the development of corporate strategy and continuous improvement, the global supply chain organization, the
nel online business model and international operations in Asia and Europe. Prior to that, Mr. Macpherson was Senior Vice President and President,
nd Corporate Strategy. Mr. Macpherson joined Grainger in 2008 from The Boston Consulting Group, a global management consulting firm, where he
ging director from 2002 to 2008.

ns

. Macpherson is the Company's Chief Executive Officer and former Chief Operating Officer. He has served Grainger in many capacities over his
rly 10 years with the Company, including developing Company strategy, overseeing the launch of Grainger's U.S. single channel business, Zoro
ols, Inc., building the Company's supply chain capabilities globally and realigning the U.S. business to create greater value for customers of all sizes.
. Macpherson also has extensive experience in strategic planning, development and execution. Mr. Macpherson joined Grainger in 2008 after working
sely with Grainger for six years as a partner and managing director at The Boston Consulting Group, where he was a member of the Industrial Goods
adership Team.

, is the former Chairman, President, and Chief Executive Officer and a former director of Ryerson Inc., a major metal distributor and fabricator. erson's President and Chief Executive Officer in 1996 and also Chairman in 1999, a position he held through 2007. He is also a director of Analog chairs the compensation committee, Beacon Roofing Supply, Inc., where he chairs the compensation committee and previously chaired the audit brand, Inc., where he chairs the compensation and management development committee. He is a trustee of The Field Museum of Natural History, and a Committee to the Physical Sciences Division, University of Chicago. Mr. Novich, an independent director, was first elected a director of Grainger in of the Audit Committee, an "audit committee financial expert," and a member of the Board Affairs and Nominating Committee.

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. Novich has served as the chief executive officer and chairman of the board of a public multinational metal distributor and fabricator, where he was ply engaged in that company's distribution operations on a domestic and international basis, and also in the leadership development and human ources functions. He was also a consultant for a management consulting firm for over 10 years developing strategies for its clients. As a result, . Novich has in-depth operational experience in supply chain, distribution and logistics and experience in developing strategy across a variety of ustries. Mr. Novich also chairs the compensation committees of three public companies, having previously chaired the audit committee of one of those npanies.

ge 66, is the former Global President and Chief Operating Officer of McDonald's Corporation from 2004 to 2006. His previous positions at on include Chief Executive Officer McDonald's USA during 2004; President McDonald's USA from 2001 to 2004; and President, West USA from 1997 to 2001. Mr. Roberts is also a director of CenturyLink, Inc., where he serves on its compensation committee. Mr. Roberts previously directors of Qwest Communications International, Inc. (prior to its acquisition by CenturyLink) from August 2009 to April 2011, where he served on uman resources committee, and SP Plus Corporation (formerly, Standard Parking Corporation) from April 2010 to June 2013, where he served on the d executive committees. Mr. Roberts, an independent director, was first appointed a director of Grainger in 2006 and is Chair of the Compensation ber of the Board Affairs and Nominating Committee.

ns

. Roberts served as president and chief operating officer of a public multinational food-service company and in this capacity had extensive nagement and profit and loss responsibilities. Further, he was responsible for the marketing and international operations of that company. Mr. Roberts o has significant human resources experience and previously served on the compensation committees of two other public companies and the audit

mmittee of one of those companies.

3, is Grainger's Chairman of the Board, a role he has held since April 2009. Mr. Ryan served as President and Chief Executive Officer of Grainger n September 2016. He served as Chief Operating Officer from 2007 to 2008 and was appointed to the Board of Directors in February 2007. Prior to erved as Group President, responsible for the Company's businesses operating under the Grainger brand in the United States. He has served Grainger ible roles since 1980, including Executive Vice President, Marketing, Sales and Service; President, Grainger.com; Vice President, Information , Grainger Parts. Mr. Ryan is the Vice Chair of the Board of Trustees of DePaul University, Co-Chair of the Business Advisory Council for the Farmer Miami University, Oxford, Ohio, and is a member of the Civic Committee of the Commercial Club of Chicago, the Economic Club of Chicago and the f Wholesaler-Distributors.

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. Ryan is the Company's former President and Chief Executive Officer. He has served Grainger in many capacities over his more than 30 years with Company including direct responsibility for purchasing and varied management roles in the supply chain operations of the Company. Previously, . Ryan was directly responsible for the sales and marketing of Grainger's United States operations. Mr. Ryan also has extensive experience in strategic nning, development and execution.

is Chairman and Chief Executive Officer of Illinois Tool Works Inc. (ITW), a worldwide manufacturer and marketer of engineered components and consumables. Mr. Santi was elected Chief Executive Officer of ITW in November 2012, after serving as acting Chief Executive Officer since October Chairman in May of 2015. Previously, Mr. Santi served as Vice Chairman of ITW from 2008 to 2012, and Executive Vice President from 2004 until ependent director, was first elected a director of Grainger in 2010 and is Chair of the Audit Committee, an "audit committee financial expert," and a Affairs and Nominating Committee.

ns

. Santi is the chief executive officer of a public manufacturer and marketer of products. Prior to assuming this position, he served in various nagement roles for the same company including positions requiring significant operational and financial responsibility. During his tenure he has had ensive international responsibility including operating responsibility for a business with annual international revenues of several billion dollars. . Santi has significant experience with mergers and acquisitions and with integrating acquired companies. He has also had significant strategic rketing responsibilities and human resource experience including compensation policy, leadership development and succession planning.

54, is Chairman and a director of Mark IV Capital, Inc., a private commercial real estate development and investment company that was founded in acquires, invests in, develops and manages commercial real estate projects. Mr. Slavik was named to his current position in 2003, after serving as Chairman and Chief Executive Officer from 1990 to 2003. He also serves on the Advisory Board for the Cove Fund, a seed capital fund affiliated vation (formerly the Institute for Innovation) at the University of California at Irvine and is a Founding Director for UCI Applied Innovation. ector of the Hoag Hospital Foundation and is a member of its investment and nominating committees. Mr. Slavik, an independent director, was first ainger in 1987 and is a member of the Board Affairs and Nominating Committee and the Compensation Committee.

ns

. Slavik is the chairman of a private commercial real estate development and investment company and was previously that company's chief executive icer. As a result, Mr. Slavik has expansive knowledge in investments, financing and real estate. Mr. Slavik also worked at multiple commercial kerage companies as an investment properties broker and led the marketing programs for clients' commercial properties.

ghlights specific experience, qualifications, attributes, and skills that the Board considered for each director. A particular director may possess qualifications, attributes, or skills even if not expressly indicated below.

rience, Attributes, and	**Adkins**	**Anderson**	**Hailey**	**Levenick**	**Macpherson**	**Novich**	**Roberts**	**Ryan**	**Santi**	**Slavik**
ne development and of and business	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
wledge and of finance porting processes or he creation or ncial	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
Logistics upply chain he planning and all ed in sourcing and all logistics tivities	ü	ü		ü	ü	ü	ü	ü		
or experience in a nent sible for, managing	ü		ü	ü	ü		ü	ü	ü	ü
rces/Compensation or experience in a nent sible for, managing ces/	ü	ü		ü		ü	ü	ü	ü	ü
	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü

naging at a senior										
corporate tters, including on other public s	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
versight of a	ü	ü	ü	ü	ü		ü	ü	ü	
nt & Risk rseeing risk	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü

t it has the appropriate mix of relatively new directors and those with longer service to the Company. One longstanding director, Mr. Slavik, is the
proximately 6.5% of the Company's shares as of March 6, 2017. Mr. Slavik's beneficial ownership of Company shares pre-dates Grainger's initial
. As a group, the average tenure of the nominees for election to Grainger's Board of Directors is approximately 12 years. The chart below reflects

of Service	**0-5**	**6-11**	**12-18**	**25+**
er of ors	2	5	2	1

ectives of Grainger's corporate governance structure is to have a highly functional Board that properly oversees Grainger's strategies and operations. r Membership on the Board of Directors (Criteria) list the various characteristics that the Board Affairs and Nominating Committee should consider in or the Board. In addition to relevant business experience, qualifications, attributes, skills, and the willingness to become involved with Grainger, the personal characteristics that should be considered, including reputation for ethics and integrity, common sense and judgment, independent and the consideration of diverse opinions.

e Criteria specify that consideration shall be given to candidates without regard to race, color, religion, gender or national origin. To ensure that the verse perspectives, it seeks qualified nominees from a variety of backgrounds, including candidates of gender and racial diversity, and in any retained dates, Grainger specifies that the Board is seeking candidates with gender and racial diversity. The Board actively reviews diversity recruiting efforts.

tors and Board Committees

oard were held in 2016. Each Board meeting included at least one executive session, during which only independent directors were present.

nding committees: Audit, Board Affairs and Nominating, and Compensation. All members of these committees are required to be "independent"

ctors have been determined to be independent. Committee memberships are shown in the following table:

Independent Directors' Committee Assignments

Audit	Board Affairs and Nominating	Compensation
	Member	Member
Member	Member	
Member	Member	
	Chair	Member
Member	Member	
	Member	Chair
	Member	Member
Chair	Member	
	Member	Member

17 PROXY STATEMENT	W.W. GRAINGER, INC.	17

es for the Board of Directors and Grainger's by-laws created the leadership position of Lead Director, to be elected annually by and from the Board's
Mr. Stuart L. Levenick was appointed to serve as Lead Director after the April 2016 annual meeting of shareholders.

of the Board (the Audit Committee) met six times in 2016. The Board has determined that each of the members of the Audit Committee is
erm is defined in the independence requirements for audit committee members contained in the applicable rules of the Securities and Exchange
l listing standards of the NYSE. The Board has also determined that each of Mr. Santi, Chair of the Audit Committee, Mr. Anderson, Mr. Novich, and
t committee financial expert," as that term is defined in the applicable rules of the SEC. Further, in accordance with applicable NYSE listing standards,
ed Mr. Anderson's simultaneous service on the audit committees of more than three public companies, namely the audit committees of Grainger,
Hardie Industries plc, and Stericycle, Inc., and has determined that such service will not impair his ability to serve effectively on the Audit

assists the Board in its oversight responsibility with respect to Grainger's financial reporting process, Grainger's systems of internal accounting and
ntegrity of Grainger's financial statements, Grainger's compliance with legal and regulatory requirements, the qualifications and independence of
auditor, and the performance of Grainger's internal audit function and independent auditor. It also has oversight responsibilities for various aspects of
it plans. Additionally included among the responsibilities of the Audit Committee are the appointment, compensation, retention, and oversight of the
e establishment of procedures for the treatment of complaints regarding accounting, internal accounting controls, and auditing matters; and the
nd non-audit services to be provided by the independent auditor. The Audit Committee has the further responsibility to review Grainger's risk
nagement process and policies and to oversee compliance with Grainger's Business Conduct Guidelines.

inating Committee

Nominating Committee of the Board (the Board Affairs and Nominating Committee) met five times in 2016. The Board has determined that each of
ard Affairs and Nominating Committee is "independent," as that term is defined in the independence requirements for members of nominating
n the applicable standards of the NYSE.

Nominating Committee makes recommendations to the Board regarding the makeup of the Board and its committees, establishes specific criteria by
rs shall be qualified, identifies potential nominees, makes recommendations concerning director and nominee independence, reviews transactions
related persons (as further discussed below), and evaluates the overall performance of the Board. It also has primary oversight responsibility for
ncluding the responsibility to recommend corporate governance principles, recommend Board committee responsibilities and members, evaluate the
rporate governance, including the adequacy of the information supplied to the Board and the Board's performance of its oversight responsibilities
nent of Grainger, and to recommend retirement, compensation, and other policies applicable to directors; and oversight

rate citizenship activities to advance the interest of shareholders, including involvement in the communities Grainger serves and promotion of a nt. Additional responsibilities of the Board Affairs and Nominating Committee are to make initial assessments regarding major issues or proposals and sation Committee to review senior management organization and succession.

tee

nmittee of the Board (the Compensation Committee or the Committee) met five times in 2016.

es Grainger's compensation and benefits policies and programs (generally for all employees and specifically with respect to executives), makes n decisions, and reviews and recommends other compensation matters to be submitted to the Board and/or shareholders for approval. The general Committee are to oversee that:

- compensation is aligned to shareholder value creation and strategic objectives;
- compensation, especially senior management compensation, is linked to both personal and Company performance;
- the Company maintains a market competitive compensation structure that is designed to attract, motivate, develop, and retain key talent who deliver performance that will increase shareholder value;
- the Company's compensation policies and practices for all employees are aligned with Company policy and strategy, are designed with appropriate incentives that do not encourage unnecessary or excessive risk-taking, and are administered in a transparent manner;
- compensation and benefit policies and practices reflect the highest level of integrity; and
- all stock and incentive plans are appropriately designed and administered.

ned that each of the members of the Compensation Committee is "independent," as that term is defined in the independence requirements for members ittees contained in the applicable standards of the SEC and the NYSE.

ly reviews and approves corporate goals and objectives relevant to CEO compensation, evaluates CEO performance in light of those financial goals gether with the other independent directors (as directed by the Board), determines and approves the CEO's compensation based on this evaluation, in out members of management present, and approves the compensation paid to the most highly compensated executives, the Named Executive Officers.

pany's compensation programs, the Committee develops programs based on its own deliberations. It also considers programs and recommendations ompensation consultant, a variety of other compensation and benefits consultants, and management. After a review of the factors prescribed by the es and regulations, the Committee determined that Deloitte Consulting is independent and has retained Deloitte Consulting as its independent nt.

ensation consultant is solely hired by and reports directly to the Committee. The Committee's practice is to routinely meet with the independent nt in executive session, without management present, following each Committee meeting. The Committee has sole authority to retain and terminate the

