GRANITE CONSTRUCTION INC
Form PRE 14A
March 15, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

þ Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

GRANITE CONSTRUCTION INCORPORATED

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(7) Form, Schedule or Registration Statement No.:

(8) Filing Party:

(9) Date Filed:

Table of Contents

GRANITE CONSTRUCTION INCORPORATED
585 West Beach Street
Watsonville, California 95076

Notice of Annual Meeting of Shareholders

March 26, 2010

Date:	Friday, May 7, 2010
Time:	10:30 a.m., Pacific Daylight Time
Place:	Embassy Suites 1441 Canyon Del Rey Seaside, California 93955

Purposes of the Meeting:

To elect four directors for the ensuing three-year term;

To act upon a proposal to approve the Granite Construction Incorporated Employee Stock Purchase Plan;

To act upon a proposal to approve the Granite Construction Incorporated Annual Incentive Plan;

To act upon a proposal to approve the Granite Construction Incorporated Long Term Incentive Plan;

To ratify the appointment by the Audit/Compliance Committee of PricewaterhouseCoopers LLP as Granite s independent registered public accounting firm for the fiscal year ending December 31, 2010, and

To consider any other matters properly brought before the meeting.

Who May Attend the Meeting?

Only shareholders, persons holding proxies from shareholders and invited representatives of the media and financial community may attend the meeting.

What to Bring:

If you received a Notice of Internet Availability of Proxy Materials, please bring that Notice with you. If your shares are held in the name of a broker, trust, bank, or other nominee, you will need to bring a proxy or letter from that broker, trust bank, or nominee that confirms you are the beneficial owner of those shares.

Table of Contents

Record Date:

March 12, 2010 is the record date for the meeting. This means that if you own Granite stock at the close of business on that date, you are entitled to receive notice of the meeting and vote at the meeting and any adjournments or postponements of the meeting.

Annual Report:

We have included a copy of the Annual Report on Form 10-K for the fiscal year ended December 31, 2009 with the proxy solicitation materials on Granite s website. The annual report is not part of the proxy solicitation materials.

Shareholder List:

For 10 days prior to the meeting, a complete list of shareholders entitled to vote at the meeting will be available for examination by any shareholder for any purpose relative to the meeting during regular business hours at Granite s headquarters located at 585 West Beach Street, Watsonville, CA 95076. The shareholder list will also be available at the annual meeting.

Information about the Notice of Internet Availability of Proxy:

Instead of mailing a printed copy of our proxy materials, including our annual report, to each shareholder of record, we will provide access to these materials in a fast and efficient manner via the internet. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all shareholders. Accordingly, on March 26, 2010, we will begin mailing a Notice of Internet Availability of Proxy Materials to all shareholders of record as of March 12, 2010, other than persons who hold shares in Granite s Profit Sharing and 401(k) Plan (401(k) Participants), and we will post our proxy materials on the website referenced in the notice (https://www.proxyvote.com).

All shareholders may choose to access our proxy materials on the website or may request to receive a printed set of our proxy materials. In addition, the notices and website provide information regarding how you may request to receive proxy materials in printed form by mail on an ongoing basis.

Proxy Voting:

Your vote is important. Please vote your proxy promptly so your shares can be represented at the annual meeting even if you plan to attend the meeting. Shareholders, with the exception of 401(k) Participants, can vote by internet, telephone or mail. As in the past, 401(k) Participants will receive a package in the mail that includes all proxy materials and the proxy card. You may revoke your proxy without affecting your right to vote in person if you decide to attend the meeting. Your proxy card has specific instructions on how to vote.

To get directions to the 2010 Annual Meeting of Shareholders, call our Investor Relations Department at 831.761.4714.

By Order of the Board of Directors,

Michael Futch
Vice President, General Counsel and Secretary

Table of Contents

Table of Contents

Table of Contents

Proxy Statement

As more fully described in the notice, Granite Construction Incorporated, a Delaware corporation, on behalf of its Board of Directors, has made these materials available to you on the internet or has mailed you printed versions of these materials in connection with Granite s 2010 Annual Meeting of Shareholders, which will take place on May 7, 2010. The notice was mailed to all Granite shareholders of record beginning March 26, 2010, and our proxy materials were posted on the website referenced in the notice on March 26, 2010. Granite, on behalf of its Board of Directors, is soliciting your proxy to vote your shares at the 2010 Annual Meeting of Shareholders or any subsequent adjournment or postponement. We solicit proxies to give all shareholders of record an opportunity to vote on matters listed in the accompanying notice and/or any other matters that may be presented at the annual meeting. In this proxy statement you will find information on these matters, which is provided to assist you in voting your shares.

Granite Construction Incorporated was incorporated in Delaware in January 1990 as the holding company for Granite Construction Company, which was incorporated in California in 1922. All dates in this proxy statement referring to service with Granite also include periods of service with Granite Construction Company.

Voting Information

Who Pays for This Solicitation?

Granite pays for the cost of this proxy solicitation. We will request banks and brokers, and other custodians, nominees and fiduciaries to solicit their customers who own our stock. We will reimburse their reasonable, out-of-pocket expenses for doing this. Our directors, officers and employees may also solicit proxies by mail, telephone, personal contact, telegraph, or through online methods without additional compensation.

Who Can Vote?

You will have received notice of the annual meeting and can vote if you were a shareholder of record of Granite s common stock as of the close of business on March 12, 2010. You are entitled to one vote for each share of Granite stock you own. You may vote all shares owned by you as of the record date, including shares held directly in your name as the shareholder of record, and shares held for you as the beneficial owner through a broker, trustee or other nominee such as a bank. As of the close of business on March 12, 2010, there were 38,862,572 shares of common stock issued and outstanding.

Voting Procedures

Shareholders, with the exception of 401(k) Participants, have the option to vote by proxy three ways:

¨ ***By internet:*** You can vote by internet following the instructions in the Notice of Internet Availability or by accessing the internet at https://www.proxyvote.com and following the instructions at that website.

¨ ***By telephone:*** In the United States and Canada you can vote by telephone using a touch-tone phone by following the instructions in the Notice of Internet Availability or by calling 1.800.690.6903. (toll free) and following the instructions; or

Table of Contents

¨ ***By mail:*** If you have received a paper copy of the proxy card by mail you may submit your proxy by completing, signing and dating your proxy card and mailing it in the accompanying pre-addressed envelope. Instructions are also on the card.

Granite s 401(k) Participants can only vote by mail. If you are a 401(k) Participant, you will have received a full set of proxy materials in the mail (mailed on or about March 26, 2010) including the proxy statement, the annual report and a proxy card.

Please refer to the notice or the information your bank, broker or other holder of record provides you for more information on the above options. If you have the option to authorize a proxy to vote your shares over the internet or by telephone, you should not return a proxy card by mail (unless you are revoking your previous proxy).

What Is the Deadline for Voting My Shares?

Except shares held in either Granite s 401(k) or ESOP plan (see below), your vote by proxy must be received before the polls close at the annual meeting.

If you hold shares in Granite s 401(k) or ESOP plan, your voting instructions must be received by May 4, 2010 in order for the trustee to vote your shares.

If you own shares held through your broker, a trustee or other nominee, please follow the voting instructions provided by your broker, trustee or nominee.

How Are Votes Counted?

In the election of directors and all proposals you may vote For , Against or Abstain with respect to each of the nominees and proposals. If you elect to abstain in either the election of directors or any proposal, the abstention will not impact the election of directors or the proposal. In tabulating the voting results, only For and Against votes are counted.

If you vote by proxy card, your shares will be voted at the annual meeting in the manner you indicate on your proxy card. If you sign your proxy card but do not specify how you want your shares to be voted, they will be voted as the Board of Directors recommends by the persons named on your proxy card. This proxy statement contains a description of each item that you are to vote on along with our Board s recommendations. Below is a summary of our Board s recommendations:

¨ ***For*** election of all four nominated directors;

¨ ***For*** the proposal to approve the Granite Construction Incorporated Employee Stock Purchase Plan;

¨ ***For*** the proposal to approve the Granite Construction Incorporated Annual Incentive Plan;

¨ ***For*** the proposal to approve the Granite Construction Incorporated Long Term Incentive Plan;

¨ ***For*** ratification of the appointment of PricewaterhouseCoopers LLP as Granite s independent registered public accounting firm for the fiscal year ending December 31, 2010.

Table of Contents

As to any other item that may be properly proposed at the annual meeting, including a motion to adjourn the annual meeting to another time or place, the shares will be voted in the discretion of the persons named on your proxy card.

What Is the Voting Requirement to Approve the Proposals?

If there is a quorum, nominees for election to the Board who receive a majority of the shares voted will be elected as members of our Board of Directors for the upcoming three-year term. This means that a majority of votes cast for the election of a director must exceed the number of votes cast against the director s election, excluding abstentions. The other proposals included in this proxy statement require the affirmative vote of a majority of the votes cast for passage. Any other matters properly proposed at the meeting will also be determined by a majority of the votes cast except as otherwise required by law or by Granite s Certificate of Incorporation or bylaws. This includes a motion to adjourn the annual meeting to another time or place (including for the purpose of soliciting additional proxies).

If you hold shares in a brokerage account (shares that are held in a fiduciary capacity typically referred to as being held in street name), and you do not provide your broker with voting instructions, these shares may constitute broker non-votes. Generally, a broker non-vote occurs when a broker is not permitted to vote on a particular matter (i.e., a non-routine matter) without voting instructions from you. In tabulating the voting results for the election of directors or any particular proposal, shares that constitute broker non-votes will not be counted in determining the number of shares necessary for approval.

After I Vote My Shares Can I Change or Revoke My Proxy?

You can change vote or revoke your proxy at any time before the annual meeting. You may revoke your proxy by internet, by telephone or by filing with our Secretary a written revocation or a properly signed proxy card bearing a later date, or by attending the meeting and voting in person if you are a shareholder of record. Your proxy card gives specific instructions on how to vote.

Can I Vote at the Annual Meeting instead of Voting by Proxy?

You may attend the annual meeting and vote in person instead of voting by proxy; however, even if you intend to attend the meeting we strongly encourage you to vote by internet, telephone or mail prior to the meeting to ensure that your shares are voted.

What Constitutes a Quorum?

Granite s bylaws require a quorum to be present in order to transact business at the meeting. A quorum consists of a majority of the shares entitled to vote, either in person or represented by proxy. In determining a quorum we count votes for and against and abstentions as present.

Who Supervises the Voting at the Meeting?

Granite s bylaws and policies also specify that prior to the annual meeting management will appoint an independent Inspector of Elections to supervise the voting at the meeting. The Inspector decides all questions as to the qualification of voters, the validity of proxy cards and the acceptance or rejection of votes. Before assuming his or her duties, the Inspector will take and sign an oath that he or she will faithfully perform his or her duties both impartially and to the best of his or her ability.

How Can I Find Out the Voting Results?

We will announce preliminary voting results at the annual meeting and final results will be published on a Form 8-K to be filed with the SEC within four business days following the annual meeting.

The Board of Directors

Election of Directors

The Board of Directors is divided into three classes. We keep the classes as equal in number as possible; however, the number of directors in a class depends on the total number of directors at any given time. Each director serves for a term of three years. The classes are arranged so that the terms of the directors in each class expire at successive annual meetings. This means that shareholders annually elect approximately one-third of the members of the Board. The Board currently consists of nine directors.

The terms of William G. Dorey, Rebecca A. McDonald, William H. Powell and Claes G. Bjork will expire at the 2010 annual meeting. The Board has nominated these four individuals for new terms. If elected, each of the nominees will serve as a director until the 2013 annual meeting and until his or her successor is elected and qualified or he/she resigns or until his/her death, removal, or other cause identified in Granite s bylaws.

Management knows of no reason why any of these nominees would be unable or unwilling to serve. All nominees have accepted the nomination and agreed to serve as a director if elected by the shareholders. However, if any nominee should for any reason become unable or unwilling to serve between the date of the proxy statement and the annual meeting, the Board may designate a new nominee and the persons named as proxies will vote for that substitute nominee. You cannot vote for more than four nominees.

The Board of Directors recommends a vote FOR each of the above-named nominees.

Director Qualifications

The following paragraphs provide information as of the date of this proxy statement about each director and director nominee. The information presented includes information each director has given us about his/her age, all positions he/she holds, his/her principal occupation and business experience for the past five years, and the names of other publicly-held companies of which he/she currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding each director s and nominee s specific experience, qualifications, attributes and skills that led our Board to the conclusion the he/she should serve as a director, we also believe that all of our directors and nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to Granite and our Board.

Table of Contents

Nominees for Director with Terms Expiring at the 2010 Annual Meeting

William G. Dorey **Director since 2004**

Mr. Dorey is the current Chief Executive Officer and President of Granite. He has served as our CEO since 2004 and President since 2003. Mr. Dorey joined Granite in 1969 and has held a variety of executive-level positions throughout his career, including Chief Operating Officer, Executive Vice President, Senior Vice President and Branch Division Manager. During this time, Mr. Dorey has developed an intimate knowledge of our business, employees, culture, competitors and the effect on our business of various government policies. We believe that his long history and experience with Granite, and his in-depth knowledge of the construction industry demonstrates that Mr. Dorey is well qualified to serve on our Board. Mr. Dorey holds a B.S. degree in Construction Engineering from Arizona State University. Age 65.

Rebecca A. McDonald **Director since 1994**

Ms. McDonald has served as Chief Executive Officer of Laurus Energy Inc. since December 2008. She previously served as President, Gas and Power, BHP Billiton from March 2004 to September 2007. We believe that Ms. McDonald s executive-level experience and her wealth of knowledge of business systems and operations qualify her to serve on our Board. Ms. McDonald holds a B.S. degree in Education from Stephen F. Austin State University. Age 57.

William H. Powell **Director since 2004**

Mr. Powell served as Chairman and Chief Executive Officer of National Starch and Chemical Company from 1999 until his retirement in 2006 and has served as our Chairman of the Board since September 2009. Mr. Powell also serves as a director of Arch Chemical Company, Inc., and PolyOne Inc. Until June 2009, Mr. Powell was Chairman, Board of Trustees, of State Theatre Performing Arts Center in New Brunswick, New Jersey. We believe that Mr. Powell s knowledge and experience as chief executive of a major global company qualify him to serve on our Board. Mr. Powell holds a B.A. degree in Chemistry, an M.S. in Chemical Engineering from Case Western Reserve University and an M.A. in Business Administration from the University of North Dakota. Age 63.