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tion consultant, including sole authority to approve the consultant's fees. At the Committee's direction, the independent compensation consultant:

attends Committee meetings;

assists the Committee review goals and objectives for CEO compensation, including succession planning and transition activities;

assists the Committee in evaluating compensation proposals, including by providing compensation market data;

helps analyze recommendations proposed by management;

assists with the design of the structure and metrics for incentive compensation programs;

responds to specific compensation-related inquiries, such as determining comparator companies used for compensation studies;

conducts or assists in risk reviews of the Company's performance and incentive-based compensation programs; and

provides periodic updates on executive compensation trends and developments and undertakes special projects as assigned.

ent (including some of the Named Executive Officers) assist the Committee in performing its responsibilities by providing recommendations for the mpensation program for its Named Executive Officers, other officers, and other employees. Management also recommends salary and award levels, Mr. Ryan, Chairman of the Board, and Mr. Macpherson, Chief Executive Officer. Messrs. Ryan and Macpherson's salaries and awards are reviewed ther with the other independent directors (as directed by the Board), in executive session without members of management present. On issues of ecutive Officer compensation, the independent directors of the Committee, in their sole discretion, determine the appropriate compensation design and

equity awards (stock options, restricted stock units (RSUs), and performance shares) to officers and other employees under the shareholder-approved he Committee has delegated to management limited authority to grant stock options and RSUs to non-officer employees. Awards under this authority erms and conditions that have been approved by the Committee. The pool of shares available to management under this delegation has been refreshed ttee to 20,000 stock options and 35,000 RSUs. The maximum amount that management is authorized to award to any individual is 5,000 stock options o avoid any real or perceived manipulated timing, all awards are effective the first business day of the month following the award. Information y management is shared with the Committee at its next meeting. The Committee may terminate this delegation of authority at its discretion.

y considered its leadership structure and believes that a combined Chairman/Chief Executive Officer position represents the best long-term leadership In the Board's view, having a single individual serving as both the Chairman and Chief Executive Officer assists in the timely flow of relevant ports effective Board decision-making and provides a useful connection between the Board and management so that Board actions are appropriately Lead Director structure helps assure these functions are properly performed. The Board does not believe that permanently separating the role of the ecutive Officer would result

ger's corporate governance or in creating or enhancing long-term value for our shareholders.

overnance structures and processes in place to ensure the independence of the Board. These established structures and processes, which are reflected ples for the Board of Directors and the various Board Committee charters, provide for the independent directors to exercise authority so that the Board ng critical matters of strategy, operations, and reporting. Important duties performed by the independent directors, either collectively or through olely of independent directors, include selecting the Chairman and Chief Executive Officer and evaluating his or her performance and the resulting

ally believes that splitting the roles of Chairman and Chief Executive Officer is unnecessary and not in the best interest of shareholders, effective t of a planned succession process, the Company temporarily separated the two positions naming Mr. Macpherson Chief Executive Officer, with serve as Chairman of the Board. Concurrently with his appointment as Chief Executive Officer, Mr. Macpherson was also appointed to the Board. ssion planning included promoting Mr. Macpherson to Chief Operating Officer in August 2015. In that role, Mr. Macpherson was responsible for the operations and reported to Mr. Ryan. Previously, Mr. Macpherson had served the Company in various roles as a Senior Vice President and Group

t Mr. Ryan's continued service as Board Chairman has enabled the Company to execute a smooth transition of the Chief Executive Officer role, while and Mr. Macpherson have retained Mr. Ryan and his significant knowledge of the Company's operations, strategy, people and resources during the

oined Chairman and Chief Executive Officer position is the appropriate long-term leadership structure for Grainger, the Board also recognized the need hip and oversight. Since 1995, Grainger's Operating Principles for the Board of Directors have assigned a leadership role to the independent director Board Affairs and Nominating Committee. Over time, this director has been responsible for facilitating Board involvement on major issues and/or eeting agenda and information to be provided to the Board, consulting with directors, the Chief Executive Officer, and management and presiding at he Board.

sed its Operating Principles and by-laws to create the leadership position of Lead Director, to be elected annually by and from the Board's independent uties assigned to the Lead Director is the responsibility for:

- presiding at meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;
- serving as the primary liaison between the Chairman and the independent directors;
- reviewing and approving the types of information sent to the Board;
- reviewing and approving meeting agenda for the Board to ensure that critical issues are included;
- reviewing and approving meeting schedules to ensure that there is sufficient time for discussion of all agenda items;
- conducting the Board's annual self-evaluation, including coordinating Board committee evaluations;
- working with the Compensation Committee and leading the Chairman/Chief Executive Officer evaluation and communicating to the Chairman/Chief Executive Officer the independent directors' annual evaluation of the Chairman/Chief Executive Officer's performance; and
- calling meetings of the independent directors if appropriate.

t given Grainger's corporate governance structures and processes, a combined Chairman and Chief Executive Officer position in conjunction with an ctor provides effective oversight of management by the Board and results in a high level of management accountability to shareholders.

Director Evaluations

onducts a three-part evaluation process coordinated by the Lead Director and the Committee Chairs. The evaluation framework is constituted of the

Each director completes a questionnaire designed to evaluate overall Board effectiveness and identify opportunities for improvement. The full to determine how the Board can improve its key function of maximizing long term shareholder value and considers a number of factors, including, wing:

Board composition and governance;

Board agendas, meeting materials and discussions;

Board communications and interactions with management;

executive sessions of the Board;

Lead Director performance; and

director experience, training and continuing education processes.

. Each director completes a questionnaire designed to evaluate overall effectiveness and identify opportunities for improvement with respect to each or she serves. The Committee evaluations consider a number of factors, including, among others, the following:

the Committee's governance and structure;

Committee meetings, materials and discussions; and

a Committee's interactions with management and outside advisors or consultants.

nts. Each director completes a self-assessment designed to evaluate the performance and effectiveness of the director. The director self-assessments actors, including, among others, the following:

preparation and information for Board and Committee meetings;

contributions to Board and Committee meetings;

interactions with the Board and management; and

continuing education and training opportunities.

sk directors to assign ratings to how the Board performs and seek feedback on more open-ended topics, including Board and Committee processes and uation framework and process is reviewed periodically with an outside corporate governance expert, including as to opportunities to enhance Board

ations are compiled anonymously and include responses and comments. The results of the completed Board evaluations and individual director rnished to the Lead Director, while the results of the completed evaluations for the Committees are furnished to the corresponding Committee Chairs, he Board and Committee meetings, respectively.

f the reports at the Board and respective Committee meetings, the Lead Director and the Committee Chairs develop plans for any items that may
on.

l through this process helps inform the content of educational presentations to the Board as well as the skills sets desirable in director searches
l from time to time. As a result of the Board's 2016 evaluation process and related follow-up, the Board identified the need for director candidates with
strategic thinking and experience in eCommerce.

versight

esponsibility for risk oversight. Its role is to oversee risk assessment and risk management processes and policies used by Grainger to identify, assess,
tential financial, compensation, operational, strategic and legal risks on an enterprise-wide basis. The risks monitored include threats to information
l other issues of cyber security. The Audit Committee also regularly reviews Grainger's risk assessment and risk management processes and policies,
ular reports from the members of Grainger's management who are responsible for risk assessment and risk management on the effectiveness of
isk Management (ERM) initiatives. As part of its oversight responsibility, the Compensation Committee assesses the relationship between potential
r's compensation programs and their impact on long-term shareholder value.

d Management Development

hat it has an important duty to ensure senior leadership continuity by overseeing the development of executive talent and planning for the efficient
Executive Officer and other key leadership positions. Our Board has delegated primary oversight responsibility for succession planning and
ent to the Board Affairs and Nominating Committee. The Committee reports on its activities to the full Board, which routinely addresses succession
ive sessions.

nducts an in-depth review of senior leader development and succession planning, including emergency succession scenarios, at least once a year. This
ompany's management development initiatives, assesses senior management resources, and identifies individuals who should be considered as
executives. To ensure that the succession planning and management development process supports and enhances Grainger's strategic objectives, the
ffairs and Nominating Committee also regularly consult with the Chairman of the Board and Chief Executive Officer on the Company's organizational
otential and related development plans for key managers, and plans for future developments and emergency situations.

usiness Conduct Guidelines for directors, officers, and employees, incorporating the Code of Ethics required by rules of the SEC to be applicable to a
ive officer, chief financial officer, and chief accounting officer or controller, and intends to satisfy any disclosure requirements with respect to the
delines by posting the information on its website. Grainger also has adopted Operating Principles for the Board of Directors, which represent its
uidelines.

nduct Guidelines and Operating Principles for the Board of Directors are available in the Governance section of Grainger's website at
estor.

overnance section of that website are the charters, as amended from time to time, of the Audit Committee, Board Affairs and Nominating Committee,
nmittee, which were adopted by the Board.

are also available to shareholders in print, free of charge, upon request to the Corporate Secretary at Grainger's headquarters, 100 Grainger Parkway,
045-5201.

with Directors

d a process by which shareholders and other interested parties may communicate with the Board, its Committees, and/or individual directors on
h communications should be sent in writing to:

[Name(s) of director(s)]
or
[Non-management directors]
or
[Board of Directors]
W.W. Grainger, Inc.
P.O. Box 856
Skokie, Illinois 60076-0856

ntial in nature, please mark the correspondence accordingly. Additional information concerning this process is available in the Governance section of
ww.grainger.com/investor.

ensation

ee directors each receive an annual cash retainer of $85,000 and an annual deferred stock grant of $145,000. Directors serving as Committee tional annual cash retainer.

ee directors are compensated at a level that approximates median market practice. In benchmarking director pay, Grainger uses the same compensation s used to benchmark compensation for Grainger's executives as described in the Compensation Discussion and Analysis. The Compensation nt compensation consultant periodically reviews the comparator group as well as comparative information and advises on director compensation.

ation program, which was last adjusted in 2015, consisted of the following:

annual cash retainer for each director of $85,000;

deferred stock grant for each director of $145,000;

chair retainers:

- Audit Committee: $20,000;
- Compensation Committee: $15,000; and
- Board Affairs and Nominating Committee: $10,000.

annual retainer for the Lead Director of $25,000.

ctors receive an annual deferred stock unit grant worth $145,000. The number of shares covered by each grant is equal to $145,000 divided by the price through January 31 (a methodology consistent with the calculation used for equity awards to Grainger executives), rounded up to the next he deferred stock units are settled in shares upon termination of service as a director. Directors may also defer their annual cash retainers, lead director ir retainers (as applicable), and meeting fees in a deferred stock unit account.

lines applicable to non-employee directors were established in 1998. These guidelines provide that within five years after election, a director must own k and common stock equivalents having a value of at least five times the annual cash retainer fee for serving on the Board. The policy also states that not be used to meet the ownership guidelines. The pledging of Company shares by directors or executive officers is prohibited by Company policy er the "Hedging and Pledging Prohibition" section). No directors have pledged any of the shares beneficially owned by them and all directors are with the ownership guidelines.

atches directors' charitable contributions on a three-to-one basis up to a maximum Company contribution of $7,500 annually and provides discounts both on the same basis as provided to U.S. Grainger employees.

nployee of Grainger or any Grainger subsidiary does not receive any compensation for serving as a director.

sation

		Fees Earned or Paid in Cash1		Stock Awards2		All Other Compensation3		Total
C. Adkins	$	85,000	$	154,651	$	0	$	239,651
. Anderson	$	85,000	$	154,651	$	2,250	$	241,901
Hailey	$	85,000	$	154,651	$	0	$	239,651
. Levenick	$	120,000	$	154,651	$	0	$	274,651
Novich	$	85,000	$	154,651	$	7,500	$	247,151
l J. Roberts	$	100,000	$	154,651	$	0	$	254,651
Rogers	$	85,000	$	154,651	$	0	$	239,651
Santi	$	105,000	$	154,651	$	7,500	$	267,151
). Slavik	$	85,000	$	154,651	$	7,500	$	247,151

cash fees received in 2016.

the grant date fair value of an award of 660 deferred stock units made on April 27, 2016, with immediate vesting that will on termination from service, computed in accordance with FASB ASC Topic 718. The stock units were determined by e grant dollar value by the 200-day average stock price as of January 31 in the year of the grant, a methodology consistent lculation used for other executive equity awards.

amount paid by the Company to charitable organizations as part of the Company's matching gift program with respect to made and matched in 2016.

Grainger Stock

how many shares of Grainger common stock the directors, certain executive officers, and all directors and executive officers as a group beneficially 2017.

a term broadly defined by the SEC. In general, a person beneficially owns securities if the person, alone or with another, has voting power or power to sell) over the securities. Being able to acquire either voting or investment power within 60 days, such as by exercising stock options, also nership of securities. Unless otherwise indicated in the footnotes following the table, each of the named persons had sole voting and investment power cated number of Grainger shares.

	Shares	Stock Option Shares Exercisable Within 60 Days1	Stock Units2	Total	Percentage of Common Stock3	
	3,830,417	0	19,112	3,849,529	6.5	%
660						
	400	0	1,679	2,079	*	
	4,340	0	15,906	20,246	*	
	200	0	10,224	10,424	*	
	6,038	26,695	0	32,733	*	
	897,670	86,109	20,000	1,003,779	1.7	%
	20,459	103,737	0	124,196	*	
	400	0	16,388	16,788	*	
	27,447	95,806	0	123,253	*	
	4,605	0	23,420	28,025	*	
	1,729	11,087	8,713	21,529	*	
	1,000	0	18,259	19,259	*	
	310	0	11,758	12,068	*	
	143,478	423,523	20,000	587,001	1.0	%

	303	0	5,587	5,890	*
e Officers as a group[9,10]	4,946,531	767,919	179,292	5,893,742	9.6 %

ng the percentage of shares owned by each person and by the group, these shares were added to the total number of g shares for the separate calculations.

the number of stock units credited to the accounts of non-employee directors and the number of restricted stock units the accounts of executive officers. Each stock unit is intended to be the economic equivalent of a share of Grainger tock. These units are excluded from the computations of percentages of shares owned.

k (*) indicates less than 1%.

is known to be the beneficial owner of more than 5% of Grainger's common stock.

509,252 shares as to which Mr. Slavik has shared voting and/or investment power.

,039,490 shares held by certain of Mr. Slavik's family members, as to which shares Mr. Slavik disclaims voting or power.

3,406 shares as to which Mr. Howard has sole voting and investment power, and 879,264 shares as to which Mr. Howard emed to have shared voting and investment power, by virtue of his serving as a director of The Grainger Foundation, Inc. ger Foundation was established in 1949 by William Wallace Grainger, the founder of Grainger, and is not affiliated with

,546 shares held by Mr. Jadin's wife, as to which Mr. Jadin disclaims voting or investment power.

390,046 shares as to which members of the group have shared voting and/or investment power.

,045,036 shares held by certain family members, as to which shares members of the group disclaim voting or investment

s forth information concerning all other persons known to Grainger to beneficially own more than 5% of Grainger's common stock on December 31, hedules 13D/13G. Schedule 13G filers generally are institutional investors who acquire beneficial ownership of more than 5% of a public company's ordinary course of business without the purpose of changing or influencing control of the company.

	Shares Beneficially Owned1	Percentage of Common Stock
	3,418,523[2]	5.7%
ernsey) Limited	2,989,184[3]	5.1%
poration York Mellon Corporation	3,106,063[4]	5.2%
n Center	3,247,812[5]	5.5%
rd	5,245,242[6]	8.8%

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hares beneficially owned by affiliated entities.

842,404 shares as to which there is sole voting power and no shares as to which there is shared voting power. Sole power is claimed.

874,053 shares as to which there is shared voting power and no shares as to which there is sole voting power. Shared power is claimed.

447,220 shares as to which there is sole voting power and no shares as to which there is shared voting power. Includes shares as to which there is sole dispositive power and 579,472 shares as to which there is shared dispositive power.

247,812 shares as to which there is shared voting power and no shares as to which there is sole voting power. Shared power is claimed.

6,867 shares as to which there is sole voting power and 10,718 shares as to which there is shared voting power. Includes shares as to which there is sole dispositive power and 96,771 shares as to which there is shared dispositive power.

a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

change Act requires our directors and officers and persons who own more than 10% of our common stock to file reports of ownership and changes in C and the NYSE, and to furnish us with copies of the reports. Specific due dates for these reports are prescribed by SEC rules and we are required to ement any failure by directors, officers, or 10% holders to file such reports on a timely basis. Based on our review of such reports and written ır directors and officers, we believe that all such filing requirements were timely met during 2016, except for two Forms 4 that were filed late with es by James D. Slavik to certain family trusts of equity interests in an entity through which he beneficially owns shares of Grainger common stock.

udit Committee of the Board

ssists the Board in fulfilling its oversight responsibilities. The Board has determined that each of the members of the Audit Committee is
erm is defined in the independence requirements for audit committee members contained in the applicable rules of the SEC and corporate governance
. The Audit Committee acts under a charter that is reviewed annually, was last amended by the Board on December 1, 2015, and is available on the
Grainger's website at www.grainger.com/investor

ible for the Company's internal controls and the financial reporting process and for compliance with applicable laws and regulations. Ernst &
Young"), the Company's independent auditor, was responsible for performing an independent audit of the Company's most recent consolidated
d expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America,
n opinion on the effectiveness of the Company's internal control over financial reporting. The Audit Committee's responsibility is to monitor and
.

ponsibilities, the Audit Committee reviewed and discussed the Company's audited consolidated financial statements and the effectiveness of internal
eporting with management and Ernst & Young. The Audit Committee discussed with Ernst & Young matters required to be discussed under Statement
No. 1301 "*Communications with Audit Committees"* adopted by the Public Company Accounting Oversight Board ("PCAOB"). Ernst & Young also
Committee the letter and written disclosures required by PCAOB standards concerning Ernst & Young's independence and the Audit Committee
Young the matter of the firm's independence.

d discussions described above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the
ort on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC.

E. Scott Santi, Chair
Brian P. Anderson
V. Ann Hailey
Neil S. Novich

Members of the Audit Committee of the
Board of Directors

Audit Committee Pre-Approval Policies and Procedures

s forth the fees for professional services rendered by Ernst & Young with respect to fiscal years 2016 and 2015, respectively:

	2016	2015
	$ 5,695,900	$ 5,028,197
	192,400	187,000
	1,302,627	1,529,228
	43,000	3,000
	$ 7,233,927	$ 6,747,425

f fees billed for professional services rendered for the audits of Grainger's annual financial statements and internal control over financial reporting, nancial statements included in Grainger's quarterly reports on Form 10-Q, and other services normally provided in connection with Grainger's filings or engagements.

onsists of fees billed for professional services rendered for assurance and related services that are reasonably related to the performance of the audit or nancial statements. These services include the audits of Grainger's employee benefit plans and various attest services.

fees billed for professional services rendered for tax compliance, tax advice and tax planning. These services include assistance with the preparation of

ts of fees billed for all other professional services rendered to Grainger.

r Audit and Non-Audit Services

has adopted a policy for the pre-approval of all audit and permitted non-audit services to be provided to Grainger by its independent auditor and is ew and approval of any fees associated with those services. Also, specific pre-approval by the Audit Committee is required for any proposed services d fee levels.

ories of services are granted at the start of each fiscal year and are applicable for 12 months from the date of pre-approval. In considering these it Committee reviews detailed supporting documentation from the independent auditor for each proposed service to be provided. Unused pre-approval l forward to the next year.

ller monitors services provided by the independent auditor and overall compliance with the pre-approval policy. The Corporate Controller reports it Committee about the status of outstanding engagements, including actual services provided and associated fees, and must promptly report any e pre-approval policy to the Chairman of the Audit Committee.

may delegate pre-approval authority for audit and non-audit services to one or more of its members, and such authority has been delegated to the Chair e. The decisions of any member to whom such authority is delegated must be presented to the full Audit Committee at its next scheduled meeting. The not delegate to management its responsibilities to pre-approve services performed by the Company's independent auditor. The Audit Committee ports summarizing all services provided by the independent auditor.

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tify the Appointment of Independent Auditor

s directly responsible for the appointment, compensation, retention and oversight of the independent external audit firm that performs audit services. Young's appointment for the 2017 fiscal year, the Committee reviewed the firm's qualifications and competencies, including the following factors:

st & Young's historical performance and its recent performance during its engagement for the 2016 fiscal year;

st & Young's capability and expertise in handling the breadth and complexity of the Company's operations;

qualifications and experience of key members of the engagement team, including the lead audit partner, for the audit of the Company's financial ements;

quality of Ernst & Young's communications with the Audit Committee regarding the conduct of the audit, and with management with respect to issues ntified in the audit;

ernal data on audit quality and performance, including recent PCAOB reports on Ernst & Young; and

st & Young's reputation for integrity and competence in the fields of accounting and auditing.

n retained as the Company's independent auditor continuously since 2005. In order to ensure continuing auditor independence, the Committee whether there should be a regular rotation of the independent auditor. The Audit Committee ensures that the mandated rotation of Ernst & Young's ely and the Audit Committee and its Chairman are directly involved in the selection of Ernst & Young's lead engagement partner.

nd the Board of Directors believe that the continued retention of Ernst & Young to serve as the Company's independent auditor for the year ending n the best interests of the Company and its shareholders, and the Board is asking shareholders to ratify this appointment. Representatives of Ernst & be present at the meeting to respond to appropriate questions of shareholders and to make any desired statements.

ds a vote FOR the proposal to ratify the appointment of independent auditor.

al requires the affirmative votes of a majority of the shares of Grainger common stock represented in person or by proxy at the meeting and entitled to have the same effect as votes against the proposal. In the event the proposal is not approved, the Board will consider the negative vote as a mandate to ndent auditor for the next year.

Compensation Committee of the Board

mmittee reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussion, the tee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement for its f shareholders and in its Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the SEC. The Compensation Committee t is reviewed annually, was last reviewed by the Board on December 13, 2016, and is available in the Governance section of Grainger's website at estor.

Michael J. Roberts, Chairman
Rodney C. Adkins
Stuart L. Levenick
Gary L. Rogers
James D. Slavik

Members of the Compensation Committee of the Board of Directors

endent Compensation Consultant

mmittee has engaged Deloitte Consulting LLP (Deloitte Consulting) as its independent compensation consultant. The following table sets forth the fees y Deloitte Consulting and its affiliates with respect to fiscal year 2016:

	2016
on Consulting	$ 237,666
	$ 711,375
	$ 949,041

on Consulting Fees: Consists of fees billed for services provided to advise the Compensation Committee of the Board with respect to executive and

Fees: Consists of fees billed for all other services provided to Grainger. None of these fees are related to compensation matters.

f Deloitte Consulting have provided other services to Grainger that are unrelated to executive compensation matters. The decision to engage an nsulting for these other services was made by management. The Board has been informed of this ongoing work and the use of an affiliate of Deloitte the Board nor the Compensation Committee specifically approved these services. After a review of the factors prescribed by the SEC and the NYSE ne Compensation Committee determined that its compensation consultant, Deloitte Consulting, did not have any conflicts of interest.

Discussion and Analysis

cussion and Analysis (CD&A) describes the Company's compensation philosophy and programs generally, and explains the compensation paid to the nsated executives in 2016 the Named Executive Officers (NEOs).

Named Executive Officers (NEOs) for 2016

Officer	Title
James T. Ryan	Chairman of the Board
D.G. Macpherson	Chief Executive Officer (CEO)
Ronald L. Jadin	Senior Vice President and Chief Financial Officer (CFO)
John L. Howard	Senior Vice President and General Counsel
Joseph C. High	Senior Vice President and Chief People Officer (CPO)
Paige K. Robbins	Senior Vice President, Global Supply Chain, Branch Network and Company Strategy

bove reflect positions held by the NEOs as of the end of 2016. These titles remain unchanged as of the date of this proxy statement. As explained nges" below, between January 1, 2016 and September 30, 2016, Mr. Ryan served as the Company's Chairman, President and CEO, while d as the Company's Chief Operating Officer (COO).

sion planning is crucial to the stability of the business and a key responsibility of the Board. Effective October 1, 2016, as part of a planned succession named Mr. Macpherson CEO, with Mr. Ryan continuing to serve as Chairman of the Board. Concurrent with his appointment as CEO, lso appointed to the Board.

ssion planning included promoting Mr. Macpherson to COO in August 2015. In that role, Mr. Macpherson was responsible for the Company's nd reported to Mr. Ryan. Previously, Mr. Macpherson had served the Company as Senior Vice President and Group President, Global Supply Chain 2013; Senior Vice President and President, Global Supply Chain and Corporate Strategy, a position assumed in 2012; and Senior Vice President, position assumed in 2008.

t Mr. Ryan's continued service as Chairman of the Board has enabled the Company to execute a smooth transition of the CEO role, while ensuring that pherson have retained Mr. Ryan and his significant knowledge of the Company's operations, strategy, people and resources during the succession

sion & Analysis Topics:

ecutive Summary

mpensation Philosophy, Plans and Practices

mpensation Committee of the Board

k Assessment

on Pay

le of Management

mpensation Comparator Group

se Salaries

nual Incentives

ng-Term Incentives

ck Ownership Guidelines

dging and Pledging Prohibition

her Benefits

ployment Contracts, Change in Control Arrangements, and Termination of Employment Arrangements

mpensation Recoupment Policy (Clawbacks)

ary

y's compensation program is based upon a philosophy that is applied to all Company employees to attract and retain the best people and provide riate performance-based incentives that encourage them to achieve results that create long-term shareholder value.

on structure is designed to drive profitable growth leading to shareholder value creation. Employees at all levels of the Company, including its d incentives to grow the business (Sales Growth) while achieving attractive investment returns (Return on Invested Capital, or ROIC) for the s. For executives, the compensation program is designed to link pay to performance and is structured to reward both annual and long-term Company encouraging excessive risk taking.

n structure did not change in 2016. Highlights include:

a result of long term succession planning, Mr. Macpherson was promoted to CEO and became a member of the Board of Directors while Mr. Ryan ntinued in the role of Chairman of the Board (COB);

ancial results did not meet expectations and therefore the payouts for both the annual bonus payments and long-term performance share program were ow target; and

ective with the 2017 long term incentive grants, the Company will change the long term incentive mix from 70% stock options and 30% performance res to 50% stock options and 50% performance shares in response to market practice and to provide appropriate incentives to drive shareholder value ation.

ludes a combination of base salary, short-term incentives, long-term equity incentives including performance shares and stock options, and a rement vehicle. These components are combined to provide Company executives with appropriate incentives for profitable long-term growth.

ompensation uses the following components:

Purpose	Link to Performance	Fixed/ Performance Based	Short/Long Term
Establishes a market competitive and appropriate level of fixed compensation to attract and retain leaders.	Based on individual performance.	Fixed	Short-Term
Encourages annual results that create shareholder value.	Linked to annual achievement of predetermined Company objectives sales growth and ROIC.	Performance Based	Short-Term
Directly links managers' and shareholders' interests by tying long-term incentives to stock appreciation.	The initial grant value (above or below target) is linked to individual performance, while the ultimate value of the program is linked to stock price performance prior to exercise.	Performance Based	Long-Term
Aligns compensation with the Company's business strategy and the long-term creation of shareholder value.	Linked to achieving specific pre-determined Company objectives (sales growth and 3-year ROIC) and stock price over the 3-year performance period.	Performance Based	Long-Term
Aligns the interests of the employees and shareholders as the Company's annual contribution is based on ROIC.	Linked to financial performance contributions greater than 8% are based on Company performance.	Performance Based	Long-Term

rofitable growth while protecting shareholders' interests, the Company's compensation programs include the following risk mitigating features:

ogram vs. Risk Mitigating Action	Annual Incentives	Stock Options	Performance Shares
Measures (Growth and Profits)	ü	ü	ü
	ü	ü	ü
	N/A	ü	ü
	ü	ü	ü
irements	N/A	ü	ü
per of Shares)	ü	ü	ü
tee Oversight	ü	ü	ü
nt External Review	ü	ü	ü
g and Pledging	N/A	ü	ü

ion for the Company's employees is generally set to approximate the market median. The weighting of the individual compensation components varies ior level executives having a greater emphasis on performance-based long-term compensation which aligns management to shareholders. NEO ured so that the largest component is long-term equity (stock options and performance shares), followed by base salary and the performance-based

detail is shown in the following table). Each NEO's compensation is compared to equivalent positions in a comparator group selected by the tee (with assistance from the Committee's independent compensation consultant). NEO base salaries and long-term incentive grants are determined including individual performance, responsibilities, and the overall relation to market levels of compensation.

the use of performance-based pay are consistent with the mix seen in the comparator group. The tables below show compensation components as a target compensation package.