Claes G. Bjork **Director since 2006**

Mr. Bjork served as Chief Executive Officer of Skanska AB, Sweden, one of the world s largest construction companies, from 1997 to 2002, and previously held various executive and management positions within Skanska and served as Chairman of Scancem Cement. He currently serves on the board of Consolidated Management Group, Qlik Technologies, Inc., and the Swedish American Chamber of Commerce. We believe that Mr. Bjork s qualifications to serve on our Board include his past experience as an executive with a major multi-national construction firm and his knowledge and understanding of the construction industry and Granite s competitors and customers. Mr. Bjork studied Civil Engineering in Sweden. Age 64.

Table of Contents

Continuing Directors with Terms Expiring at the 2011 Annual Meeting

David H. Watts **Director since 1988**

Mr. Watts served as our Chairman of the Board from May 1999 to September 2009. He also served as our Chief Executive Officer from October 1987 to December 2003 and as our President from October 1987 to January 2003. He was formerly President and Chief Executive Officer and a director of Ford, Bacon & Davis, Inc., an industrial engineering and construction firm. Mr. Watts currently serves as a director of Elgin National Industries, Inc. (a private company), the California Chamber of Commerce, of which he is a past Chair, Transportation California, the Monterey Bay Area Council of the Boy Scouts of America, and the California Business Roundtable. He also serves as a director of Franklin County Education Foundation and Bring Me A Book Franklin, Inc., both of which are non-profit organizations. Between 2005 and 2007, Mr. Watts served as director of InfraSource. We believe that Mr. Watt s qualifications to serve on our Board include his intimate knowledge of our business, employees, culture, competitors and the effect on our business of various government policies as well as his stature as a national leader in the construction industry through his work with the California Chamber of Commerce and the Construction Industry Roundtable. Mr. Watts holds a B.A. degree in Economics from Cornell University. Age 71.

J. Fernando Niebla **Director since 1999**

Mr. Niebla has served as President of International Technology Partners L.L.C., since August 1998. He also serves as a director of Life Modeler Inc., Union Bank of California, Pacific Life Corp and Integrated Healthcare Holdings, Inc. We believe that Mr. Niebla s business and technological expertise and his directorships on both private and public companies qualify him to serve on our Board. He holds a B.S. degree in Electrical Engineering from the University of Arizona and an M.S. QBA from the University of Southern California. Age 70.

Gary M. Cusumano **Director since 2005**

Mr. Cusumano retired in 2006 as Chairman of The Newhall Land and Farming Company, a developer of new towns and master-planned communities in North Los Angeles County, in which capacity he served after it was acquired by Lennar and LNR Properties in 2004. Prior to the acquisition, he served as Chief Executive Officer and a director of the Newhall Land and Farming Company, which was traded on the New York Stock Exchange. He is currently a director of Forest Lawn Memorial Parks and Mortuaries, Simpson Manufacturing Co. and the J.G. Boswell Co. We believe that Mr. Cusumano s experience as Chief Executive Officer and his expertise in the real estate development business qualify him to serve our Board. Mr. Cusumano holds a B.S. degree in Economics from the University of California, Davis and is a graduate of the Sloan Program at the Stanford University Business School. Age 66.

Continuing Directors with Terms Expiring at the 2012 Annual Meeting

David H. Kelsey **Director since 2003**

Mr. Kelsey has served as Senior Vice President and Chief Financial Officer of Sealed Air Corporation, an S&P 500 manufacturer of specialty packaging for food and other protective applications, since December 2003, and served as Vice President and Chief Financial Officer between January 2002 and December 2003. We believe that Mr. Kelsey s qualifications to serve on our Board include his experience as the chief financial officer of a major NYSE-listed company, as well as his in-depth knowledge and understanding of generally accepted accounting principles, experience in preparing, auditing and analyzing financial statements, understanding of internal control over financial reporting, and his understanding of audit committee functions. Mr. Kelsey holds a B.S.E. degree in Civil and Geological Engineering from Princeton University and an M.B.A. degree from Harvard University Graduate School of Business. Age 59.

James W. Bradford, Jr. **Director since 2006**

Mr. Bradford has served in various capacities at Vanderbilt University, Owen School of Management. Since March 2005, he has served as Dean and Ralph Owen Professor for the Practice of Management. Between 2002 and March 2005, he served as Acting Dean, Associate Dean Corporate Relations, Clinical Professor of Management and Adjunct Professor. He has also served as President and Chief Executive Officer of United Glass Corporation, and President and Chief Executive Officer of AFG Industries. Mr. Bradford currently serves on the boards of Genesco, Inc. and Clarcor, Inc. We believe that Mr. Bradford s perspective as an academic combined with his executive-level and legal experiences qualify him to serve on our Board. He holds a B.A. degree in History and Political Science from the University of Florida and a J.D. degree from Vanderbilt University and he has completed the Harvard Business School Advanced Management Program. Age 62.

Table of Contents

Information about the Board of Directors and Corporate Governance

Committees of the Board

The following chart shows the standing committees of the Board of Directors, membership and the number of meetings held by each committee in 2009.

	Audit/ Compliance	Compensation	Nominating & Corporate Governance	Strategic Planning	Executive
Claes G. Bjork*		X			X
James W. Bradford, Jr.*	X			Chair	
Gary M. Cusumano*		Chair	X	X	
William G. Dorey					X
David H. Kelsey*	Chair				
Rebecca A. McDonald*	X	X	Chair		X
J. Fernando Niebla*	X		X	X	
William H. Powell*(1)		X		X	Chair
David H. Watts				X	X
Number of Meetings in 2009	**7**	**5**	**4**	**2**	**0**

* Independent directors
(1) Chairman of the Board

Audit/Compliance Committee

All members of the Committee are non-employee directors who are, and at all times during 2009 were, determined by the Board to be independent under the listing standards of the New York Stock Exchange. Each member also satisfies the Securities and Exchange Commission s (the SEC) requirement of independence. The Board has determined that Mr. Kelsey meets the criteria as an audit committee financial expert as defined by SEC rules. The Board of Directors has also determined that all members of the Committee are financially literate as required by the listing standards of the New York Stock Exchange. The Committee has direct responsibility for risk oversight related to accounting matters, financial reporting, enterprise, legal and compliance risks. A more complete description of the risk responsibility, functions and activities of the Audit/Compliance Committee can be found under Board Leadership Structure and its Role in Risk Oversight on Page 11 and in Report of the Audit/Compliance Committee on Page 46 of this proxy statement and in the Audit/Compliance Committee charter. You can view and print the Audit/Compliance Committee charter on Granite s website *(see* Granite Website on Page 14).

Compensation Committee

All members of the Compensation Committee are non-employee directors who are, and at all times during 2009 were, determined by the Board to be independent under the listing standards of the New York Stock Exchange. The Committee reviews and approves all aspects of compensation for our directors, our Chief Executive Officer and our other Executive Officers. In addition, the Committee is responsible for risks related to employment policies and our compensation and benefit systems. The Committee also reviews our overall compensation plans and strategies and makes recommendations to the Board for their consideration and approval. The Chief Executive Officer attends Committee meetings and recommends annual salary levels, incentive compensation and payouts for other Executive Officers for the Committee s approval. The

Compensation Committee also administers the Amended and Restated 1999 Equity Incentive Plan (the Plan) with respect to persons subject to Section 16 of the Securities Exchange Act of 1934. In the case of awards intended to qualify for the performance-based compensation exemption under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), the Plan is administered only by the Compensation Committee, which includes at least two non-employee directors within the meaning of Section 162(m). If you desire additional information concerning the Compensation Committee, you can read the Compensation Committee charter on Granite s website *(see* Granite Website on Page 14).

Nominating and Corporate Governance Committee

All members of the Nominating and Corporate Governance Committee are non-employee directors who are, and at all times during 2009 were, determined by the Board to be independent under the listing standards of the New York Stock Exchange. The Nominating and Corporate Governance Committee recommends and nominates persons to serve on the Board. The Committee also develops and recommends corporate governance principles and practices to the Board and annually reviews the Board s performance. Additionally, the Committee oversees risks associated with our corporate governance guidelines and code of conduct. The Committee s policy for considering director candidates, including shareholder recommendations, is discussed in more detail below under the heading Board of Directors Nomination Policy. This policy and the Nominating and Corporate Governance Committee charter are available on Granite s website *(see* Granite Website on Page 14).

Strategic Planning Committee

The Strategic Planning Committee reviews and recommends for approval the Strategic Plan developed by management and provides overall strategic planning direction. The Committee also works with management independently on various strategic initiatives throughout the year.

Executive Committee

The Executive Committee s responsibility is to carry out the powers and authority of the Board in the management of Granite s business within limits set by the Board. The Committee also assesses and monitors ongoing risks and contingencies related to bidding decisions on large projects. The scope of the Committee s authority is determined in accordance with the Delegation of Authority and Policy as adopted and revised from time to time by the Board.

Role of the Compensation Consultant

Granite has retained Mercer (US) Inc., a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. to provide advice and recommendations to the Compensation Committee on Executive Officer and Board of Director compensation programs.

Mercer provided the following services to the Compensation Committee related to Executive Officer compensation:

- Evaluated the competitive positioning of our Executive Officers base salaries, annual incentive and long-term incentive compensation relative to our primary peer companies and the broader industry;

- Advised on 2009 target award levels within the annual and long-term incentive program and, as needed, on actual compensation actions;

- Assessed the alignment of Executive Officer compensation levels relative to our performance against our primary peer companies and relative to the Compensation Committee s articulated compensation philosophy;

Table of Contents

- Provided advice on the design of Granite s 2009 annual and long-term incentive plans;
- Advised on the 2009 performance measures and performance targets for the annual and long-term incentive programs; and
- Assisted with the preparation of the Compensation Discussion and Analysis for this proxy statement.

During the fiscal year, management approved the continued use of Mercer to provide recordkeeping and trustee services for its Profit Sharing and 401(k) Plan.

Because the Compensation Committee does not retain its own compensation consultant, the Committee and Mercer have implemented policies and procedures intended to ensure that the advice which the Compensation Committee receives from the individual executive compensation consultant is objective and not influenced by the relationship between Granite and Mercer and its affiliates. These policies and procedures include:

- The Mercer compensation consultant receives no incentive or other compensation based on the fees charged to Granite for other services provided by Mercer or any of its affiliates;
- Mercer s professional standards prohibit the individual consultant from considering any other relationships Mercer or any of its affiliates may have with Granite in rendering his or her advice and recommendations;
- The Compensation Committee evaluates the quality and objectivity of the services provided by the consultant each year; and
- The protocols for the engagement (described below) limit how the consultant may interact with management.

In advising the Compensation Committee, it is necessary for the consultant to interact with management to gather information, but the Compensation Committee has adopted protocols governing if and when the consultant s advice and recommendations to the Compensation Committee can be shared with management. These protocols are included in the consultant s engagement letter**.** The Compensation Committee also determines the appropriate forum for receiving consultant recommendations. Where appropriate, management invitees are present to provide context for the recommendations. This approach protects the Compensation Committee s ability to receive objective advice from the consultant so that the Compensation Committee may make independent decisions about executive pay at Granite.

The Lead Director and Executive Sessions

Our bylaws provide that in the event the Chairman of the Board does not meet the independence requirements of the rules and regulations of the Securities and Exchange Commission and the listing standards of the New York Stock Exchange, the directors shall elect a Lead Director who serves until the earlier of two years or an independent Chairman is elected. The Lead Director then presides over executive sessions of the independent members of the Board and over all meetings at which the Chairman of the Board is not present. In addition, he or she acts as a liaison between the Chairman and the Board, and assists in setting the Board s meeting agenda.

We currently do not have a Lead Director. William H. Powell, an independent director, who was our Lead Director until the end of August 2009, was elected Chairman of the Board beginning September 1, 2009, and the Lead Director position was concurrently terminated. In the capacity of Chairman, Mr. Powell chairs all Board meetings and presides over all executive sessions of the independent members of the Board.

Board Leadership Structure and Its Role in Risk Oversight

The Board of Directors has determined that having an independent director as Chairman of the Board is in the best interest of Granite and its shareholders at this time. In 2009 Granite engaged in a major reorganization in order to better capture the opportunities available to it in the current and future construction environment. The Board believes that having a strong independent director serve as Chairman promotes greater oversight of Granite by the independent directors and provides for greater management accountability going forward. The structure ensures more active participation by the independent directors in setting the Board s agenda and establishing the Board s priorities. The Board however, in accordance with its Corporate Governance Guidelines, retains the flexibility to decide, as new circumstances arise, whether or not to combine or separate the position of Chairman and Chief Executive Officer.

As with all companies, we face a variety of risks in our business. Our Board of Directors is responsible for oversight of our company s risks. The Board believes that having a system in place for risk management and implementing strategies responsive to our risk profile and exposures will adequately identify in a timely manner our material risks. In order to more efficiently manage these risks, the Board has designated certain risk management responsibilities to relevant Board committees. The Audit/Compliance Committee has the direct responsibility for risk oversight relating to accounting matters, financial reporting, enterprise, legal and compliance risks. Our Chief Financial Officer who is responsible for managing the risk management function and who serves as our Corporate Compliance Officer our General Counsel, our Director of Internal Audit, management and our independent registered public accounting firm, PricewaterhouseCoopers, LLP, all report directly to and meet with the Audit/Compliance Committee on a regular basis. The Audit/Compliance Committee also meets periodically with management to review Granite s major financial risk exposures and the steps that management has taken to monitor and control such exposures, which include Granite s risk assessment and risk management policies. In addition to this direct line of communication from management, we have set up a hotline number where employees and others can report risk-related matters directly to the Committee. The Executive Committee is responsible for working with management to assess risks related to the decision to bid on large projects and monitor ongoing risks and contingencies related to those projects. The Compensation Committee is responsible for risks related to employment policies and our compensation and benefits systems, and the Nominating and Corporate Government Committee oversees risks associated with our corporate governance guidelines and code of conduct, including compliance with listing standards for independent directors and committee assignments. The Committee chairmen report any risk related matters to the full Board at the next Board meeting and special meetings of the Board, if necessary.

Board of Directors Nomination Policy

Evaluation Criteria and Procedures

Members of the Board of Directors of Granite are divided into three classes and are nominated for election for staggered three-year terms. The Board, its members, its committee structure, and performance and its overall governance performance are continuously reviewed. Included in this review is a careful evaluation of the diversity of skills and experience of Board members weighed against Granite s current and emerging operating and strategic challenges and opportunities. The Board of Directors makes every effort to nominate individuals who bring a variety of complementary skills which, as a group, possess the appropriate skills and experience to oversee our business. Accordingly, although diversity is a consideration in the nominating and evaluation process, the Nominating and Corporate Governance Committee and the Board of Directors do not have a formal policy with respect to the consideration of diversity. Evaluations are made on the basis of observations and interviews with management and with Board members conducted annually by the Nominating and Corporate Governance Committee, with the assistance of an independent executive search firm. The activities of the executive search firm are coordinated by the

Vice President of Human Resources.

Table of Contents

Current Board members whose performance, capabilities, and experience meet Granite s expectations and needs are nominated for re-election in the year of their term s completion. In accordance with Granite s Corporate Governance Guidelines, Board members are not re-nominated after they reach their 72nd birthday.

Each member of the Board of Directors must meet a set of core criteria, referred to as the three C s : Character, Capability, and Commitment. Granite was founded by persons of outstanding character, and it is Granite s intention to ensure that it continues to be governed by persons of high integrity and worthy of the trust of its shareholders. Further, Granite intends to recruit and select persons whose capabilities, including their educational background, their work and life experiences, and their demonstrated records of performance will ensure that Granite s Board will have the balance of expertise and judgment required for its long-term performance and growth. Finally, Granite will recruit and select only those persons who demonstrate they have the commitment to devote the time, energy, and effort required to guarantee Granite will have the highest possible level of leadership and governance.

In addition to the three C s, the Board recruitment and selection process assures that the Board composition meets all of the relevant standards for independence and specific expertise. For each new recruitment process, a set of specific criteria is determined by the Nominating and Corporate Governance Committee with the assistance of the executive search firm and the Chairman of the Board, utilizing the interview process noted above. These criteria may specify, for example, the type of industry or geographic experience that would be useful to maintain and improve the balance of skills and knowledge on the Board. After the search criteria are established, the executive search firm utilizes its professional skills and its data sources and contacts, including current Granite Board members and officers, to seek appropriate candidates. The credentials of a set of qualified candidates provided by the search process are submitted for review by the Nominating and Corporate Governance Committee, the Chairman of the Board and senior officers. Based on this review, the Nominating and Corporate Governance Committee invites the top candidates for personal interviews with the Committee and Granite s executive management team.

Normally, the search, review, and interview process results in a single nominee to fill a specific vacancy. However, a given search may be aimed at producing more than one nominee and the search for a single nominee may result in two candidates of such capability and character that both might be nominated, with term classes restructured following additional vacancies.

It is Granite s intention that this search and nomination process consider qualified candidates referred by a wide variety of sources, including all of Granite s constituents its customers, employees, shareholders, and members of the communities in which it operates. The search firm will include all referrals in its screening process and bring qualified candidates to the attention of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for assuring that all relevant sources of potential candidates have been canvassed.

Shareholder Recommendation and Direct Nomination of Board Candidates

Consistent with our bylaws and the Nominating and Corporate Governance Committee Charter, Granite will review and consider for nomination any candidate for membership to the Board recommended by a shareholder, utilizing the same evaluation criteria and selection process described above. Shareholders wishing to recommend a candidate for consideration in connection with an election at a specific annual meeting should notify Granite well in advance of the meeting date to allow adequate time for the review process and preparation of the proxy statement, and in no event later than the date specified below with respect to direct nominations.

In addition, Granite s bylaws provide that any shareholder entitled to vote in the election of directors may directly nominate a candidate or candidates for election at a meeting provided that timely notice of his or her intention to make such nomination is given. To be timely, a shareholder nomination for a director to be elected at an annual meeting must be received by Granite not less than 120 days prior to the first anniversary of the date the proxy statement for the preceding year s annual meeting of shareholders was released to shareholders and must contain the information specified in our bylaws. The Committee will consider nominees to the Board recommended by shareholders as long as the shareholder gives timely notice in writing of his or her intent to nominate a director. To be timely, a shareholder nomination for a director to be elected at the 2010 annual meeting must be received at Granite s principal office, addressed to the Corporate Secretary, on or before November 26, 2010.

Director Independence

Under the listing standards of the New York Stock Exchange, a director is considered independent if the Board determines that the director has no material relationship with Granite. In determining independence, the Board considers pertinent facts and circumstances including commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. The Board follows these guidelines, established by the New York Stock Exchange, when assessing the independence of a director:

A director who, within the last three years is, or has been, an employee of Granite or whose immediate family member is, or has been within the last three years, an Executive Officer of Granite, may not be deemed independent until three years after the end of such employment relationship. Employment as an interim Chairman or Chief Executive Officer or other Executive Officer shall not disqualify a director from being considered independent following that employment.

A director who has received, or has an immediate family member who has received, during any twelve-month period within the last three years more than $120,000 in direct compensation from Granite, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), may not be deemed independent. Compensation received by a director for former service as an interim Chairman or Chief Executive Officer or other management and compensation received by an immediate family member for service as an employee of Granite (other than an Executive officer) will not be considered in determining independence under this test.

The following directors may not be deemed independent: (A) a director who is a current partner or employee of a firm that is Granite s internal or external auditor; (B) a director who has an immediate family member who is a current partner of such a firm; (C) a director who has an immediate family member who is a current employee of such a firm and who personally works on Granite s audit; or (D) a director or immediate family member who was within the last three years a partner or employee of such a firm and personally worked on Granite s audit within that time.

A director who or whose immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of Granite s present Executive Officers at the same time serves or served on that company s compensation committee may not be deemed independent.

A director who is a current employee or whose immediate family member is a current executive officer of a company that has made payments to, or received payments from, Granite for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of such other company s consolidated gross revenues for that fiscal year may not be deemed independent.

The Board reviews the independence of all non-employee directors every year. For the review, the Board relies on information from responses to questionnaires completed by directors and other sources. Directors are required to immediately inform the Nominating and Corporate Governance Committee of any material changes in their or their immediate family members relationships or circumstances that could impact or change their independence status.

During 2009, all non-employee directors who served on the Board for all or a part of the year were determined to be independent under the listing standards of the New York Stock Exchange; namely, Claes G. Bjork, James W. Bradford, Jr., Gary M. Cusumano, David H. Kelsey, Rebecca A. McDonald, J. Fernando Niebla and William H. Powell.

Board and Annual Shareholder Meeting Attendance

During 2009, the Board of Directors held four regular meetings. All directors as a group attended an average of 98% of the total number of meetings of the Board and any committee on which they served. Except for irreconcilable conflicts, directors are expected to attend the annual shareholder meeting. The Annual Meeting Attendance Policy is a part of Granite s Board of Directors Corporate Governance Guidelines and Policies and is posted on Granite s website *(see* Granite Website below). With the exception of James W. Bradford, Jr. who had a schedule conflict, all directors attended Granite s 2009 annual shareholder meeting.

Communications with the Board

Any shareholder or other interested party wishing to communicate with the Board of Directors, or any particular director, including the Chairman of the Board or the Lead Director, if there is one, can do so by following the process described in the Communications with the Board of Directors Policy. The policy is posted on Granite s website (*see* Granite Website below).

Code of Conduct

Granite s Code of Conduct applies to all Granite employees, including the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and all directors. The Code of Conduct is available on Granite s website at www.graniteconstruction.com at the About Us site under Core Values . We will also post any amendments to the Code of Conduct at this location on our website. You can obtain a copy of the Code of Conduct, without charge, by contacting Granite s Human Resources Department at 831.724.1011.

Granite Website

The following charters and policies are available on Granite s website at the Corporate Governance site under Investor Relations at www.graniteconstruction.com: the Audit/Compliance Committee Charter, the Nominating and Corporate Governance Committee Charter, the Compensation Committee Charter, the Corporate Governance Guidelines and Policies, the Board of Directors Nomination Policy, the Shareholder Communication to the Board Policy and Granite s Code of Conduct. You can also request copies of these charters and policies in print without charge by contacting Granite s Investor Relations Department at 831.761.4714.

Executive and Director Compensation and Other Matters

Compensation Discussion and Analysis

Company Restructuring, Reorganization and Executive Officer Role Changes

On August 31, 2009, Granite announced a new organization structure designed to improve operating efficiencies and position the company for long-term growth. Effective September 1, 2009, James H. Roberts succeeded Mark E. Boitano as Executive Vice President and Chief Operating Officer. To ensure a smooth transition of responsibilities, Mr. Boitano continued to serve as an Executive Officer on a full-time basis through December 31, 2009. As the organizational changes were implemented toward the end of the third quarter of the performance period, it was determined that no changes would be made to either Mr. Roberts or Mr. Boitano s annual and long-term incentive plan participation or the related performance measures. Messrs. Boitano and Roberts incentive compensation payouts were each tied to the area for which they had primary responsibility for the majority of the performance period. Effective September 1, 2009, Mr. Donnino, Granite East Manager, assumed additional responsibility for the Arizona region. No changes were made to Mr. Donnino s base salary, incentive compensation plans or performance measures.

Based on the new organizational structure, the titles of our Executive Officers as of December 31, 2009 were as follows:

Named Executive Officer	Title as of August 31, 2009	Title as of December 31, 2009
William G. Dorey	President & Chief Executive Officer (CEO)	President & Chief Executive Officer (CEO)
LeAnne M. Stewart	Senior Vice President & Chief Financial Officer (CFO)	Senior Vice President & Chief Financial Officer (CFO)
James H. Roberts	Senior Vice President & Granite West Manager	Executive Vice President & Chief Operating Officer (COO)
Michael F. Donnino	Senior Vice President & Granite East Manager	Senior Vice President & Group Manager
Mark E. Boitano	Executive Vice President & Chief Operating Officer (COO)	Senior Vice President

Objective of the Compensation Program

Compensation paid to our Executive Officers is structured to align with Granite s short and long-term performance objectives. The Compensation Committee believes that the most effective way to enhance Granite s performance is to emphasize variable compensation. The market for executive talent is highly competitive and the objective of our compensation program is to attract and retain talented, creative, and experienced executives with the skills and leadership qualities necessary to compete in the marketplace, deliver consistent financial performance and grow shareholder value. Key elements of the program are as follows:

- Market competitive base salaries, with the 50th percentile of comparable positions in the market as the starting point. Actual pay levels reflect market data, individual experience, tenure and the ability to impact business and financial results;

- Cash and stock-based incentives earned upon the attainment of pre-established financial and non-financial goals;
- Short-term and long-term goals aligned with the best interests of shareholders; and
- A comprehensive benefits program which is available to all salaried employees. The benefits provided include: Medical, dental, vision, life, and accidental death and dismemberment insurance, short-term and long-term disability insurance, paid vacation and holiday pay.

Our Executive Officers are eligible, along with other key management employees, to participate in our Non-qualified Deferred Compensation (NQDC) Program and a program offering periodic medical examinations.

Changes to Executive Officer Compensation Program

The 2009 program for compensating our key Executive Officers is materially different from our 2008 plan and reflects Granite s and the Compensation Committee s effort and involvement to better align pay levels and program design with market best practices and long-term shareholder value creation.

The key components of the 2009 program for compensating our key Executive Officers are as follows:

- Adjustments to align total direct compensation with market median levels;
- A stand-alone Annual Incentive Plan (AIP) where, in addition to Return on Net Assets (RONA), Safety, and Adjusted Operating Income (AOI), two new metrics, Operating Cash Flow (OCF) Margin and Strategic Objectives are now included as performance measures;
- A new stand-alone Long-Term Incentive Plan (LTIP) measuring three-year average Economic Profit (EP) and relative Total Shareholder Return (TSR) to certain targeted companies in the Standard and Poor s Construction Materials and Construction and Engineering classifications;
- Incentive compensation opportunity determined on the basis of three separate performance levels threshold, target and maximum; and
- New stock ownership guidelines.

The specific provisions of the compensation opportunity, plan design, and performance objectives are described in greater detail in the remainder of the Compensation Discussion and Analysis.

Role of the Compensation Committee and Chief Executive Officer in Determining Executive Compensation

The Compensation Committee is actively engaged in the design and approval of all elements of the compensation program for our key Executive Officers. Mr. Dorey s compensation and potential payouts are determined by the Compensation Committee. Mr. Dorey attends Compensation Committee meetings and recommends annual salary levels, incentive compensation targets and potential payouts for other Executive Officers to the Compensation Committee for approval.

Role of the Compensation Consultant

Granite has retained Mercer (US) Inc. (Mercer) to provide information, analyses and advice to the Compensation Committee regarding Executive Officer compensation. Mercer also advises our management with respect to compensation of our other key executives and, in this capacity, reports to the Vice President of Human Resources and the Director of Compensation and Benefits. For a more complete discussion of this relationship, see Role of the Compensation Consultant on Page 9.

Market Data Considered in Determining Executive Compensation

The Compensation Committee reviews available industry compensation data to establish competitive compensation levels which will reward our Executive Officers if performance targets are achieved. Data is reviewed from benchmark companies in the construction and engineering industries. Threshold, target, and maximum levels of compensation are tied to performance expectations and approved by the Compensation Committee. In 2009, the Compensation Committee reviewed market compensation data from the two sources described below. An equally weighted blend of public company data and private company data was used to develop market composites for base salary and target total cash compensation. However, as almost all private companies do not report long-term incentive data, only public peer group compensation data derived from proxy statements was used as a reference for long-term incentive and total direct compensation.

Peer Group of Seven Public Companies

These companies represent the construction, engineering and construction materials industries that compete for executive talent in the same market as Granite. The table below lists the names of the companies, their annual revenues and total assets for their most recent fiscal years.

Company Name	Revenue (FY08) ($Millions)		Total Assets (FY08) ($Millions)	
URS Corporation	$	10,086	$	7,001
Chicago Bridge & Iron	$	5,945	$	3,001
Perini Corp.	$	5,660	$	3,073
Quanta Services Inc.	$	3,780	$	3,555
Vulcan Materials Co.	$	3,651	$	8,914
Martin Marietta Materials	$	2,120	$	3,033
Texas Industries Inc.	$	1,029	$	1,515
Granite Construction Incorporated	$	2,674	$	1,743

Granite s fiscal 2009 revenues and total assets were $1,963,479,438 and $1,709,575,309 respectively.

Private Company Market Data

Private company market data was provided by Analytical/FMI, a compensation consulting firm that gathers extensive compensation data for companies in the engineering and construction industries. The companies participating in the survey are companies that compete with Granite for key engineering and construction talent. The Compensation

Committee selected private companies with employee headcount and revenue similar to ours. Specifically, the companies used in the benchmarking were Gilbane Building Company, Peter Kiewit Sons, Inc., TIC Holdings, Inc. and Zachry Holdings, Inc.

Table of Contents

Compensation Elements

Base Salaries

With the exception of Mr. Roberts, no adjustments to the base salaries of our Executive Officers were made during 2009. Upon his appointment as Chief Operating Officer, effective September 1, 2009, Mr. Roberts salary was increased from $300,000 to $350,000. The increase in base salary was based on Mr. Roberts assumption of increased responsibility and accountability and was supported by benchmark data for comparable COO positions at the peer groups discussed above. In the supporting tables to the CD&A we have reflected Mr. Roberts salary as $300,000 since incentive opportunities are calculated as a percentage of the beginning of the year base salary.