Performance vs. Fixed Compensation

Performance Based Compensation		Fixed/Individual Based Compensation	
Company	**Peers**	**Company**	**Peers**
88%	88%	12%	12%
79%	78%	21%	22%
75%	74%	25%	26%
74%	73%	26%	27%
62%	70%	38%	30%

Annual vs. Long-Term Compensation

Annual Compensation		Long-Term Compensation	
Company	**Peers**	**Company**	**Peers**
27%	28%	73%	72%
38%	40%	62%	60%
44%	45%	56%	55%
45%	45%	55%	55%
59%	49%	41%	51%

d Compensation" consists of the annual incentive plan, long-term incentives, and profit sharing.

Based Compensation" consists of base salary.

ation" consists of base salary and the annual incentive plan.

ensation" consists of stock options, performance shares, and profit sharing. Annual profit sharing contributions are based on rt-term performance, distributions are restricted, and full vesting occurs after five years of service, making this component .

ined from the comparator group in the 2016 Aon Hewitt Compensation Study as described further within Topic 7.

nsation structure links pay with Company performance. 2016 financial results did not meet expectations and therefore both the annual bonus payments ance share program were settled below target:

e 2016 Company Management Incentive Program (MIP) payout was calculated at 75% of target for all eligible employees as the Company fell short of 2016 sales growth goal of 5.5% and the ROIC goal of 26.6%. The Compensation Committee exercised its discretion under the Terms and Conditions he MIP to exclude certain items that the Company believes are not indicative of ongoing operations (as explained under "*9. Annual Incentives*" below) eflect the Company's operating performance.

vards under the long-term 2014-2016 Performance Share Program are 54% of target based on 2016 sales growth and the 2014-2016 ROIC formance.

ed on profitable daily sales growth over the short- and long-term. Using ROIC and sales growth for both short-term and long-term incentive awards nable risk because:

fferent Performance Goals. The short-term incentive program focuses on sales growth compared to the prior year and a pre-determined ROIC, with h measures linked to the Company's one-year plan. The long-term incentive program focuses on a specific sales dollar goal in the third year of the formance period. In addition, the long-term incentive program requires a threshold level of ROIC over the performance period in order for the awards vest.

fferent Time Periods. The short-term incentive program focuses on the achievement of sales growth and ROIC over one year. The long-term entive program focuses on sales growth over three years, while maintaining an ROIC above 18% during the three-year period.

mpany-Wide Performance Measures. Performance is measured at the Company- wide level as opposed to specific business unit or regional levels.

ximum Payout is Capped. Incentive plans are capped at 200% of the target award.

hilosophy, Plans, and Practices

e Company's pay for performance philosophy, the Company's compensation program includes several features that maintain alignment with :

phasis on Variable Performance-Based Compensation. Over 73% of the NEOs' target compensation is tied to Company performance that the mpany believes drives shareholder value.

uble-Trigger Change in Control Requirements. Both the existing Change in Control Agreements and awards under the 2015 Incentive Plan have uble-trigger change in control provisions.

nership Requirements. Both the Chairman and CEO are required to hold equity in the Company worth at least 6x their base salaries, and all other Os are required to hold at least 3x base salary.

lding/Retention Periods. NEOs are required to hold exercised stock option shares and other stock awards until ownership requirements are met. ose who fail to achieve ownership requirements will not receive future equity-based awards.

ohibition on Hedging and Pledging. NEOs and directors are prohibited from hedging and future pledging of Company shares.

wback Provisions. The Company has established recoupment policies for financial fraud and/or material inaccuracies as well as for violations of n-competition agreements and non-solicitation agreements.

rformance Thresholds and Caps. Both the annual incentive and performance share programs require a threshold level of performance in order to ieve any payment, and the maximum payments are capped.

nual Risk Reviews. The Company conducts an annual risk review based on a process recommended by the Compensation Committee's independent npensation consultant.

nimal Perquisites.

y's compensation programs also maintain alignment with shareholders by not including certain features:

Cash Buyouts of Underwater Stock Options, Repricing, or Stock Options issued at a discount. Stock options issued will not be repriced, replaced, or ranted through cancellation or by lowering the exercise price of a previously granted stock option.

Excessive Change in Control Agreements. The maximum cash benefit is equal to 2x salary and target bonus.

Change in Control Agreements with Excise Tax Gross-ups.

Tax Gross-ups on Perquisites.

Employment Agreements. The Company does not maintain any employment agreements with its NEOs.

Payment of Dividend Equivalents on Unearned Performance Shares or Stock Options.

s compensation program is designed to be straightforward and understandable to its employees and shareholders, and to drive long-term shareholder ng compensation with both individual and Company performance.

ommittee of the Board

sation Committee of the Board is responsible for the Company's compensation programs.

mmittee oversees the Company's compensation and benefit programs for all officers and employees. The Committee is responsible for ensuring that the on practices provide appropriate incentives to increase long-term shareholder value, reflect the highest level of integrity, and protect the interests of s responsibilities is to make certain that a competitive compensation structure is in place that will attract, reward, and retain employees and to motivate ess profitably. The Committee is also charged with ensuring that compensation, especially for executives, is linked to both individual and Company ring that compensation policies and practices for all employees do not include incentives to take inappropriate risk.

mpensation levels, the Compensation Committee selects a compensation comparator group of companies and reviews studies of total compensation ose comparator group companies with similar duties and responsibilities. The Committee then considers a variety of reference points, including ion data at the 25th, 50th, and 75th percentiles, individual and Company performance, the executive's overall experience, replaceability, internal nd management's recommendation to determine appropriate compensation for each executive. All elements of compensation are valued and reviewed ve competitiveness of the Company's compensation practices against the comparator group. Target total compensation for the Company's employees ble (including the NEOs) is generally set to approximate the market median.

mmittee reviews at least annually a tally sheet for each NEO to evaluate the potential value of all compensation. The tally sheet includes each NEO's ual incentive award, and the value of all outstanding equity-based awards (both vested and unvested), deferrals, benefits, and perquisites, as well as er retirement and certain change in control situations. Since no NEO has an employment agreement with the Company that guarantees continued heets also facilitate the Committee's evaluation of the reasonableness of awards and their likely retention value.

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ompensation Committee makes executive compensation decisions and recommends actions to the Board of Directors and to shareholders (for advisory Say on Pay vote or equity plan proposals), as appropriate.

nsibilities, the Committee regularly consults with independent advisors, compensation consultants, and the Company's management. After a review of y the SEC and the NYSE, the Compensation Committee determined that its compensation consultant, Deloitte Consulting, is an independent advisor les and regulations. The Compensation Committee's charter can be found in the Governance section of Grainger's website at estor.

sation Committee's oversight responsibility includes assessing the relationship between potential risk created by the Company's compensation d their impact on long-term shareholder value. The Company's compensation programs are designed to include risk-mitigating features, and the lso engaged its independent compensation consultant (Deloitte Consulting) to assist with the process of an annual internal risk assessment of all ed compensation, including short-term and long-term incentive programs.

ation programs include risk-mitigating components, such as:

anced performance measures sales growth combined with profitability;

ust performance measure selection and goal setting;

anced mix of short-term and long-term incentives;

anced mix of equity vehicles stock options are combined with performance shares;

wback provisions to recoup incentive compensation; and

ck ownership, retention, and holding requirements.

ittee has engaged its independent compensation consultant to conduct a risk assessment that is completed every three years. The independent its next risk assessment in 2018. For the interim years, the Company conducts an annual internal risk review based on practices and methodologies ommittee's independent compensation consultant. The results of the internally-conducted 2016 risk review were discussed with the Committee.

w and the Committee's discussions, the Committee does not believe that the Company's compensation policies and practices are reasonably likely to effect on the Company.

eting of shareholders, the advisory vote to approve the compensation of the Company's NEOs received the support of 96% of the shareholders voting ompensation Committee has considered these results and believes that they confirm the appropriateness of the Company's current executive and practices. The Company routinely discusses its compensation philosophy with its shareholders as part of investor relations activities.

ed to check with shareholders on the frequency of the advisory Say on Pay vote every six years. In 2011 and 2017, management recommended an Pay vote. The next advisory frequency vote is scheduled for 2023.

nent

t assists the Compensation Committee in the design, recommendation, and implementation of compensation programs.

ent assist the Compensation Committee by routinely recommending programs that management believes will provide the appropriate level of
ntives consistent with the Company's compensation philosophy. Consistent with this process, management works with advisors from Aon Hewitt to
ation and recommends adjustments in base salaries, annual incentive targets, and long-term incentive awards to be reviewed by the Compensation
ed by the Board. For NEOs other than Messrs. Ryan and Macpherson, the recommendations also include the structure and targets of short-term and
ograms, as well as changes to programs required for regulatory compliance. These recommendations are reviewed and approved by the both the
and the CEO before they are presented to the Compensation Committee. Messrs. Ryan and Macpherson's compensation is reviewed by the
tee in conjunction with its independent compensation consultant, together with other independent directors (as directed by the Board), in executive
rs of management present.

omparator Group

***y's compensation program is regularly benchmarked against a Compensation Committee-approved comparator group of companies that are
Company in size and complexity. The Company performs these studies to understand current market practices and to provide a reference point
ation discussions.***

ompensation Committee determines a compensation comparator group of companies and undertakes a study of total compensation paid to executives
tions with similar duties and responsibilities in the comparator companies. All elements of compensation are valued and considered when determining
eness of the Company's compensation practices. A comparator group compensation study was conducted in 2016 (2016 Compensation Study).

roup consists of 22 businesses that are relatively similar in complexity and size to the Company and represent the types of major companies with
storically competes for executive talent. The companies that were selected for the 2016 Compensation Study are generally within a range of 0.5 to 2.0
l revenue. The competitive market for executive talent includes companies both within and outside the same industry or sector as the Company. Most
cly traded direct competitors tend to be too small in sales or scope of operations for direct compensation comparisons with the Company. Including a
anies provides a more representative depiction of the Company's competitive market for talent. Therefore, companies used for compensation
iffer from those in the industry indices used in the Company Performance Graph in Part II, Item 5 of the Company's most recent Annual Report on

minimal role in selecting the 2016 compensation comparator group, as the Committee relied on Aon Hewitt for survey and market data and its
tion consultant (Deloitte Consulting) for assistance. The role of management in selecting the comparator group was limited to providing general
ance of each industry represented by the comparator companies.

16 Compensation Study comparator group and the 2015 revenues and enterprise values for each company.

	2015 Revenue ($mil)		2015 Enterprise Value* ($mil)	
icals, Inc.	$	9,895	$	33,467
	$	10,187	$	26,791
	$	7,997	$	13,042
de Inc.	$	13,476	$	9,802
	$	5,655	$	15,433
	$	19,110	$	15,806
	$	6,956	$	11,525
npany	$	9,648	$	17,116
	$	20,855	$	32,235
y	$	15,280	$	13,387
nc.	$	7,388	$	11,046
.	$	13,405	$	38,503
	$	13,301	$	18,412
	$	5,703	$	11,192
	$	8,895	$	12,252
	$	6,156	$	8,501
ration	$	12,712	$	17,495
	$	15,330	$	29,827
Inc.	$	6,308	$	12,955
Company	$	11,339	$	26,038
	$	13,423	$	15,182
Inc.	$	7,519	$	3,206

	$	**7,421**	**$**	**11,706**
	$	**10,041**	**$**	**15,308**
	$	**13,419**	**$**	**24,132**
	$	***9,973***	***$***	***14,360***
ercentile Rank		***49%***		***45%***

Value is calculated as market capitalization plus debt, minority interest and preferred shares, minus total cash and cash
s.

nmittee reviewed and approved the comparator group and considered the findings of the 2016 Compensation Study in conjunction with a tally sheet
ue of all compensation available for the NEOs. The Compensation Committee concluded that the NEOs' earned and potential awards for 2016 were
mpany's pay philosophy, Company and individual performance, and market practices (as reflected in the 2016 Compensation Study). Based on this
upport from shareholders on the Say on Pay proposal, the Committee did not make specific adjustments to the design of the Company's compensation
mpensation Study and comparator group validation is scheduled to take place in 2018.

are intended to provide an appropriate level of fixed compensation to attract and retain executives. Base salaries are determined after a detailed f individual performance, competitive market levels, and executive experience.

ustments are considered and implemented to reflect individual performance, contribution and experience, and to maintain market competitiveness. The udy showed that, on average, the Company's base salaries for NEOs were approximately 2% below the market median.

or the NEOs, with the exception of Messrs. Ryan and Macpherson, are reviewed and approved by both the Chairman of the Board and the CEO before e Compensation Committee. In approving recommendations, the Committee reviews these recommendations in conjunction with its independent nt.

rded to Messrs. Ryan and Macpherson is determined by the Board with assistance from the Compensation Committee and its independent nt. The Compensation Committee reviews and approves the corporate goals and objectives relevant to Messrs. Ryan and Macpherson's compensation vidual's performance in light of those goals and objectives. Together with the other independent directors (as directed by the Board), the tee determines and approves Messrs. Ryan and Macpherson's compensation level based on this evaluation, in executive session without members of

erformance management review process (which is similar to the process in which all employees participate), base salaries are reviewed and adjusted ct individual and Company performance, base salaries for comparable positions from market studies, experience, tenure, and internal equity.

utlined above, on April 1, 2016, Mr. Ryan's base salary was increased to $1,191,942 (+3.0%) and Mr. Macpherson's base salary was increased to ddition, as a result of the Company naming him Chief Executive Officer on October 1, 2016, Mr. Macpherson's base salary was increased to

ng base salary adjustments were made for the other NEOs effective April 1, 2016:

. Jadin's base salary was increased to $727,180 (+3.0%);

. Howard's base salary was increased to $678,770 (+3.0%);

. High's base salary was increased to $500,000 (+4.0%); and

. Robbins' base salary was increased to $441,025 (+5.0%) and subsequently increased to $465,000 (+5.4%) effective October 1, 2016.

s

ntives are intended to provide an appropriate level of variable compensation to encourage executives to achieve annual results that create value without encouraging excessive risk taking.

ceive short-term cash-based incentives on the achievement of specified annual Company-wide financial performance measures set forth in the Incentive Program (MIP). The Company structures the MIP to motivate performance that balances short-term and long-term results and aligns the nt with shareholders.

ntive award under the annual incentive program is based on a review of competitive market practice and is designed to approximate a market value median of the comparator group. The following table displays the 2016 MIP target (program and payment) applicable to each NEO.