Base Salary Positioning Chart

Annual Incentive Compensation

Name and Title	2009 Base Salary	Market Median	% Variance
William G. Dorey President & Chief Executive Officer (CEO)	$ 500,000	$ 848,000	(41)%
LeAnne M. Stewart Senior Vice President & Chief Financial Officer (CFO)	$ 360,000	$ 363,000	(1)%
James H. Roberts Executive Vice President & Chief Operating Officer (COO)	$ 300,000	$ 330,000	(9)%
Michael F. Donnino Senior Vice President & Group Manager	$ 300,000	$ 330,000	(9)%
Mark E. Boitano Senior Vice President	$ 400,000	$ 494,000	(19)%

Mr. Dorey, Ms. Stewart and Mr. Boitano participated in the Corporate Annual Incentive Plan in 2009. Mr. Roberts and Mr. Donnino participated in both the Corporate and Division Incentive Plans. Each Executive Officer s targeted annual incentive opportunity is expressed as a percentage of his or her base salary. Actual payouts can range between 0% and 200% of target opportunity based on performance as described in more detail below.

Table of Contents

Target Annual Incentive Opportunity

Name	2009 Base Salary	Target Annual Incentive Opportunity (% of Base Salary)	Target Annual Incentive Opportunity $
William G. Dorey President & Chief Executive Officer (CEO)	$ 500,000	150%	$ 750,000
LeAnne M. Stewart Senior Vice President & Chief Financial Officer (CFO)	$ 360,000	50%	$ 180,000
James H. Roberts Executive Vice President & Chief Operating Officer (COO)	$ 300,000	100%	$ 300,000
Michael F. Donnino Senior Vice President & Group Manager	$ 300,000	100%	$ 300,000
Mark E. Boitano Senior Vice President	$ 400,000	100%	$ 400,000

The following table illustrates the 2009 annual incentive plans. During 2009, Mr. Dorey, Mr. Boitano and Ms. Stewart earned 100% of their annual incentives from the Corporate Annual Incentive Plan whereas Mr. Roberts and Mr. Donnino earned 75% of their annual incentive compensation from a program based on the performance of their respective divisions known as the Division Annual Incentive Plan and 25% based on the Corporate Annual Incentive Plan. This weighting was designed to ensure that a significant portion of their target incentive compensation is directly tied to performance at the division level for which they were responsible.

Return on Net Assets

RONA is calculated by dividing the adjusted net income Granite earned in the year ended December 31, 2009 by its weighted average net assets, adjusted for the purpose of calculating incentive compensation (total weighted average assets less current liabilities, long-term debt, estimated value of quarry property which will not be mined within the next five years, deferred income taxes, and restructuring expenses).

Table of Contents

RONA performance objectives for a given plan year are based on Granite s Weighted Average Cost of Capital (WACC) which is defined as Granite s blended cost of debt and equity. The WACC, approved by the Compensation Committee for the purpose of calculating incentive compensation, was 9% for 2009. The Corporate Annual Incentive Plan incorporates RONA and WACC because of the significant capital needs of the business. Granite s operations require sizable investment in capital equipment and aggregate reserves, which require periodic replacement. Both the Division Annual Incentive Plan and the Corporate Annual Incentive Plan are designed in part to reward high returns on the net assets employed.

In determining threshold, target and maximum RONA objectives, the Compensation Committee considers Granite s RONA history, industry comparisons, growth rate, new investments in the business, cost of capital, and current market conditions. The RONA objectives are reviewed and approved annually by the Compensation Committee, as is the amount of incentive compensation that can be earned by each Executive Officer.

Operating Cash Flow Margin

The Operating Case Flow (OCF) Margin is calculated by dividing net cash flow from operating activities adjusted for restructuring expenses by annual revenue. The Corporate Annual Incentive Plan incorporates OCF Margin as one of the two financial metrics because it measures our ability to maintain the operating cash necessary to replace assets, purchase assets for growth, and generate fair dividend returns to the shareholders. This metric meets Accounting Standard Codification (ASC) Topic 230.

Like RONA, the threshold, target and maximum OCF Margin objectives are established at levels that the Compensation Committee considers appropriate given Granite s historical performance, industry comparisons, and current market conditions. The OCF Margin objectives and associated payout levels for Executive Officers are reviewed and approved annually by the Compensation Committee.

Strategic Objectives

In addition to financial objectives, the Compensation Committee introduced a component to the Annual Incentive Plan that pays out based on achievement of strategic objectives. Strategic objectives are reviewed and approved by the Compensation Committee on an annual basis and may change from year to year. The strategic objectives identified for each Executive Officer included a mix of quantitative and qualitative factors. The objectives may have different weighted values as agreed upon by the Compensation Committee and the CEO.

In the case of the Executive Officers other than the CEO, the Committee s establishment of these strategic metrics and its assessment of their achievement is based primarily on the CEO s judgment and recommendations. The establishment of strategic objectives for the CEO and assessment of his individual performance is determined by the Compensation Committee in consultation with other members of the Board of Directors.

Safety

In keeping with our policy of honoring our employees by providing the safest work environment in the industry, Total Safety Incident Rate (TSIR) targets were established in 2006. Granite s strategic plan was to reduce the TSIR to 6.0 by 2010. The safety measure objectives are determined based on management expectations and historical performance. To ensure progress toward the 2010 objective and focus executive efforts on minimizing accidents and fatalities, safety is a part of the executive and division incentive plans. The Corporate and Division Incentive Plans had the same performance criteria. No safety-related incentive is payable under either plan if we experience an employee work-related fatality during the plan year. The TSIR target and payout levels are reviewed and approved annually by the Compensation Committee.

Table of Contents

The safety goal uses the TSIR to determine whether there has been an overall increase or decrease in safety incidents. Three separate injury rate measures are added to determine the overall TSIR:

A. Total Injury Incident Rate (TIIR) tracks all injuries requiring an employee to be treated by a health care professional, even if the treatment provided is minor.

B. OSHA Recordable Injury Rate (ORIR) tracks all injuries serious enough to require OSHA documentation (i.e., medical treatment, restricted duty, lost time).

C. Lost Time Injury Rate (LTIR) tracks all injuries serious enough to cause an injured employee to be away from work for any days beyond the day of the injury.

Incident rates, which represent the number of events per 100 full-time employees, are calculated by multiplying the number of events by category (total injuries, OSHA recordable injuries or lost time injuries) by 200,000 (2,000 hours per employee, per year x 100 employees) and dividing by the total number of hours of employee exposure.

For example, in 2009 there were 9,812,603 hours of employee exposure, and the injuries reported were as follows:

Total Injuries = 142
OSHA Recordable Injuries = 118
Lost Time Injuries = 34

The Total Safety Incident Rate for 2009 was calculated as follows:

Total Injury Incident Rate = 142 X 200,000/9,812,473 = 2.89
OSHA Recordable Injury Rate = 118 X 200,000/9,812,473 = 2.41
Lost Time Injury Rate = 34 x 200,000/9,812,473 = 0.69
Total Safety Incident Rate = (TIIR + ORIR + LTIR) = 5.99

Division Adjusted Operating Income (AOI)

AOI is defined as actual operating income adjusted for pre-defined profit or loss items such as interest earned or charged on operating cash flow and accounting eliminations for such items as equipment transfers and material sales between business units. Under the Division Annual Incentive Plan, executives begin to earn incentive compensation when Division AOI exceeds an initial threshold consisting of allocated corporate overhead and a charge for the cost of the assets employed by the applicable division. The maximum cash incentive for the Division Annual Incentive Plan is paid when a division s AOI maximum is

Table of Contents

achieved. Between the threshold, target and maximum performance, incentive is earned on a pro-rated basis. The Division AOI objectives, as well as the threshold, target and maximum incentive that can be earned by each Division Manager are set annually by the Chief Operating Officer, reviewed by the Chief Executive Officer and reviewed and approved by the Compensation Committee.

In determining Division AOI targets, consideration is given to the size of the division, the value of the net assets employed, recent division performance history and current market conditions. If the Division AOI target is not achieved, the actual cash incentive paid is based on a pro-ration of actual Division AOI compared to the Division AOI target.

In the past five years, including 2009, the Granite West Division has reached its Division AOI threshold each year and has achieved the maximum Division AOI in three years.

In the past five years, including 2009, the Granite East Division has achieved its Division AOI threshold in two years, and has achieved the maximum Division AOI in one year.

2009 Annual Incentive Plan Performance Objectives and Actual Performance

Executive Officers can earn between 50% and 200% of their annual target opportunity for threshold and maximum performance for financial and safety measures. Payout is zero for performance below threshold levels. For the strategic objectives they can earn 100% for achieving all strategic goals and above target payout is subject to Compensation Committee discretion. Performance objectives and actual performance for 2009 are presented below:

	Corporate Goals ($000)			Division Goals ($000)			
Performance Level	**RONA**	**OCF Margin**	**Corporate Safety**	**West Division AOI**	**East Division AOI**	**West Safety (TSIR)**	**East Safety (TSIR)**
Maximum	15.8%	8.5%	4.55	$ 200,000	$ 60,000	4.55	4.55
Target	10.8%	6.0%	6.50	$ 140,000	$ 40,000	6.50	6.50
Threshold	8.1%	4.5%	8.45	$ 100,000	$ 20,000	8.45	8.45
Actual	10.4%	3.5%	6.00	$ 149,269	$ 60,365	5.80	8.30
Payout (% of Target)	93%	0%	126%	115%	200%	136%	54%

For the strategic goals, the Compensation Committee evaluated performance and determined a percentage payout relative to target.

Table of Contents

Based on actual performance, individual incentives earned by the Executive Officers were as follows:

Name	Target Annual Incentive ($)	Actual Annual Incentive ($)	Actual Annual Incentive (% of Target Opportunity)
William G. Dorey President & Chief Executive Officer (CEO)	$ 750,000	$ 503,606	67%
LeAnne M. Stewart Senior Vice President & Chief Financial Officer (CFO)	$ 180,000	$ 124,015	69%
James H. Roberts Executive Vice President & Chief Operating Officer (COO)	$ 300,000	$ 330,563	110%
Michael F. Donnino Senior Vice President & Group Manager	$ 300,000	$ 414,923	138%
Mark E. Boitano Senior Vice President	$ 400,000	$ 279,590	70%

In the year ended December 31, 2000, Mr. Roberts participated in a bonus banking program. Commissions on the Branch Division operating results that were in excess of the maximum annual commission approved limit were banked for future distribution when the calculated incentive fell below the approved maximum annual incentive limit. This provision of the Incentive Compensation Plan was discontinued beginning with the 2003 plan year. Mr. Roberts had a remaining bank balance of $45,160 which was applied towards his 2009 annual incentive compensation and is included in the $330,563.

Long-Term Incentive Compensation

In order to emphasize sustained long-term performance in 2009, the Compensation Committee approved a new Corporate Long-Term Incentive Compensation Plan (LTIP). All Executive Officers are eligible to participate in the Plan. The Compensation Committee reviewed peer group compensation data for comparable positions and established incentive target opportunities which approximate peer group median compensation levels.

Table of Contents

Name		2009 Long-Term Incentive Target Opportunity ($)	Individual Share of Total LTI Pool
William G. Dorey President & Chief Executive Officer (CEO)	$	2,000,000	42.11%
LeAnne M. Stewart Senior Vice President & Chief Financial Officer (CFO)	$	600,000	12.63%
James H. Roberts Executive Vice President & Chief Operating Officer (COO)	$	650,000	13.68%
Michael F. Donnino Senior Vice President & Group Manager	$	600,000	12.63%
Mark E. Boitano Senior Vice President	$	900,000	18.95%
Total LTIP Pool	$	4,750,000	100%

The new Corporate LTIP pays out based on EP and Granite s relative TSR performance, in accordance with the funding mechanics explained below. Individual allocations are made based on a share of the total pool and are paid out in restricted stock units that vest ratably over three years unless an officer is retirement eligible. The number of shares is calculated based on the individual award value divided by the average of the daily closing stock price in the first 30 days of January of the plan year.

Long-Term Incentive Plan Funding Mechanism

Economic Performance Funding

Three-Year Average EP Performance	Pool Funding
Maximum = In excess of $25 Million	24% per incremental dollar over $25M
Target = $25 Million	19% of 3-Year EP Average
Threshold = $5 Million	0

X

TSR[1]

TSR Rank Relative to Blended Index (13 Companies Total including Granite)	Multiplier
1-4 of 13	2X
7 of 13	1X
10 of 13	0.5
11-13 of 13	0.25

[1] Linear interpolation is applied for TSR ranks between those specified in the table above.

Economic Profit

The LTIP incorporates Economic Profit (EP) because of the significant capital needs of the business and the Compensation Committee s objective of creating long-term economic value for shareholders. Understanding how value is created is a key component to implementing an effective strategy and EP provides a framework for evaluating value creation across the portfolio, allocating capital across the portfolio, understanding and quantifying competitive advantage, understanding investor expectations, and developing value growth strategies. EP is based on the economic concept of earning a return on capital invested which is greater than Granite s cost of capital. The Compensation Committee approved the use of EP in the LTIP to focus our executives long-term efforts on generating returns that are higher than the capitalized cost of assets which are a key driver of Granite s business. This is intended to ensure that executive efforts are aligned with the interests of shareholders.

In each year of the three-year performance period EP is calculated as follows:

EP = Net Operating Profit after Tax (NOPAT) (Average Net Assets x WACC)

NOPAT is defined as reported net income plus interest expense net of income tax effect. For purposes of EP, Net Assets is defined as total assets less non-interest bearing liabilities. A simple two-point average of beginning and end of year Net Assets is used to determine Average Net Assets.

For Performance Year 2009, EP was limited to zero or greater. Payout calculation for any long-term incentive cycle excludes the impact of any extraordinary business activity during an active long-term incentive cycle (e.g., acquisition or restructuring). The EP performance target for the following long-term incentive cycle will be adjusted accordingly. Note that unlike the annual incentive calculation, Net Assets used for long-term incentive calculation purposes is not adjusted for the estimated value of quarry property which will not be mined within the next five years.

In determining threshold, target and maximum EP objectives, the Compensation Committee considers Granite s historical EP performance, financial forecasts, industry comparisons, cost of capital, and current market conditions. The EP sharing ratios are reviewed and approved annually by the Compensation Committee.

Total Shareholder Return

In addition to EP, the Committee believes that it is important to explicitly align executive incentives with shareholder value creation. Potential payouts based on EP performance are adjusted by a TSR modifier based on Granite s three-year TSR performance relative to companies in Standard & Poor s Construction Materials and Construction and Equipment classification. When Granite s TSR is at the high end of this group, executives payouts based on EP are adjusted upward and vice versa. This adjustment is intended to reward executives when the shareholders investment in Granite yields returns that are superior to comparable investments in one or more of the companies in the Standard & Poor s Construction Materials and Construction and Equipment classification listed below.

TSR is calculated by dividing (i) the sum of the closing price on the last trading day of the three-year performance period and all dividends and per-share cash equivalents paid during the performance period, by (ii) the closing price on the day before the first day of the Performance Period. The list of companies used to calculate relative TSR performance consists of twelve companies from the Standard & Poor s Construction Materials and Construction & Engineering classification over a three year period that began January 1, 2007, and ended December 31, 2009. At the end of 2009, TSR for each of the twelve companies and Granite were calculated and ranked. Based on Granite s rank, funding based on EP performance is modified.

Dycom Industries Inc	Insituform Technologies	Shaw Group Inc
Emcor Group Inc	Jacobs Engineering Group Inc	Texas Industries Inc
Fluor Corp	Martin Marietta Materials	URS Corp
Headwaters Inc	Quanta Services Inc	Vulcan Materials Co

Table of Contents

2009 Long-Term Incentive Plan Payouts

As of December 31, 2009, Granite s actual three-year average EP was $25,528,000 which resulted in an interim funding of $4,876,394. Granite s three-year TSR rank as of December 31, 2009, was 9 out of 13 resulting in a multiplier of .6667 and a final long-term incentive pool of $3,251,092 ($4,876,394 x .6667). Based on this performance actual individual long term incentive awards were as follows:

Name	Target Long-Term Incentive ($)	Actual Long-Term Incentive ($)	# Shares Awarded(1)
William G. Dorey President & Chief Executive Officer (CEO)	$ 2,000,000	$ 1,368,881	34,655
LeAnne M. Stewart Senior Vice President & Chief Financial Officer (CFO)	$ 600,000	$ 410,664	10,397
James H. Roberts Executive Vice President & Chief Operating Officer (COO)	$ 650,000	$ 444,886	11,263
Michael F. Donnino Senior Vice President & Group Manager	$ 600,000	$ 410,664	10,397
Mark E. Boitano Senior Vice President	$ 900,000	$ 615,997	15,595

(1) The number of shares awarded is calculated by dividing the actual long term incentive value by $39.50 which was the average stock price in January 2009. Since these shares were awarded in fiscal year 2010, they are not reported in the Summary Compensation table of the Grants of Plan-Based Awards table. Instead, they will be reported in the proxy filing for fiscal year 2010.

Profit Sharing Bonus

Effective for 2009, the Compensation Committee determined that the Executive Officers would no longer participate in the Granite Profit Sharing Bonus Plan maintained for Granite s salaried employees due to their participation in the redesigned incentive plans.

Policy Regarding Recovery of Award if Basis Changes Because of Restatement

If the basis upon which a previous compensation award is made changes because of a restatement of a prior year s financial results, and the previous award is determined to be an overpayment, it is Granite s policy to either recover the amount overpaid or to hold the overpayment as an offset against future incentive compensation earned. There were no adjustments to calculations that affected incentive compensation calculated or paid in 2009.

Stock Ownership Guidelines

Our Board of Directors adopted Stock Ownership Guidelines to align the interests of its Executive Officers with the interest of shareholders and to promote Granite s commitment to sound corporate governance. Executive Officers are expected to own and hold a minimum number of shares of Granite

common stock based on relevant market competitiveness. Stock ownership guidelines are determined as a multiple of the Executive Officer s base salary, and are as follows:

Chief Executive Officer: 3x annual base salary

Other Executive Officers: 1.5x annual base salary

Minimum stock ownership levels are to be achieved within five years following the May 13, 2009 adoption of the Stock Ownership Guidelines, or from the date of an individual becoming an Executive Officer. Compliance with the guidelines is reviewed by the Compensation Committee on an annual basis. Shares that count toward the satisfaction of the guidelines include:

Shares owned outright by the Executive Officer or his or her immediate family members residing in the same household, whether held individually or jointly;

Shares represented by restricted stock awards or units where the restrictions have lapsed;

Shares held for the Executive Officer s account in the Company s Profit Sharing and 401(k) Plan or Employee Stock Ownership Plan (ESOP); and

Shares held in trust for the benefit of the Executive Officer or his or her family.

Until the applicable guideline is achieved, the Executive Officer is required to retain an amount equal to 25% of net shares received as a result of the vesting of restricted stock or restricted stock units through Granite s stock incentive plans.

Non-Qualified Deferred Compensation

Granite offers its Executive Officers and other key executives participation in the Granite Construction Key Management Deferred Compensation Plan II (the NQDC) which:

Allows key executives to defer incentive compensation and Employee Stock Ownership Plan (ESOP) dividends. Executives can defer up to 100% of their annual cash bonus and ESOP dividends;

Provides a company matching contribution of 6% on the first $100,000 that the employee defers that is credited at the time of deferral;

Allows Executive Officers who are 62 years of age and have 10 years of service on the last day of the performance period, to defer receipt of 100% of the restricted stock payable under the Performance Unit Agreement. A quarterly dividend equivalent is credited to Executive Officers who make this deferral election. Deferred performance units will be distributed as shares of Granite common stock;

Allows participants to choose from a menu of investment options. Granite determines the investment options for the Plan menu and may add or remove investment options based on a review of the performance of the particular investment;

Includes a Rabbi Trust funded with historical deferrals over a four-year period beginning October 2008. All new deferrals will be held in the Trust. By holding the assets within a Trust, participants have added security that future benefit obligations will be satisfied; and

27

Table of Contents

Includes an option under which participants can voluntarily direct Granite to purchase life insurance on their behalf and are eligible for a survivor benefit equal to one year s base salary payable in the event of death. The survivor benefit is payable only while the participant is employed with Granite.

Other Compensation

Our Executive Officers are eligible to participate in the Granite Construction Profit Sharing and 401(k) Plan. We provide matching contributions on compensation deferred as 401(k) contributions not to exceed 6% of IRS qualified compensation up to $245,000. Executive Officers are provided insurance for personal and auto liability, as well as auto physical damage and umbrella liability.

Impact of Accounting and Tax Treatments of a Particular Form of Compensation

Granite provides certain stock-based compensation under the Amended and Restated 1999 Equity Incentive Plan (the Equity Plan), which is accounted for under FASB Accounting Standard Codification Topic 718 (revised 2004), Share-Based Payment . Restricted stock compensation cost is measured as the stock s fair value based on the market price at the date of grant. Restricted stock compensation cost is recognized on a pro-rated basis over the vesting period or the period from the grant date to the first maturity date after the holder reaches age 62 and has completed certain specified years of service, at which time all restricted shares become fully vested.

Salary and cash incentive payments and deferred compensation are taxable to the Executive Officer in the year they are paid. Restricted stock incentives are taxable income to the Executive Officer and provide an income tax deduction for Granite in the year the stock vests. Granite expenses salary and cash incentive payments in the year they are paid to the employee for tax purposes.

In connection with its determination of the various elements of compensation for our Executive Officer, the Compensation Committee takes into account the impact of Section 162(m) of the Internal Revenue Code on the deductibility of compensation for federal income tax purposes. Section 162(m) limits the deductibility of non-performance-based compensation paid to each of our Executive Officers to $1 million annually. Some of the elements of our executive compensation package, including payments under our Corporate Annual Incentive Plan, are intended to qualify as performance-based compensation, which is exempt from the limitation on deductibility under Section 162(m). Payments under our new Corporate Long-Term Incentive Compensation Plan do not qualify as performance-based compensation for the performance period 2009 and 2010. The Compensation Committee has the discretion to design and implement elements of executive compensation that may not qualify as performance based compensation, and to approve compensation packages for individual Executive Officers that may not be fully deductible.

Severance Arrangement

LeAnne M. Stewart, our Senior Vice President and Chief Financial Officer, is eligible to receive severance benefits if her employment is terminated without cause. Termination with cause would be based, among other things, on: unauthorized disclosure of confidential information; conviction of a felony; misappropriation of Granite assets; and violation of Granite s Code of Conduct. In the event of her termination without cause, Ms. Stewart would be entitled to receive the following:

An additional number of restricted shares, above those Ms. Stewart has received, as if she had performed twelve additional months of service; and

28

Lump sum cash benefits equal to (1) the then current year s annual incentive plan target bonus pro-rated for the number of days in service for the applicable year, and (2) one year s base salary at the rate in effect at the time of termination.

These cash benefits will be paid within 30 days from the date of termination. Granite provided this benefit to incentivize Ms. Stewart to join Granite with the understanding that in the event she was terminated without cause she would not be adversely impacted financially. The Severance Agreement expires five years following the effective date of the Agreement. A similar benefit has not been provided to Granite s other Executive Officers, each of whom has been employed with Granite for at least 28 years.

Change-in-Control Arrangements

Currently, all of our Executive Officers, along with key employees approved by the Compensation Committee, are participants in the Executive Retention and Severance Plan. The purpose of the plan is to:

Provide an incentive to the existing management to remain with Granite during a potential acquisition in order to obtain the best terms for the shareholders or to assure Granite s viability in executing its strategy if Granite remains independent; and

Attract and retain executives by reducing their concerns regarding future employment following a change of control.

The Executive Retention and Severance Plan provides that if an Executive Officer s employment with Granite is terminated within three years after a change in control of Granite other than for cause, or if the Executive Officer resigns voluntarily for good reason , the Executive Officer will be entitled to the following benefits:

A lump sum payment equal to three times the Executive Officer s annual base salary rate in effect immediately prior to the Executive Officer s termination;

A lump sum payment equal to three times the average of the aggregate of all annual incentive bonuses earned by the Executive Officer for the three fiscal years immediately preceding the fiscal year of the change in control;

A lump sum payment equal to the average of the aggregate annual employer contribution, less applicable withholding, made on behalf of the Executive Officer for the three fiscal years preceding the fiscal year of the change in control to the ESOP, Profit Sharing Plan, and any other retirement plan in effect immediately prior to the change in control;

A lump sum payment equal to three times the average annual premium cost for group health, life, and long-term disability benefits, provided for the three fiscal years preceding the fiscal year of termination;

Accelerated vesting of equity awards in accordance with the provisions contained in such plans; and

Reasonable professional outplacement services for the Executive Officer until the earlier of two years following the date of termination or the date on which the Executive Officer obtains employment.

The amount of payment made to the terminated Executive Officer will not exceed, and will be reduced, if required, in order not to exceed the Safe Harbor amount allowable under Section 4999 of the Code.

For purposes of the Executive Retention and Severance Plan:

A change-in-control is defined as (i) a merger, consolidation or acquisition of Granite where our shareholders do not retain a majority interest in the surviving or acquiring corporation; (ii) the transfer of substantially all of our assets to a corporation not controlled by Granite or its shareholders; or (iii) the transfer to affiliated persons of more than 30% of our voting stock, which leads to a change of a majority of the members of the Board of Directors; and

Good reason means (i) a material diminution in the executive s authority, duties or responsibilities, causing the executive s position to be of materially lesser rank or responsibility within Granite or an equivalent business unit of its parent; (ii) a decrease in the executive s base salary rate; (iii) relocation of the executive s work place that increases the regular commute distance between the executive s residence and work place by more than 30 miles (one way); or (iv) any material breach of the Plan by Granite with respect to the executive during a change-in-control period.

A change-in-control will also affect restricted stock earned under the Amended and Restated 1999 Equity Incentive Plan. This plan provides that if the surviving successor or acquiring corporation does not either assume outstanding restricted stock awards or substitute new restricted stock awards having an equivalent value, the Board of Directors will provide that any restricted stock awards otherwise unvested will be immediately vested in full.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement. Based on such review and discussions, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in Granite s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Members of the Compensation Committee:

Gary M. Cusumano, Chair	Claes G. Bjork
William H. Powell	Rebecca A. McDonald

Summary Compensation Table 2009

The following table summarizes the compensation for our Chief Executive Officer, Chief Financial Officer and three other most highly compensated Executive Officers for the fiscal years ended December 31, 2007, December 31, 2008 and December 31, 2009.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Stock Awards[1] ($) (d)	Non-Equity Incentive Plan Compensation[2] ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[3] ($) (f)	All Other Compensation[4] ($) (g)	Total ($) (h)
William G. Dorey	2009	500,000	1,506,898	503,606	-	42,019	2,552,523
President Chief	2008	500,000	1,300,000	630,000	-	54,877	2,484,877
Executive Officer (CEO)	2007	450,000	501,147	1,350,000	-	42,127	2,343,274
LeAnne M. Stewart	2009	360,000	637,545	124,015	-	41,762	1,163,322
Senior Vice President &	2008	330,000	-	198,000	-	70,159	598,159
Chief Financial Officer (CFO)	2007	-	-	-	-	-	-
James H. Roberts[5]	2009	316,667	697,730	330,563	-	126,758	1,471,718
Executive Vice President	2008	300,000	237,512	332,818	-	137,304	1,007,634
& Chief Operating Officer (COO)	2007	260,000	367,412	340,000	-	129,042	1,096,454
Michael F. Donnino	2009	300,000	568,063	414,923	-	77,223	1,360,209
Senior Vice President &	2008	300,000	57,004	270,000	-	96,209	723,213
Group Manager	2007	240,000	-	72,000	-	71,578	383,578
Mark E. Boitano	2009	400,000	1,043,240	279,590	-	60,990	1,783,820
Senior Vice President	2008	400,000	332,529	450,000	-	127,672	1,310,201
	2007	350,000	447,376	490,000	-	120,728	1,408,104

(1) The awards in column (d) reflect the grant date fair value of stock awards granted in the current year based on performance in the prior year. Please refer to the CD&A for a detailed explanation of the current Long Term Incentive

Plan. Stock awards granted to Mr. Dorey are fully vested under Granite s vesting program whereby stock is vested at 100% when the Executive Officer reaches age 62 with 10 years of service. Mr. Dorey elected to defer all the stock component of his incentive plan compensation for performance year 2007 into the Key Management Deferred Compensation Plan II. Therefore, he did not take constructive receipt of the stock component of his incentive compensation in March 2008 for 2007 performance. We have reported the $1,300,000 earned in the Summary Compensation Table to be consistent with the value reported in Granite s 2009 Summary Compensation Table where disclosures were based on Accounting Standard Codification Topic 718.

(2) The amounts in column (e) reflect the cash awards earned for performance in 2009, awarded and paid in March 2010; cash awards for performance in 2008, awarded and paid in March 2009; and, performance in 2007, awarded and paid in March 2008, respectively. Mr. Roberts 2009 Award includes a prior bonus bank balance of $45,160. Please refer to Page 22 of the CD&A for further details.

Table of Contents

(3) The amounts in column (f) reflect the above-market earnings on deferred compensation. Above-market is any interest above the applicable federal long-term rate that corresponds most closely to the rate used by the plan at the time the interest rate or formula is set. The Key Management Deferred Compensation Plan II does not provide for above market interest rates. Executive Officers are not provided a pension plan.