	2016 Target Incentive (as a % of base salary)	Program	Actual Payment (as a % of the target)
an	130%	Company	75%
erson	125%*	Company	75%
din	85%	Company	75%
ard	75%	Company	75%
gh	75%	Company	75%
bins	55%	Company	75%

nerson's 2016 incentive payment was increased from 100% to 125% effective October 1, 2016, in connection with his to CEO. Accordingly, his 2016 incentive amount is pro-rated at 100% for 9 months and 125% for 3 months.

mmittee and management perform a thorough analysis in setting financial measures and goals for the Company MIP to ensure the program the Company's objectives, is aligned with long-term shareholder interest, and has appropriate and effective risk-mitigating components. While the clearly aligned with the Company's strategy, they also account for current economic conditions. The combination of sales growth and ROIC s threshold, target, and maximum payment levels, serves to mitigate risk to the Company's shareholders.

the design of the annual incentive program creates shareholder value and encourages performance by focusing on profitable sales growth and ROIC. f the MIP has been in place for more than ten years, although specific objectives and performance target levels have been modified on a year-by-year rent economic and competitive environment. This framework was selected to align with Company strategy and to balance sales growth with , expense management, and asset management. ROIC reflects how effectively management uses Company assets and is generally defined by the erating earnings divided by net working assets. Year-over-year daily sales growth is determined by year-over-year results. Acquisitions and during the year are not included in the calculation of daily sales growth or ROIC. These measures are consistent with the Company's objective of r time, which it believes is closely linked with shareholder value creation.

P was based on the Company's ROIC and year-over-year daily sales growth. The Company determined the payment earned for ROIC and the payment , and the two amounts were added together:

MIP Payment=(Sales Growth Performance+ROIC Performance)

ows various payout scenarios that were established at the beginning of the year:

2016 Management Incentive Program

ROIC Performance	% Payout*
<21.60%	0%
21.60%	50%
24.10%**	75%
≥26.60%	100%

Daily Sales Growth Performance	% Payout*
≤5.50%**	0%
6.15%	25%
6.80%	50%
≥8.10%	100%

e interpolated on a straight-line basis.

ar 2016, sales growth was 1.6% and adjusted ROIC was 24.1%. Based on these results, Company MIP paid at 75% of

that it establishes sales growth and ROIC targets that are rigorous and provide an appropriate level of motivation. Under the Terms and Conditions of e has the discretion to adjust the reported financial results for incentive plan purposes to correct for any unusual circumstances, both positive and fect ROIC or sales growth. For 2016, the Compensation Committee adjusted ROIC for the impact of certain items that the Company believes are not perations relating to (1) accounting adjustments related to customer unclaimed property; (2) increasing the Company's pre-tax reserve for resolving laneous billing issues relating to government contracts with the General Services Administration; and (3) the impairment charge attributable to the t the Company's operating performance during the year. A more detailed discussion of these items is included in Part II, Item 6 and Item 8, Note 17 to ial Statements, of the Company's most recent Annual Report on Form 10-K. The net effect of these adjustments increased the Company MIP payout rget.

to Messrs. Ryan, Macpherson, Jadin, Howard, and High were based on the performance targets established for the 2016 MIP and were made under a ve program described in the 2015 Incentive Plan. This program is designed to ensure that annual incentives are performance-based and fully tax pany under Section 162(m) of the Internal Revenue Code. Under the program, the Committee allocates a portion of an incentive pool to each funded with 5% of the Company's net earnings and the independent members of the Board have the authority to make specific awards. The sum of the percentages may not be greater than 100% of the pool. The independent members of the Board may use their discretion to reduce these amounts but Consistent with prior years, the independent members of the Board used their discretion to reduce the amounts to yield payments equal to those that the same financial target and measures as the 2016 MIP.

practice, the 2017 MIP will continue to utilize daily sales growth along with ROIC as performance measures and all NEOs will be aligned to the

tives

y annually provides long-term incentives to NEOs and other key managers in order to align with the following elements of the Company's strategy hareholder value:

ieve long-term business goals and objectives that increase shareholder value (including achieving financial performance that balances growth, fitability, and asset management);

ard management for taking prudent action and achieving results that create shareholder value;

act qualified leaders to join the Company; and

in management through business cycles.

rm incentives for NEOs consist of stock options and performance shares and are provided under shareholder-approved incentive plans. In 2016, the vards such that stock options represent approximately 70% of the total value of long-term incentive compensation and performance shares represent the total value. Providing a mix of different types of equity awards is consistent with market practice for senior executives. Using both stock options s provides incentives to drive shareholder value creation and the three year vesting schedule aids in executive retention.

hares provided for stock options and performance share awards is designed to approximate an economic value that targets the median of the tor group for comparable jobs. The Compensation Committee annually establishes the target value of the award based on the executive's position. The ljusted up or down to reflect individual performance. The value is converted to shares using the 200-day average stock price as of January 31 in the of the 200-day average to calculate the number of shares is intended to smooth stock price volatility that can distort the number of shares awarded.

NEO Long-Term Incentives

rd	Weight	Vesting & Term	Performance Measure
	70%	3-year cliff vesting; 10 year term	Grant allocated based on individual performance; long-term value based on appreciation in stock price.
	30%	3-year cliff vesting contingent on performance	Sales growth measured in year 3 of the performance cycle, with 3-year average ROIC.

ptions provide the right to purchase Company stock at a specified price over a ten-year term with three-year cliff vesting. They are intended to directly shareholders' interests by tying a substantial portion of long-term incentives to stock price appreciation. The ten-year term is designed to focus the ue creation. Three-year cliff vesting encourages meaningful retention before an executive can realize any value created by stock price appreciation. is not permitted under any of the Company's equity incentive plans. Stock options are awarded at an exercise price equal to the closing price of the ock reported on the business day of the grant.

mance share program provides the NEOs and other executives with a potential share payout depending on sales growth and ROIC achievement over a
ctual number of shares paid to an NEO can range from 0% to 200% of the target number of performance shares awarded. The Compensation
sistance of its independent compensation consultant) and management perform a thorough analysis in setting the financial measures and goals for a
cycle that begins January 1 of the first year. The sales growth component is measured at the end of the cycle's third year and the ROIC component is
the third year based on the three-year average. These measurement dates reinforce a long term focus. Dividend equivalents are not paid on
ue to the three-year cycle that each award covers, the Company has three performance share cycles ongoing at all times.

e Share Cycle

ormance share cycle, the 2016 sales target of $11.9 billion was established when 2013 sales were $9.4 billion. The Company's net sales in 2016
of shares earned, while vesting remained dependent on meeting a three year average ROIC hurdle of 18%. The payout of the target performance share
n cycle was made according to the following table:

2016 Total Company Sales	**Payout as a Percent of Target**
<$10.0B	0%
$10.0B	50%
$10.1B*	54%*
$11.9B	100%
$12.6B	200%

les were $10.1 billion and the participants conditionally earned 54% of their target. The Compensation Committee
l that the award vested because the Company's average ROIC for the three year period 2014-2016 was greater than 18%.

e Share Cycle

ormance share cycle, the 2017 sales target of $12.2 billion was established when 2014 sales were $10.0 billion. The Company's net sales in 2017 will
of shares earned, while vesting remains dependent on meeting a three year average ROIC hurdle of 18%. The payout of the target performance share
n cycle will be made according to the following table:

2017 Total Company Sales	**Payout as a Percent of Target**
<$10.6B	0%
$10.6B	50%
$12.2B	100%
$13.3B	200%

n 2017 are required for participants to earn 100% of target award, assuming the average ROIC for the three-year period 2015-2017 is greater than 18%.
risk through 2017.

e Share Cycle
ormance share cycle, the program was designed to reward for achieving a three-year average ROIC and 2018 sales. The sales goal was established
$10.0 billion. The Company's average ROIC performance over the three-year period ending in 2018 and net sales in 2018 will determine the number of
out of the target performance share awards for this program cycle will be made according to the following table:

3-Year Average ROIC Performance (2016 - 2018)	% Payout*
≤21.6%	0%
23.8%	50%
≥26.0%	100%

Total Company 2018 Sales	% Payout*
≤$11.2B	0%
$11.7B	50%
≥$12.2B	100%

e interpolated on a straight-line basis.

IC at or above 26% or sales at or above $12.2 billion in 2018 can independently achieve 100% of the target award. Achieving both will yield 200% of
ward will remain at risk through 2018.

mmittee selected these performance measures because they balance sales growth with long-term profitability, expense management, and asset
with objectives established in the annual incentive program. The Committee may use different sales growth and ROIC objectives and targets from
e alignment with then-current business objectives and to reflect economic conditions.

nance share cycle will continue to include both three-year ROIC and three-year sales growth targets.

estricted Stock Units and Restricted Stock Units
er's historical practice of promotional awards with seven-year cliff vesting, the Company granted 8,896 performance-vested restricted stock units
erson to recognize his promotion to Chief Executive Officer effective October 1, 2016. The potential share payout on the 7th anniversary of the grant is
average ROIC over 18% during a three-year performance cycle commencing October 1, 2016 through September 30, 2019. The actual number of
7th anniversary of the grant will be either 0% or 100% of the number of shares awarded, based on achievement of the ROIC goal. Dividend
d on PRSUs.

ny granted 481 restricted stock units (RSUs) to Ms. Robbins with three-year cliff vesting effective November 1, 2016, to recognize her increased

k Options and Performance Shares for 2017

is planning to change the mix of long-term incentives 70% stock options and 30% performance shares to a 50%/50% balance of both vehicles. The
e responsive to market practices while continuing to provide appropriate incentives to drive shareholder value creation.

Guidelines

ber 31, 2016, all officers subject to stock ownership guidelines, including the NEOs, are in compliance with the guidelines.

s to believe that requiring executive ownership of Company stock creates alignment between executives and shareholders and encourages executives

lue. In 1996, the Company established stock ownership guidelines for its NEOs and other officers. In 2011, the Company increased the minimum for the CEO from 5x base salary to 6x and established a retention ratio for equity awards. The stock ownership guidelines for the NEOs are as

Minimum Ownership Requirement as a Percentage of Base Salary	Currently in Compliance?
6x	Yes
6x	Yes
3x	Yes
3x	Yes
3x	Yes
3x	Yes

guidelines must be met within three years of being appointed an officer or assuming a new position and are reviewed annually by the Board. NEOs ercised option shares and other stock awards until ownership requirements are met. Officers who fail to achieve these ownership levels will not receive ards until they comply with the guidelines. Shares owned directly by the officer (including those held as a joint tenant or as tenant in common), RSUs, directed IRA, and certain shares owned or held for the benefit of a spouse or minor children are counted toward meeting the guidelines. Stock options ested) and performance share awards are not counted toward meeting the ownership guidelines.

g-term goal for executives to also meet a second ownership requirement that is expressed in outright ownership (in actual shares and/or deferred vested has implemented a required 25% after-tax share retention ratio for NEOs. Upon receiving shares from the Company following the exercise or ards, if NEOs do not hold outright ownership of shares worth the required ownership multiple, they will be required to retain 25% of the shares equity awards (net of any shares used to satisfy tax withholding obligations) until the stock ownership guidelines are met with shares owned outright.

ging Prohibition

ss Conduct Guidelines (which are available in the Governance section of Grainger's website at www.grainger.com/investor) prohibit employees and from engaging in any financial arrangement (including, without limitation, put and call options and short sales) that establish a short position in designed to hedge or offset a decrease in market value. Effective January 1, 2013, by policy, Company officers and directors are also prohibited from l Company stock at any amount as collateral for a loan or for a margin account.

of the Company's compensation program for NEOs are substantially similar to those available for most of the Company's other employees. This h and welfare benefits and the same performance-based profit sharing contribution methodology that is applied to the U.S.-based employees who are nts. The Company provides Supplemental Profit Sharing Plans solely to maintain an equal percentage of profit sharing compensation contribution to loyees, including NEOs, who would be subject to contribution or compensation limitations imposed

ne Internal Revenue Code. The Company does not provide any other supplemental retirement benefits to its NEOs or other employees based in the

mary Company-sponsored retirement vehicle for U.S.-based employees. Profit sharing aligns the interests of the Company's employees, management, Company's annual contribution to profit sharing is based on ROIC. The Company contributes a minimum of 8% of payroll to the plan and provides nity to share in the success of the Company beyond this amount only if a threshold return on capital, as the same may be adjusted for all eligible rms of the Profit Sharing Plan, is achieved.

fit Sharing Plan, the Company implemented a 401(k) feature for all U.S.-based employees including the NEOs. The Company will contribute 3% of re and this amount is funded from the profit sharing pool. As mentioned above, the minimum Company contribution is 8% of pay with the first 3%

ne Company requires that the NEOs and certain other Company officers have periodic physical examinations. The Company believes that periodic portant to maintain the effectiveness of its executive talent.