(4) Please refer to the next table for a detailed break-down of all other compensation.

(5) Mr. Roberts salary in column (c) reflects the first eight months at $300,000 and the following four months at $350,000 based on the increase he received when he transitioned to Chief Operating Officer effective September 1, 2009.

Other Compensation 2009

Name and Principal Position (a)	401(k) Match (1) ($) (b)	Dividends (2) ($) (c)	Nonqualified Deferred Company Contributions (3) ($) (d)	Vehicle (4) ($) (e)	Insurance (5) ($) (f)	Other (6) ($) (g)	Total ($) (h)
William G. Dorey President & Chief Executive Officer (CEO)	14,700	42	6,000	5,605	15,672	-	42,019
LeAnne M. Stewart Senior Vice President & Chief Financial Officer (CFO)	4,900	8,202	6,000	12,900	8,620	1,140	41,762
James H. Roberts Senior Vice President & Chief Operating Officer (COO)	14,700	91,768	-	2,567	17,723	-	126,758
Michael F. Donnino Senior Vice President & Group Manager	13,125	32,063	6,000	2,630	14,405	9,000	77,223
Mark E. Boitano Senior Vice President	14,700	23,528	-	7,721	15,041	-	60,990

(1) The amounts in column (b) reflect the company match, not to exceed 6%, on compensation deferred into the Profit Sharing and 401(k) Plans.

(2) The amounts in column (c) reflect ESOP dividends paid to Mr. Dorey, both Restricted Stock and ESOP Dividends paid to Messrs. Roberts and Donnino, and Restricted Stock Dividends paid to Ms. Stewart and Mr. Boitano.

(3) The amounts in column (d) reflect a company matching contribution, not to exceed 6%, on the first $100,000 contributed into the Key Management Deferred Compensation Plan II.

(4) The amounts in column (e) reflect the taxable portion of the vehicle allowances provided to the Executive Officers. Ms. Stewart is provided a cash allowance while Messrs. Dorey, Roberts, Donnino, and Boitano are provided Granite-owned vehicles.

(5) The amounts in column (f) reflect the company expense for medical, dental, vision, life, and long-term disability insurance.

(6) The amounts in column (g) reflect Ms. Stewart s reimbursed relocation costs upon joining Granite and a special allowance for financial planning services for Mr. Donnino.

Table of Contents

Grants of Plan-Based Awards 2009

The following table provides additional information about stock and option awards and equity and non-equity incentive plan awards granted to our Executive Officers during the year ended December 31, 2009.

		Estimated Future Payouts under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts under Equity Incentive Plan Awards[2]			Grant Date Fair Value of Stock Awards[3]
Name (a)	Grant Date (b)	Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold ($) (f)	Target ($) (g)	Maximum ($) (h)	($) (i)
William G. Dorey	3/11/2009	-	$750,000	$1,500,000	-	$2,000,000	-	-
President & Chief	3/13/2009	-	-	-	-	-	-	$1,506,898
Executive Officer	3/19/2008	-	-	$700,000	-	-	$1,300,000	-
CEO)	3/14/2008	-	-	-	-	-	-	-
	3/21/2007	-	-	$450,000	-	-	$900,000	-
	3/15/2007	-	-	-	-	-	-	$501,147
LeAnne M. Stewart	3/11/2009	-	$180,000	$360,000	-	-	-	-
Senior Vice	3/13/2009	-	-	-	-	-	-	$637,545
President & Chief Financial Officer (CFO)	3/19/2008	-	-	$240,000	-	$600,000	$600,000	-
James H. Roberts	3/11/2009	-	$300,000	$600,000	-	$650,000	-	-
Executive Vice	3/13/2009	-	-	-	-	-	-	$697,730
President & Chief	3/19/2008	-	-	$350,000	-	-	$650,000	-
Operating Officer	3/14/2008	-	-	-	-	-	-	$237,512
(COO)	3/21/2007	-	-	$340,000	-	-	$400,000	-
	3/15/2007	-	-	-	-	-	-	$367,412
Michael F. Donnino	3/11/2009	-	$300,000	$600,000	-	$600,000	-	-
Senior Vice	3/13/2009	-	-	-	-	-	-	$568,063
President & Group	3/19/2008	-	-	$300,000	-	-	$600,000	-
Manager	3/14/2008	-	-	-	-	-	-	$57,004
	3/21/2007	-	-	$240,000	-	-	$320,000	-
	3/15/2007	-	-	-	-	-	-	-
Mark E. Boitano	3/11/2009	-	$400,000	$800,000	-	$900,000	-	-
Senior Vice	3/13/2009	-	-	-	-	-	-	$1,043,240
President	3/19/2008	-	-	$500,000	-	-	$900,000	-
	3/14/2008	-	-	-	-	-	-	$332,529
	3/21/2007	-	-	$490,000	-	-	$560,000	-
	3/15/2007	-	-	-	-	-	-	$447,376

(1) In 2009 Granite moved to a new annual incentive program (refer to Page 18 of the CD&A for details). Under the program, Executive Officers can earn 0% - 200% of their target annual incentive compensation for below threshold and maximum stretch performance, respectively. Amounts in columns c through h reflect threshold target and maximum incentive opportunities as applicable. In prior years Granite had one incentive program with specified maximum cash limits. Refer to Granite s proxy filing April 11, 2008 for an explanation of prior programs.

(2) In 2009 Granite moved to a new Long Term Incentive Plan (refer to Page 22 of the CD&A for details). Under the Long Term Incentive Plan Executive Officers earn 0% of their target compensation for EP performance below the threshold. The maximum payout opportunity is uncapped. In prior years Granite had one incentive program with specified maximum cash and total direct compensation limits. Incentives earned in excess of the cash limit and up to the total direct compensation limits were settled in stock. Refer to Granite s proxy filing April 11, 2008 for an explanation of prior programs.

Table of Contents

(3) This column reflects the grant date value of shares granted in a given fiscal year based on the prior year s performance. In 2009 the number of shares granted were based on the value of long-term incentive earned divided by the average 30 day stock price in January 2008 of $34.87. The grant date fair value is determined by multiplying the number of shares granted by the stock price on the date of grant. In 2008 the number of shares granted were based on the value of long-term incentive earned divided by the average 30 day stock price in January 2007 of $51.75. As explained in footnote 1 to the Summary Compensation Table, Mr. Dorey elected to defer all his incentive compensation earned in 2007 and hence did not take receipt of any shares in 2008. In 2007 the number of shares granted were based on the value of long-term incentive earned divided by the stock price on December 29, 2006 of $50.32.

Table of Contents

Outstanding Equity Awards at Fiscal Year End 2009

The following table summarizes equity awards made to the Executive Officers that were outstanding as of December 31, 2009.

	Stock Awards	
Name (a)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or other Rights that Have Not Vested(1) (#) (b)	Market Value of Shares or Units of Stock that Have Not Vested(2) ($) (c)
William G. Dorey President & Chief Executive Officer (CEO)	-	-
LeAnne M. Stewart Senior Vice President & Chief Financial Officer (CFO)	15,773	530,919
James H. Roberts Executive Vice President & Chief Operating Officer (COO)	40,284	1,355,959
Michael F. Donnino Senior Vice President & Group Manager	16,423	552,798
Mark E. Boitano Senior Vice President	43,406	1,461,046

(1) In 2006, Mr. Dorey became fully vested in all stock awards under Granite s vesting program, whereby stock is 100% vested when the holder reaches age 62 with 10 years of service. Mr. Dorey s amounts that vested in 2009 are reflected in the Stock Vested table in columns (b) and (c).

(2) The amounts shown in column (c) reflect the December 31, 2009 stock price of $33.66.

Stock Vested 2009

The following table reflects the number of shares our Executive Officers acquired upon the vesting of stock awards during 2009 and the value realized before payment of applicable withholding tax and broker commissions.

	Stock Awards	
Name (a)	Number of Shares Acquired on Vesting[(1)] (#) (b)	Value Realized upon Vesting[(2)] ($) (c)
William G. Dorey President & Chief Executive Officer (CEO)	37,281	1,506,898
LeAnne M. Stewart Senior Vice President & Chief Financial Officer (CFO)	-	-
James H. Roberts Executive Vice President & Chief Operating Officer (COO)	16,833	583,100
Michael F. Donnino Senior Vice President & Group Manager	3,206	117,179
Mark E. Boitano Senior Vice President	9,538	335,829

(1) In 2006, Mr. Dorey turned age 62 with 10 years service. Under the Granite vesting program all of Mr. Dorey s outstanding stock awards became 100% vested. The table above reflects 37,281 shares granted to Mr. Dorey, 16,833 shares granted to Mr. Roberts, 3,206 granted to Mr. Donnino and 9,538 shares granted to Mr. Boitano on March 13, 2009, for 2008 performance. The plan grant price was $34.87, which was the average daily closing stock price in the first 30 days of January of the 2008 performance year.

With respect to 2009 performance, Mr. Dorey earned 34,655 shares, Ms. Stewart earned 10,397 shares, Mr. Roberts earned 11,263 shares, Mr. Donnino earned 10,397 shares and Mr. Boitano earned 15,595 shares. The shares were granted on March 11, 2010, based on a plan grant price of $39.50. This is the average of the daily closing stock price in the first 30 days of January of the 2009 performance year. Mr. Dorey s stock awards were 100% vested upon receipt of the award.

(2) The amounts in column (c) reflect the fair value on the day of vesting.

Table of Contents

Nonqualified Deferred Compensation 2009

The following table summarizes our Executive Officers compensation under our nonqualified deferred compensation plans for the year ended December 31, 2009 which is also reflected in the Summary Compensation Table above:

Name (a)	Executive Contributions in Last Fiscal Year ($) (b)	Registrant Contributions in Last Fiscal Year ($) (c)	Aggregate Earnings in Last Fiscal Year ($) (d)	Aggregate Balance at Last Fiscal Year End ($) (e)
William G. Dorey President & Chief Executive Officer (CEO)	503,606	6,000	648,437	5,986,787
LeAnne M. Stewart Senior Vice President & Chief Financial Officer (CFO)	124,015	6,000	-	130,015
James H. Roberts Executive Vice President & Chief Operating Officer (COO)	-	-	12,661	292,079
Michael F. Donnino Senior Vice President & Group Manager	121,964	6,000	197,008	1,017,743
Mark E. Boitano Senior Vice President	-	-	42,357	550,366

(1) The Granite Construction Key Management Deferred Compensation Plan II allows key executives to defer incentive compensation and employee stock ownership (ESOP) dividends. Granite provides a matching contribution of 6% on the first $100,000 of employee deferral. Participants are required to make an election each plan year with respect to the amount to be deferred, date, and form of distribution. A distribution election is irrevocable on the first day of each plan year. Amounts in column (b) in the above table are included in the Summary Compensation Table. Mr. Dorey and Ms. Stewart deferred 100% of their non-equity incentive compensation into The Key Management Deferred Compensation Plan II. Mr. Donnino deferred 25% of his non-equity incentive compensation into the Key Management Deferred Compensation Plan II. Mr. Roberts and Mr. Boitano made no deferrals of their non-equity incentive compensation into The Key Management Deferred Compensation Plan II. In addition, Mr. Donnino deferred ESOP dividends into the Key Management Deferred Compensation Plan II. Due to the timing difference of the matching contribution, amounts in column (c) may not equal 6% of the executive contribution in column (b).

(2) The Key Management Deferred Compensation Plan II allows Executive Officers who are 62 years of age and have 10 years of service on the last day of the performance period, to defer receipt of 100% of the restricted stock payable under the Performance Unit Agreement. A quarterly dividend equivalent is credited to Executive Officers who defer performance units into the Key Management Deferred Compensation Plan II. For the performance period ended December 31, 2009, there was no deferral of restricted stock payable under the Performance Unit Agreement. Mr. Dorey s aggregate balance of $5,986,787.01 reflects the cash value of $5,395,907.33 in incentive compensation and prior ESOP deferrals and 17,554.358 performance units valued at $590,879.68, based on a closing stock price of $33.66 on December 31, 2009. Ms. Stewart,

and Messrs. Roberts, Donnino, and Boitano have no performance unit deferrals into the Key Management Deferred Compensation Plan II.

Potential Payments upon Termination or Change in Control

Except in the case of a change in control, Granite is not obligated to pay severance or other enhanced benefits to any of the Executive Officers except Ms. Stewart. Severance benefits are payable to Ms. Stewart upon the termination of her employment other than for cause as described under Severance Arrangement above.

The following table describes an example of the potential payments and benefits under Granite s compensation and benefit plans and arrangements to which the Executive Officers would be entitled upon termination of employment within three years following a change in control of Granite. This example assumes the event occurred on the last business day of fiscal year 2009.

Name (a)	**Cash Severance Payment(1) ($) (b)**	**Insurance Benefits(2) ($) (c)**	**Other Compensation(3) ($) (d)**	**Accelerated Equity Awards(4) ($) (e)**	**Total ($) (f)**
William G. Dorey President & Chief Executive Officer (CEO)	6,652,487	48,617	79,670	-	6,780,774
LeAnne M. Stewart, Senior Vice President & Chief Financial Officer (CFO)	2,509,020	48,617	25,945	530,919	3,114,501
James H. Roberts Executive Vice President & Chief Operating Officer (COO)	2,924,451	48,617	79,670	1,355,959	4,408,697
Michael F. Donnino Senior Vice President & Group Manager	2,395,587	48,617	72,170	552,798	3,069,172
Mark E. Boitano Senior Vice President	4,495,586	48,617	79,670	1,461,046	6,084,919

(1) The amounts in column (b) reflect a lump sum payment equal to the average of the aggregate annual incentive bonuses earned for the three fiscal years preceding the fiscal year of the change in control and a lump sum payment equal to three times the annual base salary rate in effect immediately prior to the termination.

(2) The amounts in column (c) reflect the lump sum equal to the average cost to Granite of the Executive Officer s group insurance benefits, such as life, health and long-term disability, for the three fiscal years ending before the date of termination.

(3) The amounts in column (d) reflect a lump sum payment equal to the average cash equivalent of contributions which would have been made on behalf of the officer for the three fiscal years ending before the date of termination to the ESOP, profit sharing plan, or other retirement plan provided by Granite and in

effect as of the date of termination. This amount does not include additional amounts that may be payable for reasonable professional outplacement services for the Executive Officer.

(4) In the event of a change in control, if the acquiring corporation elects not to assume or substitute outstanding equity awards, all non-exercisable, unvested or unpaid portions of these outstanding equity awards would become immediately exercisable and fully vested. If the Executive Officer s service is terminated within 12 months following a change in control, the exercisability, vesting, and payment of the outstanding awards are accelerated effective immediately as of the date of termination. The amounts in column (e) reflect the outstanding equity awards valued at the December 31, 2009 stock value of $33.66. In 2006, Mr. Dorey s outstanding stock awards were 100% vested under the Granite vesting program. He qualified for accelerated vesting having attained age 62 with 10 years of service.