, 2009, the Company discontinued its executive death benefit program for executives hired or promoted after this date. The NEOs (except for bins) and certain other Company officers have grandfathered participation in the Company's former Executive Death Benefit Plan. The beneficiary of a hile employed by the Company is entitled to a taxable benefit of 120 monthly payments of 50% of the participant's monthly compensation, calculated nd target annual incentive. Unless offered to other Company employees, the Company will not make payments, grants, or awards following the death orm of unearned salary or unearned bonuses, accelerated vesting or the continuation in force of unvested equity grants, awards or ungranted equity, ayments or awards made in lieu of compensation.

17, the Company discontinued its U.S. pre-tax deferred compensation program whereby NEOs and certain other officers could elect to defer receipt of y and 85% of annual cash incentives under the 2004 Voluntary Salary and Incentive Deferral Plan, an unfunded deferred compensation plan. The s to provide executives with retirement savings and financial planning opportunities that were unavailable to them in tax-qualified retirement plans due de limitations. The investment choices and returns for the nonqualified program were the same as those offered to participants in profit sharing.

be reimbursed for up to $10,000 in financial services in 2016. The financial service reimbursements are fully taxable and not grossed-up to cover wed the business use of corporate aircraft and car and driver, while each of Messrs. Ryan and Macpherson is also allowed personal use of a car and ursement of the incremental cost of use. These benefits represent a cost-effective method of allowing the Company's top executives to more ne. All other benefits, including the profit sharing contribution percentages and various welfare benefits provided to U.S. NEOs and other executive e to those provided to the majority of salaried and hourly U.S.-based Company employees.

on Table

ear	Salary	Bonus	Stock Awards1	Option Awards2	Non-Equity Incentive Plan Comp.3	Change in Pension Value and NQDC Earnings	All Other Comp.4	Total
016	$ 1,183,263	$ 0	$ 2,100,137	$ 3,512,151	$ 1,162,143	$0	$ 187,006	$ 8,144,700
015	$ 1,150,169	$ 0	$ 2,266,070	$ 3,063,077	$ 715,165	$0	$ 333,106	$ 7,527,587
014	$ 1,123,500	$ 0	$ 1,960,612	$ 3,028,115	$ 1,044,325	$0	$ 554,908	$ 7,711,460
016	$ 875,000	$ 0	$ 2,511,744	$ 1,070,785	$ 796,875	$0	$ 284,128	$ 5,538,532
015	$ 725,750	$ 0	$ 2,322,855	$ 669,245	$ 350,400	$0	$ 293,893	$ 4,362,143
014	$ 659,750	$ 0	$ 1,370,245	$ 656,722	$ 417,027	$0	$ 272,617	$ 3,376,361
016	$ 721,885	$ 0	$ 486,615	$ 813,818	$ 463,577	$0	$ 99,328	$ 2,585,223
015	$ 701,625	$ 0	$ 2,122,365	$ 708,618	$ 288,048	$0	$ 183,108	$ 4,003,764
014	$ 685,125	$ 0	$ 642,780	$ 700,517	$ 433,067	$0	$ 316,338	$ 2,777,827
016	$ 673,828	$ 0	$ 332,937	$ 556,807	$ 381,808	$0	$ 93,599	$ 2,038,979
015	$ 654,900	$ 0	$ 1,368,565	$ 452,741	$ 237,240	$0	$ 133,159	$ 2,846,605
014	$ 639,450	$ 0	$ 444,292	$ 394,054	$ 356,643	$0	$ 330,757	$ 2,165,196
016	$ 495,250	$ 0	$ 256,192	$ 428,323	$ 281,250	$0	$ 68,099	$ 1,529,114
015	$ 478,050	$ 0	$ 758,863	$ 393,682	$ 173,160	$0	$ 98,949	$ 1,902,704
016	$ 441,769	$ 0	$ 202,621	$ 171,356	$ 191,813	$0	$ 51,835	$ 1,059,394

the grant date fair value of stock awards computed in accordance with FASB ASC Topic 718. Performance share grants ted at target achievement and may pay out up to 200% of the target award. Performance-vested restricted stock awards are at target achievement and may pay out up to 100% of the target award. The maximum value of the stock awards shown are , $2,953,922, $973,229, $665,874, $512,384, and $205,029 for Messrs. Ryan, Macpherson, Jadin, Howard, High, and ns, respectively.

the grant date fair value of option awards computed in accordance with FASB ASC Topic 718.

amounts paid under a 162(m)-qualified, shareholder-approved annual cash incentive plan for all, except for Ms. Robbins, aid under the Company's MIP.

ncludes contributions accrued under the Company's profit sharing plan, the related supplemental profit sharing plan, and d compensation plan participants, Company contributions that would otherwise have been made to the supplemental profit n ($161,264, $103,522, $85,782, $77,383, $56,759, and $46,835 for Messrs. Ryan, Macpherson, Jadin, Howard, High, and ns, respectively). It includes reimbursement for financial services ($10,000, $9,580, $10,000, $10,000, $6,565, and $5,000 . Ryan, Macpherson, Jadin, Howard, High, and Ms. Robbins, respectively).

udes the incremental cost of the frozen Executive Death Benefit Program ($11,792, $167,001, $3,546, and $1,516 for yan, Macpherson, Jadin, and Howard) and the cost of executive physicals ($3,950, $4,025, $0, $4,700, $4,775, and $0 for yan, Macpherson, Jadin, Howard, High, and Ms. Robbins, respectively).

wards

Possible Payouts Under Incentive Plan Awards1		Estimated Future Payouts Under Equity Incentive Plan Awards2,3			All Other Stock Awards: No. of Shares of Stock	All Other Option Awards: No. of Securities Underlying	Exercise or Base Price of Option	Actu Closi Price Opti Appro
Target	Maximum	Threshold	Target	Maximum	or Units4	Options5	Awards6	Dat
1,549,525	$ 3,099,050							
		5,583	11,165	22,330				
						78,152	$ 234.38	$ 23
1,062,500	$ 2,125,000							
		1,702	3,404	6,808				
						23,827	$ 234.38	$ 23
		0	8,896	8,896				
618,103	$ 1,236,206							
		1,294	2,587	5,174				
						18,109	$ 234.38	$ 23
509,078	$ 1,018,156							
		885	1,770	3,540				
						12,390	$ 234.38	$ 23
375,000	$ 750,000							
		681	1,362	2,724				
						9,531	$ 234.38	$ 23
255,750	$ 511,500							
		273	545	1,090				
						3,813	$ 234.38	$ 23
					481			

potential amounts under the annual cash incentive award in the 2015 Incentive Plan, a 162(m)-qualified, r-approved plan. The plan establishes a pool equal to five percent (5%) of the Company's Net Earnings for the plan year. he Board used its discretion to reduce amounts to yield payments equal to those that would have been made using the same neasures as the MIP for the other employees.

er of shares that may be earned for the 2016 grant of performance shares range from 0% to 200% of the target award and ermined based on the Company's three-year average ROIC and sales performance in 2018.

an includes the 2016 grant of performance-vested restricted stock units for Mr. Macpherson, an award of either 0% or 100% et value will be determined based on the Company's three-year average ROIC between 2016 and 2018. If the three-year ce condition is met, the shares will vest at the end of seven years based on continued service.

restricted stock units for Ms. Robbins with three-year cliff vesting.

stock option awards with a ten-year term and three-year cliff vesting.

ere issued at fair market value, which is the closing stock price on the grant date.

the actual closing price on the day the award was approved.

the full grant date fair value of awards as calculated under FASB ASC Topic 718 without allocating over the vesting

vards at Fiscal Year-End

Option Awards					Stock Awards			
es ng ed s le1	No. of Securities Underlying Unexercised Options Unexercisable1	Equity Incentive Plan Awards: No. of Securities Underlying Unexercised Unearned Options	Option Exercise Price2	Option Expiration Date3	No. of Shares or Units of Stock That Have Not Vested4	Market Value of Shares or Units of Stock That Have Not Vested5	Equity Incentive Plan Awards: No. of Unearned Shares, Units or Other Rights That Have Not Vested6	Equi Incent Plan Awar Marke Payou Unear Share Unit or Ot Righ Tha Have Veste
000			$ 81.49	4/28/19	0	$ 0	28,647	$ 6,653
000			$ 108.15	4/27/20				
400			$ 149.02	4/26/21				
100			$ 204.01	4/24/22				
465			$ 245.86	4/23/23				
	56,558		$ 248.22	4/29/24				
	65,816		$ 231.88	3/31/25				
	78,152		$ 234.38	3/31/26				
000			$ 108.15	4/27/20	0	$ 0	28,509	$ 6,621
376			$ 149.02	4/26/21				
923			$ 204.01	4/24/22				
741			$ 245.86	4/23/23				
	12,266		$ 248.22	4/29/24				

	14,380	$ 231.88	3/31/25				
	23,827	$ 234.38	3/31/26				
000		$ 81.49	4/28/19	0	$ 0	14,850	$ 3,448
000		$ 108.15	4/27/20				
336		$ 149.02	4/26/21				
527		$ 204.01	4/24/22				
790		$ 245.86	4/23/23				
	13,084	$ 248.22	4/29/24				
	15,226	$ 231.88	3/31/25				
	18,109	$ 234.38	3/31/26				
000		$ 81.49	4/28/19	0	$ 0	9,802	$ 2,276
500		$ 108.15	4/27/20				
990		$ 149.02	4/26/21				
716		$ 204.01	4/24/22				
543		$ 245.86	4/23/23				
	7,360	$ 248.22	4/29/24				
	9,728	$ 231.88	3/31/25				
	12,390	$ 234.38	3/31/26				
415		$ 204.01	4/24/22	0	$ 0	6,578	$ 1,527
920		$ 245.86	4/23/23				
	7,360	$ 248.22	4/29/24				
	8,459	$ 231.88	3/31/25				
	9,531	$ 234.38	3/31/26				
840		$ 149.02	4/26/21	8,713	$ 2,023,594	1,295	$ 300
790		$ 204.01	4/24/22				

330		$	245.86	4/23/23
	2,127	$	248.22	4/29/24
	3,122	$	231.88	3/31/25
	3,813	$	234.38	3/31/26

stock option awards with a ten-year term and three-year cliff vesting. Upon retirement from the Company, unvested
tomatically vest and may be exercised within the lesser of six years or the remaining term of the option. Messrs. Ryan and
urrently retirement-eligible.

ere issued at fair market value, which is the closing stock price on the grant date.

ten years after the award date.

unvested restricted stock units with three- and seven-year cliff vesting.

the aggregate unvested restricted stock units outstanding multiplied by the year-end closing price ($232.25).

the aggregate performance shares with a three-year cycle as described further in the Compensation Discussion & Analysis.

the aggregate performance shares outstanding multiplied by the year-end closing price ($232.25).

tock Vested

Option Awards		Stock Awards	
No. of Shares Acquired on Exercise1	**Value Realized on Exercise2**	**No. of Shares Acquired on Vesting3**	**Value Realized on Vesting4**
0	$ 0	6,342	$ 1,284,826
0	$ 0	1,417	$ 287,070
0	$ 0	1,512	$ 306,316
11,000	$ 1,585,980	1,039	$ 210,491
5,800	$ 462,492	4,803	$ 1,035,880
0	$ 0	175	$ 35,453

the number of stock options exercised.

the difference between the exercise price and the market price of the common stock on the date of exercise.

s. Ryan, Macpherson, Jadin, Howard, High, and Ms. Robbins this includes 6,342, 1,417, 1,512, 1,039, 803, 175 shares,
y, vested on February 20, 2016, in settlement of performance share awards granted on January 1, 2013.

the value of the restricted stock units and performance shares awards on the vesting date.

Name	Plan Name	No. of Years Credited Service	Present Value of Accumulated Benefit	Payouts During Last Fiscal Year
James T. Ryan	None	n/a	n/a	n/a
D.G. Macpherson	None	n/a	n/a	n/a
Ronald L. Jadin	None	n/a	n/a	n/a
John L. Howard	None	n/a	n/a	n/a
Joseph C. High	None	n/a	n/a	n/a
Paige K. Robbins	None	n/a	n/a	n/a

Compensation

	Plan	Executive Contributions in Last FY1	Company Contributions in Last FY2	Aggregate Earnings in Last FY3	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE4
n	SPSP & SPSP II	$ 0	$ 213,335	$ 44,366	$ 0	$ 4,735,128
	Deferred RSUs	$ 0	$ 0	$ 593,200	$ 0	$ 4,645,000
	Total	**$ 0**	**$ 213,335**	**$ 637,566**	**$ 0**	**$ 9,380,128**
son	SPSP & SPSP II	$ 0	$ 92,462	$ 74,995	$ 0	$ 981,570
	Total	**$ 0**	**$ 92,462**	**$ 74,995**	**$ 0**	**$ 981,570**
n	Voluntary Salary & Incentive Deferral	$ 569,559	$ 69,774	$ 225,200	$ 0	$ 4,389,552
	SPSP & SPSP II	$ 0	$ 27,016	$ 59,692	$ 0	$ 853,261
	Total	**$ 569,559**	**$ 96,790**	**$ 284,892**	**$ 0**	**$ 5,242,813**
rd	Voluntary Salary & Incentive Deferral	$ 193,601	$ 26,438	$ 93,181	$ 0	$ 2,571,162
	SPSP & SPSP II	$ 0	$ 56,415	$ 72,519	$ 0	$ 1,650,095
	Deferred RSUs	$ 0	$ 0	$ 593,200	$ 0	$ 4,645,000
	Total	**$ 193,601**	**$ 82,853**	**$ 758,901**	**$ 0**	**$ 8,866,257**
n	SPSP & SPSP II	$ 0	$ 46,606	$ 15,112	$ 0	$ 235,746
	Total	**$ 0**	**$ 46,606**	**$ 15,112**	**$ 0**	**$ 235,746**
ins	SPSP & SPSP II	$ 0	$ 39,779	$ 12,179	$ 0	$ 146,241
	Total	**$ 0**	**$ 39,779**	**$ 12,179**	**$ 0**	**$ 146,241**

voluntary short term incentive deferrals for Messrs. Jadin and Howard. These contributions were included as part of salary ity incentive plan compensation in the 2016 Summary Compensation Table.

any provides the supplemental profit sharing plans (SPSPs) solely to maintain an equal percentage of profit sharing n to approximately 215 employees (including all NEOs) who would be subject to contribution or compensation limits n qualified plans by the Internal Revenue Code. For Messrs. Ryan, Macpherson, Jadin, Howard, High, and Ms. Robbins,

ents the Company SPSP contribution. These contributions were disclosed as part of "All Other Comp." in the 2016
Compensation Table.

. Jadin and Howard, this represents make-whole contributions to the SPSPs that would otherwise have been made had they
arily deferred salary in 2016.

earnings on all nonqualified deferred compensation balances, including SPSP earnings, stock price appreciation and
quivalent payments for vested, deferred restricted stock units, and for Messrs. Jadin and Howard, earnings on voluntary
nvestment choices for any officer, including an NEO, who elects to defer salary and/or bonus may be made only from the
tment funds available to all employees under the Company's profit sharing plan. The rate of return on the individual
ositive or negative) is a function of the participant-selected investment funds.

din and Howard and other officers voluntarily participated in this plan in 2016. None of the amounts reported in this
reported in the 2016 Summary Compensation Table.

year-end balances for the SPSPs, vested deferred restricted stock units, and for Messrs. Jadin and Howard, year-end
r their voluntary deferral accounts. Messrs. Ryan and Howard have 20,000 and 20,000 vested, deferred RSUs outstanding,
y.

tracts, Change in Control Arrangements, and Termination of Employment Arrangements

y does not maintain any employment agreements with its Named Executive Officers.

uity Plans

Company's 2015 Incentive Plan, which is the source for all equity awards granted after April 2015, "double trigger" vesting provisions apply to all
h a change in control occurs and a participant is involuntarily terminated within one year of the change in control).

eements

Change in Control Agreements (CIC Agreements) with a number of executives, including the NEOs. These CIC Agreements are intended to ensure that
g or threatened change in control, the Company retains its management and that their full attention is focused on the best interests of the Company and
t on the uncertainty of their future employment prospects under those circumstances.

e Company's CIC Agreements have double-trigger arrangements. Under each CIC Agreement, the executive is entitled to certain benefits which
lude a lump-sum payment equal to 2x the sum of (i) the executive's annual salary, (ii) the executive's target annual incentive, and (iii) in connection
h the Company's non-contributory profit sharing plans, a percentage of annual salary and annual incentive equal to the average percentage of covered
mpensation contributed by the Company under the plans for the last three fiscal years. The executive is also entitled to two years of continued health
l dental benefits.

e Company has committed that no more than 10 positions will be eligible for CIC Agreements in the future. Existing agreements remain in place.

tive Compensation; Accounting Considerations

nternal Revenue Code generally disallows a federal income tax deduction to a public company for compensation over $1 million per fiscal year paid
s. Compensation that qualifies as "performance-based" compensation is not subject to the deductibility limit. A Company objective is to attempt to
lity of compensation under Section 162(m) to the extent doing so is reasonable and consistent with Company strategies and goals. Awards under the
n which the NEOs participate, gains on exercises of stock options, and shares received as the result of performance share awards and PRSUs are
rmance-based" compensation not subject to the Section 162(m) deductibility limit. Awards of RSUs are not exempt from the Section 162(m)
all or a portion of these awards may be nondeductible when the awards vest. While the tax treatment applicable to the Company's compensation
o account in designing those programs, it was not a significant consideration. The Company does not time the grant of long-term incentive awards in
f material, non-public information nor for the purpose of affecting the value of executive compensation.

nt, or maturity, equity awards under the 2015 Incentive Plan and predecessor plans are distributed in the form of shares of the Company's common
nting Standards Codification (ASC) 718 (formerly FAS 123R), these types of awards are considered equity awards. As a result, the total amount of
to be recorded for the awards is based on the fair value of the awards on the grant date. This fair value is then recorded over the vesting period, usually
rded to compensation expense and as an increase in paid-in capital. The amount of compensation expense is not subsequently adjusted for changes in
rice, but it is

ed number of shares to be distributed. If an equity award is forfeited, all previously recorded compensation expensed is reversed. While the accounting ove was considered in the development of the long-term incentive program, it was not a material consideration.

coupment Policy (Clawbacks)

xpanded the executive compensation recoupment policy (or clawback) for equity and annual incentive payments made to officers. The Company can ensation (cash or equity) that was awarded based on achievement of financial results that were the subject of a restatement if the officer engaged in ancial fraud. The policy also permits the recovery of all or a portion of any incentive compensation in the case of materially inaccurate financial not they result in a restatement and whether or not the executive officer has engaged in wrongful conduct. In addition, should an executive violate his r non-compete obligations, any award is automatically forfeited, and in certain circumstances, the executive must return vested shares and/or gains res to the Company. Recoveries under these provisions can extend back for three years.

ny incentive compensation awarded or paid to an employee at a time when he or she is an officer. Subsequent changes in status, including retirement oyment, do not impact the Company's rights to recover compensation under this policy.

have employment contracts and does not maintain severance programs for its NEOs. The executive's CIC Agreements provide the potential for a owing a change in control. Except for a limited period of time following a change in control, the NEOs are not entitled to severance upon termination.

ment eligibility is the same for all U.S. employees. Under this definition, an employee is retirement-eligible upon attaining any of the following:

60;

55 and 20 years of service; or

years of service.

n are retirement-eligible.

the following upon retirement for all employees, including NEO's:

standing stock options become vested and executives have the right to exercise such stock options within six years from date of termination or for the naining term of the stock option, whichever is less;

lement of performance shares occurs after the end of the performance period in common stock equal to the number of the executive's outstanding formance shares earned for the performance period multiplied by the prorated portion of the performance period completed; and

h payments equal to account balances under profit sharing, any supplemental profit sharing program, and the 2004 Voluntary Salary and Incentive ferral Plan will be made in installment payments for up to 15 years or in a lump-sum payment based on the election made by the executive in ordance with the terms and conditions of those plans.

ustrate the potential incremental payments and benefits that could be received by the NEOs upon a termination or change in control of the Company. low assume that such termination or change in control was effective as of December 31, 2016 and thus only includes amounts earned through such ıal amounts that would be paid out under each circumstance can only be determined at the time of separation.

nployment Payments

Involuntary Termination without Cause or Voluntary Termination with Good Reason ($)	Involuntary Termination for Cause or Voluntary Termination without Good Reason ($)	Retirement10 ($)	Death ($)	Disability ($)	Change In Control Only ($)	Change In Control and Termination without Cause or with Good Reason ($)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 6,140,886
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 24,352	$ 24,352	$ 24,352	$ 24,352	$ 24,352
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

$	0	$	0	$	2,320,100	$	2,320,100	$	2,320,100	$	4,776,686	$	4,776,686
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	466,414	$	0	$	0	$	0	$	34,155
$	0	$	0	$	1,537,209	$	11,193,081	$	0	$	0	$	2,366,977
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	178,791
$	**0**	**$**	**0**	**$**	**4,348,075**	**$**	**13,537,533**	**$**	**2,344,452**	**$**	**4,801,038**	**$**	**13,521,847**

any does not maintain any agreements with its NEOs that guarantee the payment of cash severance upon termination,
ne event of a change in control followed by termination without cause or with good reason.

ptions become immediately exercisable in the event of death, disability, retirement, or a change in control.

does not have any unvested restricted stock units as of December 31, 2016.

t of retirement, death or disability, Mr. Ryan is entitled to receive in settlement of performance shares, a number of shares
n stock, equal to the number of performance shares that vest based upon the Company's average return on invested capital,

ate of retirement, death or disability, multiplied by the prorated amount of time Mr. Ryan was employed by the Company
performance period.

does not have any unvested profit sharing amounts as of December 31, 2016.

and welfare benefits value upon a change in control followed by termination without cause or with good reason is based years of continuation of active health and welfare benefits using the Company's budget/insured rates projected forward the two years using 9% health and 6% dental annual trends as well as a 5% annual discount factor. In addition, Mr. Ryan ulated Company subsidy value towards his purchase of retiree medical.

n, Mr. Ryan's survivors shall receive, for 120 months, 50% of his monthly base salary and target bonus amount, under the cutive Death Benefit Plan (EDBP). The figure above reflects the present value lump-sum payment amount based upon the unt rate of 4.25%. Upon retirement, he has elected to receive a present value cash settlement at retirement in lieu of the ment death benefit under the frozen EDBP. The amount in the table is based on a 6.0% discount rate and assumed mortality Upon a change in control, he would receive the present value, but based on the Applicable Federal Rate of 2.26%.

n July 2010, the Company no longer provides a tax gross-up of any Excise Taxes that may be required.

t of a change in control followed by termination without cause or with good reason, the Company shall provide Mr. Ryan ard outplacement services provided that the cost of such services to the Company not exceed 15% of the Executive's annual in effect on the date of termination. The amount above represents the maximum cost to the Company for providing such ent services.

has met the eligibility requirements for retirement under the Company's retirement plan as of December 31, 2016.

Involuntary Termination without Cause or Voluntary Termination with Good Reason ($)	Involuntary Termination for Cause or Voluntary Termination without Good Reason ($)	Retirement10 ($)	Death ($)	Disability ($)	Change In Control Only ($)	Change In Control and Termination without Cause or with Good Reason ($)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,620,000
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 5,321	$ 5,321	$ 5,321	$ 5,321
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 1,030,756	$ 1,030,756	$ 5,309,700	$ 5,309,700

$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	34,155
$	0	$	0	$	0	$	8,420,940	$	0	$	0	$	1,461,741
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	150,000
$	**0**	**$**	**0**	**$**	**0**	**$**	**9,457,017**	**$**	**1,036,077**	**$**	**5,315,021**	**$**	**11,580,917**

any does not maintain any agreements with its NEOs that guarantee the payment of cash severance upon termination, he event of a change in control followed by termination without cause or with good reason.

ptions become immediately exercisable in the event of death, disability, retirement, or a change in control.

herson does not have any unvested restricted stock units as of December 31, 2016.

t of retirement, death or disability, Mr. Macpherson is entitled to receive in settlement of performance shares, a number of ommon stock, equal to the number of performance shares that vest based upon the Company's average return on invested of the date of retirement, death or disability, multiplied by the prorated amount of time Mr. Macpherson was employed by ny during the performance period. Mr. Macpherson is not retirement eligible as of December 31, 2016.

herson does not have any unvested profit sharing amounts as of December 31, 2016.

and welfare benefits value upon a change in control followed by termination without cause or with good reason is based
ears of continuation of active health and welfare benefits using the Company's budget/insured rates projected forward
the two years using 9% health and 6% dental annual trends as well as a 5% annual discount factor.

, Mr. Macpherson's survivors shall receive, for 120 months, 50% of his monthly base salary and target bonus amount,
rozen Executive Death Benefit Plan. The figure above reflects the present value lump-sum payment amount based upon the
unt rate of 4.25%.

July 2010, the Company no longer provides a tax gross-up of any Excise Taxes that may be required.

t of a change in control followed by termination without cause or with good reason, the Company shall provide
erson with standard outplacement services provided that the cost of such services to the Company not exceed 15% of the
annual base salary in effect on the date of termination. The amount above represents the maximum cost to the Company
ng such outplacement services.

erson is not eligible for retirement under the Company's retirement plan as of December 31, 2016.

Involuntary Termination without Cause or Voluntary Termination with Good Reason ($)	Involuntary Termination for Cause or Voluntary Termination without Good Reason ($)	Retirement10 ($)	Death ($)	Disability ($)	Change In Control Only ($)	Change In Control and Termination without Cause or with Good Reason ($)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,013,434
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 5,634	$ 5,634	$ 5,634	$ 5,634
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 1,026,645	$ 1,026,645	$ 2,833,683	$ 2,833,683

$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	34,155
$	0	$	0	$	0	$	5,492,630	$	0	$	0	$	1,104,553
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	109,077
$	**0**	**$**	**0**	**$**	**0**	**$**	**6,524,909**	**$**	**1,032,279**	**$**	**2,839,317**	**$**	**7,100,536**

any does not maintain any agreements with its NEOs that guarantee the payment of cash severance upon termination, he event of a change in control followed by termination without cause or with good reason.

ptions become immediately exercisable in the event of death, disability, retirement, or a change in control.

does not have any unvested restricted stock units as of December 31, 2016.

t of retirement, death or disability, Mr. Jadin is entitled to receive in settlement of performance shares, a number of shares n stock, equal to the number of performance shares that vest based upon the Company's average return on invested capital, ate of retirement, death or disability, multiplied by the prorated amount of time Mr. Jadin was employed by the Company performance period. Mr. Jadin is not retirement eligible as of December 31, 2016.

does not have any unvested profit sharing amounts as of December 31, 2016.

and welfare benefits value upon a change in control followed by termination without cause or with good reason is based years of continuation of active health and welfare benefits using the Company's budget/insured rates projected forward the two years using 9% health and 6% dental annual trends as well as a 5% annual discount factor.

n, Mr. Jadin's survivors shall receive, for 120 months, 50% of his monthly base salary and target bonus amount, under the cutive Death Benefit Plan. The figure above reflects the present value lump-sum payment amount based upon the FAS te of 4.25%.

n July 2010, the Company no longer provides a tax gross-up of any Excise Taxes that may be required.

t of a change in control followed by termination without cause or with good reason, the Company shall provide Mr. Jadin ard outplacement services provided that the cost of such services to the Company not exceed 15% of the Executive's annual in effect on the date of termination. The amount above represents the maximum cost to the Company for providing such ent services.

s not eligible for retirement under the Company's retirement plan as of December 31, 2016.