Director Compensation

David H. Watts served as Chairman of the Board through August 31, 2009 and retired as a Granite employee on October 31, 2009. William H. Powell was elected as a non-employee Chairman of the Board effective September 1, 2009.

Stock Ownership

Beginning November 5, 2009, all existing non-employee directors are required within five years to own and maintain two times (2x) their annual cash compensation in Granite common stock. All non-employee directors who join the Board will be required to own and maintain two times (2x) their annual cash compensation within five years after joining the Board.

Cash and Equity Compensation Policy

Granite s non-employee directors receive annual cash retainers and equity grants per the table below. Key highlights of the director compensation program are as follows:

- Cash retainers are paid in quarterly installments. No additional fees are paid for attendance at meetings whether in person or telephonically;
- The Chairman of the Board s retainer is inclusive of all Committee retainers;
- Directors receive an annual grant of 1,000 Restricted Stock Units (RSUs) which vest fully at the end of the director s term. The Chairman of the Board is eligible to receive an annual grant of RSUs equal to $150,000 in value on the date of grant.

Table of Contents

Annual Board Retainers		
Member	$	70,000,00
Chairman of the Board	$	150,000.00
Annual Committee Retainers		
Audit	$	5,000.00
Audit Chair	$	15,000.00
Nominating and Corporate Governance	$	5,000.00
Nominating and Corporate Governance Chair	$	10,000.00
Compensation	$	5,000.00
Compensation Chair	$	12,000.00
Strategic Planning	$	3,000.00
Strategic Planning Chair	$	8,000.00
Executive	$	5,000.00
Annual Equity Grants		
Member		1,000 RSUs
Chairman of the Board	$	150,000

Director Compensation Table 2009

The following table presents the compensation provided by Granite to our directors for the year ended December 31, 2009.

Name (a)	Fees Earned or Paid in Cash(1) ($) (b)	Unit Award(2) ($) (c)	Option Award ($) (d)	All Other Compensation(3) ($) (e)	Total ($) (f)
Claes G. Bjork	79,000	33,400	-	1,301	113,701
James W. Bradford, Jr.	86,000	33,400	-	898	120,298

Gary M. Cusumano	95,000	33,400	-	1,614	130,014
David H. Kelsey	90,000	33,400	-	1,403	124,803
Rebecca A. McDonald	99,000	33,400	-	3,823	136,223
J. Fernando Niebla	83,000	33,400	-	2,285	118,685
William H. Powell	104,333	131,411	-	3,148	238,892
David H. Watts[4]	26,000	50,100	-	1,663	77,763

(1) The amount in column (b) reflects the annual cash retainer paid to non-employee directors for the year ended December 31, 2009. In 2009 each non-employee director was paid an annual retainer as a member of the Board and additional retainers for participation as a member of a Board committee. The cash retainer was paid quarterly in equal payments; no meeting fees were paid. In 2009 each non-employee director received an equity grant of 1,000 Restricted Stock Units (RSUs). The RSUs qualify for quarterly dividend payments. Mr. Powell received a prorated award of 192 RSUs for serving as the Lead Director from July 1, 2009 through August 31, 2009. In addition, he received a pro-rated award of 3,932 RSUs upon assumption of the Chairman of the Board position effective September 1, 2009.

(2) The amounts in column (c) reflect the grant-date fair market value. The vesting amounts vary based on the director s term. On July 1, 2009, Messrs. Bjork, Bradford, Cusumano, Kelsey and Niebla and Ms. McDonald received a grant of 1,000 shares of restricted stock with a grant date fair market value of $33.40. Mr. Powell, as Lead Director, received a grant of 192 RSUs with a grant date fair market value of $33.40. As Chairman of the Board, effective September 1, 2009, Mr. Powell received an additional grant of 3,932 RSU s with a grant date fair market value of $31.79. As of fiscal year ended December 31, 2009, Mr. Bjork had an outstanding balance of 8,216 options, 1,004 RSUs and 2,000 restricted shares. Mr. Bradford had an outstanding balance of 3,163 options, 729 deferred units and 1,004 RSUs. Mr. Cusumano had an outstanding balance of 1,268 options, 1,613 deferred units, 1,004 RSUs and 1,000 restricted shares. Mr. Kelsey had an outstanding balance of 5,973 options, 1,707 deferred units and 1,004 restricted units. Ms. McDonald had an outstanding balance of 7,512 options, 4,729 deferred units, 1,004 RSUs and 2,150 restricted shares. Mr. Niebla had an outstanding balance of 9,685 options, 2,911 deferred units, 1,004 RSUs and 1,000 restricted shares. Mr. Powell had 1,849 deferred units, 4,141 RSUs and 2,150 restricted shares.

(3) Column (e) includes dividends on restricted stock, the cash value of dividend equivalents from deferred units in prior years, and restricted stock units issued on July 1, 2009.

(4) Mr. Watts, our former Chairman of the Board, was a non-executive employee of Granite for a portion of 2009. During 2009, Mr. Watts received a salary of $225,000 and a grant of 1,500 RSUs with a grant date fair market value of $33.40 on July 1, 2009. As of December 31, 2009, Mr. Watts had 1,506 RSUs and 2,261 restricted shares. Mr. Watts was provided medical, dental, vision, life, long-term disability insurance, and a company vehicle valued at $15,301. He received a 401(k) match of $13,770.

Stock Ownership of Beneficial Owners and Certain Management

The following table provides information concerning the ownership of our common stock by all directors and nominees, our Chief Executive Officer and our other Executive Officers, our former Chief Operating Officer, our directors and managements as a group, and owners of 5% or more of the outstanding common stock on February 28, 2010.

Name	Amount and Nature of Beneficial Ownership[1]	Percent (%) of Common Stock Outstanding[2]
Union Bank of California (ESOP Trust) 530 B Street, S-940 San Francisco, CA 92101 New York, NY 10286	3,927,389	10.72
The Bank of New York Mellon Corporation[3] One Wall Street, 31st Floor New York, NY 10286	2,527,440	6.54
BlackRock, Inc.[4] 40 East 52nd Street New York, NY 10022	2,276,695	5.89
Claes G. Bjork[5]	21,224	*
James W. Bradford, Jr.[6]	7,903	*
Gary M. Cusumano[7]	7,366	*
David H. Kelsey[8]	12,543	*
Rebecca A. McDonald[9]	17,644	*
J. Fernando Niebla[10]	17,364	*
William H. Powell[11]	24,492	*
David H. Watts[12]	63,154	*
William G. Dorey[13]	240,836	*
LeAnne M. Stewart[14]	16,773	*
Mark E. Boitano[15]	67,070	*
Michael F. Donnino[16]	58,442	*
James H. Roberts[17]	173,321	*
All Executive Officers and Directors As a Group (13 Persons) [5-17]	**728,132**	**1.99**

* Less than 1%.

(1) Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.

(2) Calculated on the basis of 38,629,378 shares of common stock issued and outstanding as of February 28, 2010, except that shares of common stock underlying options exercisable within 60 days of February 28, 2010 are deemed outstanding for purposes of calculating the beneficial ownership of common stock of the holders of such options.

(3) Share ownership is as of December 31, 2009. Based upon a Schedule 13G filed by The Bank of New York Mellon Corporation (NY Mellon) with the Securities and Exchange Commission. New York Mellon has sole voting power with respect to 2,252,730, sole dispositive power with respect to 2,475,161 and shared dispositive power with respect to 207 shares.

(4) Share ownership is as of December 31, 2009. Based upon a Schedule 13G filed by BlackRock, Inc. (BlackRock) with the Securities and Exchange Commission. BlackRock has sole voting power with respect to 1,690,747 shares and sole dispositive power with respect to all 2,011,364 shares.

(5) Includes 8,216 shares of common stock which Mr. Bjork has the right to acquire as of February 28, 2010 as a result of options vested and exercisable on the day of grant under the Amended and Restated 1999 Equity Incentive Plan, 3,008 shares of common stock and common stock units granted to Mr. Bjork under the Amended and Restated 1999 Equity Incentive Plan which Mr. Bjork will have the right to acquire in May 2010 as a result of the shares vesting, and 10,000 shares of common stock held in Mr. Bjork s name.

(6) Includes 3,163 shares of common stock which Mr. Bradford has the right to acquire as of February 28, 2010 as a result of options vested and exercisable on the day of grant under the Amended and Restated 1999 Equity Incentive Plan, 1,740 common stock units and dividends granted to Mr. Bradford under the Amended and Restated 1999 Equity Incentive Plan which Mr. Bradford will have the right to acquire in May 2012 as a result of the shares vesting, and 3,000 shares of common stock that Mr. Bradford holds jointly with his wife.

(7) Includes 1,268 shares of common stock which Mr. Cusumano has the right to acquire as of February 28, 2010 as a result of options vested and exercisable on the day of grant under the Amended and Restated 1999 Equity Incentive Plan, 3,627 shares of common stock and common stock units granted to Mr. Cusumano under the Amended and Restated 1999 Equity Incentive Plan which Mr. Cusumano will have the right to acquire in May 2011 as a result of the shares vesting, 1,000 shares of common stock that he holds in his name, and 1,471 shares of common stock that Mr. Cusumano holds in trust for the benefit of his family as to which shares Mr. Cusumano and his wife share voting and investment power.

(8) Includes 5,973 shares of common stock which Mr. Kelsey has the right to acquire as of February 28, 2010 as a result of options vested and exercisable on the day of grant under the Amended and Restated 1999 Equity Incentive Plan, 2,721 common stock units granted to Mr. Kelsey under the Amended and Restated 1999 Equity Incentive Plan which Mr. Kelsey will have the right to acquire in May 20, 2012 as a result of the shares vesting, and 3,848 shares of common stock that Mr. Kelsey holds jointly with his wife.

(9) Includes 7,512 shares of common stock which Ms. McDonald has the right to acquire as of February 28, 2010 as a result of options vested and exercisable on the day of grant under the Amended and Restated 1999 Equity Incentive Plan, 7,906 shares of common stock and common stock units granted to Ms. McDonald under the Amended and Restated 1999 Equity Incentive Plan which Ms. McDonald will have the right to acquire in May 2010 as a result of the shares vesting, and 2,226 shares of common stock held in Ms. McDonald s name.

(10) Includes 9,685 shares of common stock which Mr. Niebla has the right to acquire as of February 28, 2010 as a result of options vested and exercisable on the day of grant under the Amended and Restated 1999 Equity Incentive Plan, 4,930 shares of common stock and common stock units granted to Mr. Niebla under the Amended and Restated 1999 Equity Incentive Plan which Mr. Niebla will have the right to acquire in May 2011 as a result of the shares vesting, and 2,749 shares that Mr. Niebla holds in his name.

(11) Includes 8,164 shares of common stock and common stock units granted to Mr. Powell under the Amended and Restated 1999 Equity Incentive Plan which Mr. Powell will have the right to acquire in May 2010 as a result of the shares vesting, and 16,328 shares of common stock that Mr. Powell holds jointly with his wife.

Table of Contents

(12) Includes 223 shares of common stock owned by the Employee Stock Ownership Plan (ESOP) but allocated to Mr. Watts account as of February 28, 2010, over which Mr. Watts has voting but not dispositive power. Mr. Watts became eligible to withdraw his ESOP shares when he turned 591/2 and had completed 10 years of vesting service. He can elect to make a withdrawal once during each plan year. Also includes 3,773 shares of common stock and common stock units granted under the Amended and Restated 1999 Equity Incentive Plan which will vest and Mr. Watts will have the right to acquire in May 2011, 54,607 shares under the Amended and Restated 1999 Equity Incentive Plan that are deferred performance-based compensation, and 4,551 shares held in trust for the benefit of family members of which Mr. Watts and his wife share voting and dispositive power.

(13) Includes 80 shares of common stock owned by the ESOP but allocated to Mr. Dorey s account as of February 28, 2010, over which Mr. Dorey has voting but not dispositive power, 23,954 shares of common stock held in Mr. Dorey s name, 17,554 shares under the Amended and Restated 1999 Equity Incentive Plan that are deferred performance-based compensation, and 199,248 shares of common stock that Mr. Dorey holds in trust for the benefit of his family as to which shares Mr. Dorey and his wife share voting and investment power. Mr. Dorey became eligible to withdraw his ESOP shares when he turned 591/2 and had completed 10 years of vesting service. He can elect to make a withdrawal once during each plan year.

(14) Includes 15,773 shares of restricted stock over which Ms. Stewart has voting, but not dispositive power as of February 28, 2010, and 1,000 shares of common stock held in Ms. Stewart s name.

(15) Includes 37,549 shares of restricted stock over which Mr. Boitano has voting, but not dispositive power, as of February 28, 2010, 9,584 shares of common stock held in Mr. Boitano s name, and 19,937 shares of common stock that Mr. Boitano holds in a trust for the benefit of his family as to which shares Mr. Boitano and his wife share voting and investment power.

(16) Includes approximately 37,486 shares of common stock owned by the ESOP but allocated to Mr. Donnino s account as of February 28, 2010, 15,701 shares of restricted stock over which Mr. Donnino has voting, but not dispositive power, as of February 28, 2010, and 5,255 shares of common stock held in Mr. Donnino s name. Mr. Donnino becomes eligible to make withdrawals of his ESOP shares when he turns 591/2 and has completed 10 years of vesting service, at which time he can elect to withdraw from his account once during each plan year.

(17) Includes approximately 127,585 shares of common stock owned by the ESOP but allocated to Mr. Roberts account as of February 28, 2010, 5,452 shares of common stock held jointly with his wife, and 40,284 shares of restricted stock over which Mr. Roberts has voting, but not dispositive power, as of February 28, 2010. Mr. Roberts becomes eligible to make withdrawals of his ESOP shares when he turns 591/2 and has completed 10 years of vesting service, at which time he can elect to withdraw from his account once during each plan year.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act requires our Executive Officers, directors and any persons who beneficially own more than 10% of our common stock to report ownership of and transactions in Granite stock with the SEC. For practical purposes, we assist our directors and officers by monitoring transactions and completing and filing the reports on their behalf. Based on our review of these forms and written representations from our Executive Officers and directors, we believe that all filing requirements applicable to them were complied with except that, due to an in-house administrative error, reports relating to Mr. Dorey s and Mr. Watts deferred performance-based stock acquisitions were filed late.