Involuntary Termination without Cause or Voluntary Termination with Good Reason ($)	Involuntary Termination for Cause or Voluntary Termination without Good Reason ($)	Retirement10 ($)	Death ($)	Disability ($)	Change In Control Only ($)	Change In Control and Termination without Cause or with Good Reason ($)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,660,780
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 3,599	$ 3,599	$ 3,599	$ 3,599
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 1,007,247	$ 1,007,247	$ 1,851,266	$ 1,851,266

$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	34,155
$	0	$	0	$	0	$	4,849,841	$	0	$	0	$	1,052,677
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	101,816
$	**0**	**$**	**0**	**$**	**0**	**$**	**5,860,687**	**$**	**1,010,846**	**$**	**1,854,865**	**$**	**5,704,293**

any does not maintain any agreements with its NEOs that guarantee the payment of cash severance upon termination, in the event of a change in control termination without cause or with good reason.

ptions become immediately exercisable in the event of death, disability, retirement, and a change in control.

rd does not have any unvested restricted stock as of December 31, 2016.

t of retirement death or disability, Mr. Howard is entitled to receive in settlement of performance shares, a number of tock, equal to the number of performance shares that vest based upon the Company's average return on invested capital, as of retirement, death or disability, multiplied by the prorated amount of time Mr. Howard was employed by the Company performance period. Mr. Howard is not retirement eligible as of December 31, 2016.

rd does not have any unvested profit sharing amounts as of December 31, 2016.

and welfare benefits value upon a change in control followed by termination without cause or with good reason is based
years of continuation of active health and welfare benefits using the Company's budget/insured rates projected forward
the two years using 9% health and 6% dental annual trends as well as a 5% annual discount factor.

n, Mr. Howard's survivors shall receive, for 120 months, 50% of his monthly base salary and target bonus amount, under
Executive Death Benefit Plan. The figure above reflects the present value lump-sum payment amount based upon the FAS
ate of 4.25%.

n July 2010, the Company no longer provides a tax gross-up of any Excise Taxes that may be required.

nt of a change in control followed by termination without cause or with good reason, the Company shall provide
rd with standard outplacement services provided that the cost of such services to the Company not exceed 15% of the
s annual base salary in effect on the date of termination. The amount above represents the maximum cost to the Company
ng such outplacement services.

rd is not eligible for retirement under the Company's retirement plan as of December 31, 2016.

Involuntary Termination without Cause or Voluntary Termination with Good Reason ($)	Involuntary Termination for Cause or Voluntary Termination without Good Reason ($)	Retirement10 ($)	Death ($)	Disability ($)	Change In Control Only ($)	Change In Control and Termination without Cause or with Good Reason ($)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,960,000
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 3,130	$ 3,130	$ 3,130	$ 3,130	$ 3,130
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 435,826	$ 435,826	$ 435,826	$ 1,102,491	$ 1,102,491
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	34,155
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	178,791
$	**0**	**$**	**0**	**$**	**438,956**	**$**	**438,956**	**$**	**438,956**	**$**	**1,105,621**	**$**	**3,278,567**

guarantee the payment of cash severance upon termination, except in the event of a change in control followed by
n without cause or with good reason.

options become immediately exercisable in the event of death, disability, retirement, or a change in control.

does not have any unvested restricted stock as of December 31, 2016.

nt of retirement, death or disability, Mr. High is entitled to receive in settlement of performance shares, a number of shares
n stock, equal to the number of performance shares that vest based upon the Company's average return on invested capital,
ate of retirement, death or disability, multiplied by the prorated amount of time Mr. High was employed by the Company
performance period.

does not have any unvested profit sharing amounts as of December 31, 2016.

and welfare benefits value upon a change in control followed by termination without cause or with good reason is based
years of continuation of active health and welfare benefits using the Company's budget/insured rates projected forward

the two years using 9% health and 6% dental annual trends as well as a 5% annual discount factor.

s not eligible for the frozen Executive Death Benefit Plan.

n July 2010, the Company no longer provides a tax gross-up of any Excise Taxes that may be required.

t of a change in control followed by termination without cause or with good reason, the Company shall provide Mr. High
ard outplacement services provided that the cost of such services to the Company not exceed 15% of the Executive's annual
in effect on the date of termination. The amount above represents the maximum cost to the Company for providing such
ent services.

has met the eligibility requirements for retirement under the Company's retirement plan as of December 31, 2016.

Involuntary Termination without Cause or Voluntary Termination with Good Reason ($)	Involuntary Termination for Cause or Voluntary Termination without Good Reason ($)	Retirement10 ($)	Death ($)	Disability ($)	Change In Control Only ($)	Change In Control and Termination without Cause or with Good Reason ($)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,614,480
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 1,155	$ 1,155	$ 1,155	$ 1,155
$ 0	$ 0	$ 0	$ 2,023,594	$ 2,023,594	$ 2,023,594	$ 2,023,594
$ 0	$ 0	$ 0	$ 111,248	$ 111,248	$ 230,160	$ 230,160

$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	34,155
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	0	$	0	$	0	$	0	$	0	$	0	$	69,750
$	**0**	**$**	**0**	**$**	**0**	**$**	**2,135,997**	**$**	**2,135,997**	**$**	**2,254,909**	**$**	**3,973,294**

any does not maintain any agreements with its NEOs that guarantee the payment of cash severance upon termination, in the event of a change in control termination without cause or with good reason.

options become immediately exercisable in the event of death, disability, retirement, and a change in control.

ns has five grants of unvested restricted stock grants as December 31, 2016.

t of retirement death or disability, Ms. Robbins is entitled to receive in settlement of performance shares, a number of tock, equal to the number of performance shares that vest based upon the Company's average return on invested capital, as of retirement, death or disability, multiplied by the prorated amount of time Ms. Robbins was employed by the Company performance period. Ms. Robbins is not retirement eligible as of December 31, 2016.

ns does not have any unvested profit sharing amounts as of December 31, 2016.

and welfare benefits value upon a change in control followed by termination without cause or with good reason is based ears of continuation of active health and welfare benefits using the Company's budget/insured rates projected forward the two years using 9% health and 6% dental annual trends as well as a 5% annual discount factor.

ns is not eligible for the frozen Executive Death Benefit Plan.

n July 2010, the Company no longer provides a tax gross-up of any Excise Taxes that may be required.

t of a change in control followed by termination without cause or with good reason, the Company shall provide ns with standard outplacement services provided that the cost of such services to the Company not exceed 15% of the s annual base salary in effect on the date of termination. The amount above represents the maximum cost to the Company ng such outplacement services.

ns is not eligible for retirement under the Company's retirement plan as of December 31, 2016.

nsation Plans

rmation as of December 31, 2016 about Grainger's equity compensation plans, all of which have been approved by Grainger's shareholders.

	Number of common shares to be issued upon exercise of outstanding stock options warrants, and rights	Weighted-average exercise price of outstanding stock options, warrants, and rights	Number of common shares available for future issuance under equity compensation plans (excluding common shares reflected in the first column)
nsation plans approved by shareholders	2,812,239[1]	$ 186.59[2]	2,906,875[3]
nsation plans not approved by shareholders	0	N/A	0
	2,812,239	$ 186.59	2,906,875

n aggregate of 414,333 restricted stock units that are to be settled by the issuance of shares of common stock on a 1-for-1 so includes 152,020 director stock units to be settled upon each director's retirement. Additionally, it includes 23,509 ce shares which vested at the end of fiscal 2016 and will settle in 2017 and 37,926 performance shares which will vest at fiscal 2017 only if the average ROIC performance over the three-year period from 2015 through 2017 is greater than or %. In addition, it includes 60,415 performance shares which will vest at the end of fiscal 2018. The number of shares ependent on the three-year average ROIC and the Company sales target.

average exercise price of outstanding stock options; excludes restricted stock units, performance shares, and director stock

shares of common stock authorized for issuance under the 2015 Incentive Plan (2015 Plan) in connection with awards of ons, stock appreciation rights, stock units, shares of common stock, restricted shares of common stock and other stock-based nder the 2015 Plan, all shares issued pursuant to "Full Value Awards" (awards other than stock options or stock on rights which are settled by the issuance of shares, e.g., restricted stock, restricted stock units, director stock units, or based awards) may be granted with the limit of no more than one million (1,000,000) Shares of the Share Authorization.

ith Related Persons

nduct Guidelines require that conflicts of interest in any form be avoided. The Board has adopted written policies and procedures, to be applied by the inating Committee, for the review, approval, or ratification of any transactions with related persons. Those policies and procedures apply to any which Grainger is a participant, the amount involved exceeds $120,000, and any director, executive officer, or significant shareholder or any ber of such a person has a direct or material indirect interest. The policy requires that any such proposed transaction be reviewed by the Board Affairs ittee to determine, among other things, the benefits of the transaction to Grainger, the availability of other sources of comparable products or services, of the proposed transaction are comparable to those provided to unrelated third parties.

nsider and Hold an Advisory Vote on the Compensation of Grainger's Named Executive Officers

g its shareholders for their non-binding advisory approval of the compensation of its Named Executive Officers (Say on Pay) as disclosed in the sion and Analysis" section of this proxy statement in accordance with the SEC rules.

under "Compensation Discussion and Analysis," the Company's compensation program is based upon a philosophy that is applied to all Company nd retain the best people and provide appropriate performance-based incentives that encourage them to achieve results that create long-term shareholder ets target compensation for the Named Executive Officers to approximate the market median of compensation at companies of similar size and s at all levels of the Company, including its executives, are provided clear incentives to grow the business (Sales Growth) while achieving investment sted Capital or ROIC) for the Company's shareholders. The compensation program is structured to significantly reward long-term performance while ive risk taking. Please read the "Compensation Discussion and Analysis" beginning on page 35 for additional details about the compensation of the cers.

s intended to address the compensation of the Named Executive Officers as disclosed in the "Compensation Discussion and Analysis" section of this hole rather than any specific item or amount of executive compensation.

eholders to vote "FOR" the following advisory resolution at the Company's 2016 annual meeting:

esolved, that the compensation of the Company's Named Executive Officers, as disclosed in the "Compensation Discussion and Analysis" section of s proxy statement, including the related tables, notes and narrative is hereby approved by the Company's shareholders."

he compensation of Grainger's Named Executive Officers is determined by the votes of a majority of the shares represented in person or by proxy at d to vote. Abstentions will have the same effect as votes against the proposal. Broker non-votes will not affect the outcome of the vote.

s advisory and non-binding on the Company, our Board of Directors and the Compensation Committee of the Board. However, the Board of Directors Committee of the Board, which is comprised of independent directors, expect to take into account the outcome of this Say on Pay vote when making ecisions regarding Grainger's Named Executive Officers.

rs recommends a vote FOR the approval of the advisory
pensation of Grainger's Named Executive Officers.

nsider and Hold an Advisory Vote on the Frequency of the Advisory Vote on the Compensation
Named Executive Officers

g shareholders to cast an advisory vote on how often they wish to hold a shareholder advisory vote on Named Executive Officer compensation (Say on being asked to vote on whether the Say on Pay vote should occur every one year, every two years or every three years.

and the Compensation Committee of the Board believe that shareholders should have a frequent opportunity to provide the Company with input on its n and therefore, recommend that shareholders vote for an annual (one year) interval for the shareholder advisory vote on Say on Pay.

es are not cast for one option, the Board of Directors will consider the option of once every one, two or three years that receives the highest number of olders' preferred choice of voting frequency for the advisory vote on Say on Pay. While the Board of Directors and the Compensation Committee of nions of the Company's shareholders and will consider the outcome of the vote, because this vote is advisory and not binding on the Company, Board npensation Committee of the Board, the Board and the Compensation Committee may decide it is in the best interests of the shareholders and the visory vote on Say on Pay more or less frequently than the option receiving the most votes of shareholders.

e on your preferred choice of voting frequency by choosing the option of voting every one year, every two years, or every three years or you may the enclosed proxy card. Abstentions and broker non-votes will not affect the outcome of the vote. Shareholders are not voting to approve or endation of the Board of Directors.

rs recommends a vote for every "ONE YEAR" as the frequency
ory votes on the compensation of Grainger's Named Executive Officers.

W.W. GRAINGER, INC.

CATEGORICAL STANDARDS FOR DIRECTOR INDEPENDENCE

s. A director's independence will not be deemed to be impaired by reason of his or her service as an executive officer of another company that does
if in each of the three most recent fiscal years the other company's annual sales to Grainger are less than one percent (1%) of that company's
enues and if in each of the three most recent fiscal years Grainger's sales to the other company are less than one percent (1%) of that company's
enues.

tions. A director's independence will not be deemed to be impaired by reason of his or her service as an officer, director or trustee of a tax-exempt
ves contributions from Grainger if Grainger's contributions to the organization are less than one percent (1%) of the organization's total annual

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