Table of Contents

Equity Compensation Plan Information

The following table contains information as of December 31, 2009 regarding stock authorized for issuance under the Granite Construction Incorporated Amended and Restated 1999 Equity Incentive Plan:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)(1)	Weighted average exercise price of outstanding options, warrants and rights (b)(2)	Number of securities remaining available for future issuance under equity compensation plans (excluding stock reflected in column (a)) (c)
Equity compensation plans approved by shareholders	146,060	$ 30.97	1,550,751
Total	**146,060**	**$ 30.97**	**1,550,751**

(1) Includes the following award types: stock options, restricted stock units and deferred stock units.

(2) Price is based on stock options only.

Transactions with Related Persons

Granite s legal staff is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and Executive Officers with respect to related person transactions. They also determine, based on the facts and circumstances, whether the Company or a related person has a direct or indirect interest in the transaction. In addition, the Board of Directors has adopted a written policy and procedures for review and approval of related party transactions involving Granite. The policy requires the Audit/Compliance Committee s review and approval or ratification of any related party transaction in which Granite is a participant. This includes, among other things, any related party transaction that would be required to be disclosed under the rules and regulations of the Securities and Exchange Commission.

Under the policy, the Audit/Compliance Committee reviews the material facts of all related party transactions that require the Committee s approval and either approves or disapproves of the entry into the related party transaction. If advance Committee approval of a related party transaction is not feasible, the transaction must be entered into subject to the Committee s later approval. Thereafter, the Committee will consider the transaction, and, if the Committee determines it to be appropriate, ratify it at the next regularly scheduled meeting of the Committee. In determining whether to approve or ratify a related party transaction, the Committee takes into account, among other factors it deems appropriate, whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person s interest in the transaction. No director who is deemed a related party under the policy with respect to the transaction under consideration may participate in the approval process. All related party transactions approved by the Committee must be disclosed to the full Board of Directors.

Currently, Granite is not a party to any related party transactions.

Table of Contents

Report of the Audit/Compliance Committee

The Audit/Compliance Committee is appointed by the Board of Directors and reports to the Board at each meeting. Its purpose is to (a) assist the Board in its oversight of (1) Granite s accounting and financial reporting principles and policies, and internal and disclosure controls and procedures, including the internal audit function, (2) Granite s system of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, (3) the integrity of Granite s financial statements, (4) the qualifications and independence of Granite s independent registered public accounting firm, (5) Granite s compliance with legal and regulatory requirements, and (6) Granite s Corporate Compliance Program and Code of Conduct; and (b) serve as the Qualified Legal Compliance Committee of the Board of Directors as required. The Committee is solely responsible for selecting, evaluating, setting the compensation of, and, where deemed appropriate, replacing the independent registered public accounting firm (or nominating an independent registered public accounting firm to be proposed for shareholder approval in any proxy statement).

Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls and the effectiveness of the internal control over financial reporting. In fulfilling its oversight responsibilities, the Committee reviewed and discussed with management the audited financial statements in the Annual Report on Form 10-K, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee also oversees our Ethics and Compliance Program, participates in the annual evaluation of our Corporate Compliance Officer and the Director of Internal Audit, and provides a detailed annual report to the Board on the progress of the program and plans for future activities.

The Director of Internal Audit reports directly to the Chairman of the Committee and has direct access and meets regularly with the Committee to discuss the results of internal audits and the quality of internal controls. The Corporate Compliance Officer also reports directly to the Committee.

The Committee reviewed and discussed with the independent registered public accounting firm, who is responsible for expressing an opinion on the conformity of Granite s audited financial statements with generally accepted accounting principles, its judgments as to the quality, not just the acceptability, of Granite s accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards, including Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380, as adopted by the Public Company Accounting Oversight Board in Rule 3200T). In addition, the Committee has discussed with the independent registered public accounting firm the auditor s independence from Granite and its management, including the matters in the written disclosures and the letter from the independent registered public accounting firm required by the Public Company Accounting Oversight Board Rule 3526.

The Committee discussed with the independent registered public accounting firm the overall scope and plans for their audit. The Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examination, their evaluation of Granite s internal controls, including internal control over financial reporting, and the overall quality of Granite s financial reporting. In addition, the Committee reviewed with management and the independent registered public accounting firm drafts of Granite s quarterly and annual financial statements and press releases prior to the public release of the quarterly earnings. In addition to the quarterly review, the Committee met with the Chief Executive Officer and the Chief Financial Officer to discuss the process adopted by management to enable them to sign the certifications that are required to accompany reports filed with the SEC.

Based on the review and discussions referred to above, the Committee recommended to Granite s Board of Directors that Granite s audited financial statements be included in Granite s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Principal Accounting Fees and Services

Aggregate fees for professional services rendered for us by PricewaterhouseCoopers LLP for the years ended December 31, 2009 and December 31, 2008 were:

	2009	2008
Audit Fees	$1,742,200	$1,849,900
Audit Related Fees	50,625	93,375
Tax Fees	5,000	0
All Other Fees	1,500	4,000
Total	$1,799,325	$1,947,275

Audit Fees were for professional services rendered for the audits of Granite s consolidated financial statements including audits of internal control over financial reporting, audits of subsidiary financial statements, quarterly financial reviews and Granite s responses to the SEC comment letters.

Tax Fees were for services rendered in connection with a joint venture audit. The fees were for services rendered for tax representation before the Internal Revenue Service.

All Other Fees include an amount paid for a software license in 2009 and 2008, and a benchmarking study in 2008.

Audit Committee Pre-Approval Policies and Procedures

The Committee s policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm. During 2009, no services were provided to us by PricewaterhouseCoopers LLP or any other accounting firm other than in accordance with the pre-approval policies and procedures described above.

Based on its review of the non-audit services provided by PricewaterhouseCoopers LLP, the committee believes that PricewaterhouseCoopers LLP s provision of such non-audit services is compatible with maintaining their independence.

Members of the Audit/Compliance Committee:

David H. Kelsey, Chair	J. Fernando Niebla
James W. Bradford, Jr.	Rebecca A. McDonald

Table of Contents

Proposal to Approve the
Granite Construction Incorporated
2009 Employee Stock Purchase Plan

We are seeking the approval of the new Granite Construction Incorporated 2009 Employee Stock Purchase Plan (the Purchase Plan) and the reservation and issuance of up to 2,200,000 shares of Granite s common stock under it. A copy of the Purchase Plan, as approved by the Board of Directors on November 5, 2009, is attached to this proxy statement as Appendix A.

As of February 26, 2010, the closing price of Granite s common stock was $27.63 per share. Approximately 80% of our employees are eligible to participate in the plan, subject to the eligibility requirements detailed below, only if the Purchase Plan is approved by the shareholders at the 2010 annual meeting.

The principle features of the Purchase Plan are summarized below, but the summary is qualified in its entirety by reference to the Purchase Plan itself.

Purpose of the Purchase Plan

The Purchase Plan, which is intended to qualify under the provisions of Section 423 of the Internal Revenue Code of 1986 (the Code), provides for the grant of rights to employees to purchase shares of the Granite s common stock at reduced prices through payroll deductions.

The purpose of the Purchase Plan is to (a) provide a means by which Granite s employees and certain designated related corporations may be given an opportunity to purchase shares of Granite s common stock (b) retain the services of current employees and secure and retain the services of new employees, and (c) provide incentives for the employees to exert maximum efforts for the success of Granite and its related corporations.

Description of the Purchase Plan

Administration. The Purchase Plan is administered by the Board of Directors or by a committee appointed by the Board of Directors consisting of at least two members of the Board of Directors. The Board of Directors has final authority to construe and interpret the Purchase Plan and the purchase rights and to establish, amend and revoke rules and regulations for the administration of the Purchase Plan. All costs and expenses associated with the administration of the Purchase Plan are borne by Granite.

Purchase Periods. The Purchase Plan is implemented by successive bi-annual purchase periods commencing on each May 1st and November 1st during the term of the Purchase Plan; provided, however, that the initial purchase period under the Purchase Plan is expected to begin July 1, 2010 and end on October 31, 2010, subject to Granite s shareholder approval of the Purchase Plan. The Board of Directors may change the frequency and duration of the purchase periods under the Purchase Plan prior to the first day of any purchase period.

Eligibility and Enrollment. Granite employees (including officers) who have been employed by Granite for at least 15 days and who customarily work more than 20 hours a week and more than 5 months per calendar year are eligible to participate in the Purchase Plan as of the first day of the first purchase period after they become eligible to participate in the Purchase Plan. However, no employee is eligible to participate in the Purchase Plan if, immediately after the election to participate, such employee would own Granite stock (including stock such employee may purchase under outstanding stock options or stock equivalents under outstanding restricted stock unit awards) representing 5% or more of the total combined

Table of Contents

voting power or value of all classes of Granite stock or any Granite parent or subsidiary. In addition, no employee is permitted to participate if the rights of the employee to purchase Granite common stock under the Purchase Plan and all similar purchase plans of Granite or its affiliates would accrue at a rate that exceeds $25,000 of the fair market value of such stock (determined at the time the right is granted) for each calendar year.

Eligible employees become participants in the Purchase Plan by executing a participation agreement and filing it with Granite no later ten days before the purchase period for which such participation agreement is intended to be effective. By enrolling in the Purchase Plan, a participant is deemed to have elected to purchase the maximum number of whole shares of common stock that can be purchased with the earnings withheld during each purchase period for which the participant is enrolled. No participant will be eligible to purchase more than 500 shares of common stock in any purchase period.

Payroll Deductions. The payroll deductions made for each participant may be not less than 1% or more than 15% of a participant s earnings. Earnings is defined in the Purchase Plan as the base earnings paid to a participant, including all salary, wages (including amounts elected to be deferred by the participant, that would otherwise have been paid, under any cash or deferred arrangement or other deferred earnings program established by Granite), but excluding overtime pay, commissions, bonuses, profit sharing, other remuneration paid directly to such participant, the cost of employee benefits paid for by Granite, education or tuition reimbursements, imputed income arising under any company group insurance or benefit program, traveling expenses, business and moving expense reimbursements, income received in connection with stock options, contributions made by Granite under any employee benefit plan, and similar items of earnings. Payroll deductions commence with the first paycheck issued during the purchase period for which the participant is enrolled and are deducted from subsequent paychecks throughout the purchase period unless changed or terminated as provided in the Purchase Plan. A participant may decrease the rate of payroll withholding once during each purchase period and may further reduce the rate of payroll withholding to zero once during each purchase period, by filing a new participation agreement, provided that any new participation agreement must be received by us in advance of the final ten days of the purchase period. The participant may increase or decrease the rate of payroll withholding for the next purchase period by filing a new participation agreement on or before the date specified by Granite s stock administrator and if none is stated, then no later than ten days before the purchase period for which the change is to be effective.

Granite maintains a plan account in the name of each participant and credits the amount deducted from earnings to such account. No interest accrues to the money held in the account pending purchase of shares of common stock.

Purchase of Stock; Price. As of the last day of each purchase period, each participant s accumulated payroll deductions are applied to the purchase of shares (including fractional shares) of common stock at a price which is the lower of (i) 85% of the fair market value per share of the common stock on the first trading day of the purchase period or (ii) 85% of the fair market value per share of the common stock on the last trading day of the applicable purchase period. The fair market value of the common stock on a given date is defined as the closing price on the applicable trading day on the New York Stock Exchange as reported in The Wall Street Journal or such other source that Granite deems reliable. In the event that the aggregate number of shares which all participants elect to purchase during a purchase period exceeds the number of shares remaining for issuance under the Purchase Plan, the available shares will be ratably divided and any excess cash will be refunded to the participants.

Withdrawal From the Purchase Plan. Participants may withdraw from participation under the Purchase Plan at any time up to the last ten days of a purchase period. As soon as practicable after withdrawal, payroll deductions cease and all amounts credited to the participant s plan account are refunded in cash, without interest. A participant who has withdrawn from the Purchase Plan shall not be a participant in future purchase periods unless he or she re-enrolls pursuant to the Purchase Plan s guidelines.

Table of Contents

Termination of Employment. Termination of a participant s status as an eligible employee for any reason, including death, is treated as an automatic withdrawal from the Purchase Plan. A participant may designate in writing a beneficiary who is to receive shares and cash in the event of the participant s death subsequent to the purchase of shares, but prior to delivery. A participant may also designate a beneficiary to receive cash in his or her account in the event of such participant s death prior to the last day of the purchase period.

Nontransferability. The rights or interests of any participant in the Purchase Plan or in any shares or cash to which such participant may be entitled, are not transferable, except as permitted by the Code, by will or by the laws of descent and distribution.

Amendment and Termination of the Purchase Plan. The Board of Directors has the right to amend, modify or terminate the Purchase Plan at any time without notice; provided, however, shareholder approval shall be obtained when required by applicable laws, regulations or rules. The Purchase Plan will terminate upon the earlier of (i) the date as is determined by Granite in its sole discretion or (ii) the date on which all shares available under the Purchase Plan have been sold pursuant to purchase rights exercised under the Purchase Plan. In the event the Purchase Plan is not approved by Granite shareholders prior to the first date of exercise of the Purchase Plan, the Purchase Plan will terminate and all purchase rights under the Purchase Plan will be cancelled and become null and void.

Adjustments Upon Changes in Capitalization. In the event of a merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by Granite, the Purchase Plan shall be appropriately adjusted in the type(s), class(es) and maximum number of shares of common stock subject to the Purchase Plan, and the outstanding purchase rights shall be appropriately adjusted in the type(s), class(es), number of shares and purchase limits, as described in the Purchase Plan. In the event of a Corporate Transaction, as defined in the Purchase Plan, then: (i) any surviving or acquiring corporation may continue or assume outstanding purchase rights or may substitute similar rights (including a right to acquire the same consideration paid to shareholders in the Corporate Transaction), or (ii) if any surviving or acquiring corporation does not continue or assume the outstanding purchase rights or does not substitute similar rights, then, the participants accumulated payroll contributions shall be used to purchase shares of Granite common stock within ten days prior to the Corporate Transaction, as described in the Purchase Plan.

Certain Federal Income Tax Information

The following is a general summary as of the date of this proxy of the federal income tax consequences to Granite and employees participating in the Purchase Plan. The federal tax laws may change and the federal, state and local tax consequences for any participating employee will depend upon his or her individual circumstances. Each participating employee is encouraged to seek the advice of a qualified tax advisor regarding the tax consequences for participation in this Purchase Plan.

The Purchase Plan and the right of participants to make purchases under it are intended to qualify under the provisions of Section 423 of the Code. The Purchase Plan is not subject to any provisions of the Employee Retirement Income Security Act of 1974. Under the applicable Code provisions, no income will be taxable to a participant until the sale or other disposition of the shares purchased under the Purchase Plan. Upon such sale or disposition, the participant will generally be subject to tax in an amount that depends upon the holding period. If the shares are sold or disposed of more than two years from the first day of the purchase period and more than one year from the date of purchase, the participant will recognize ordinary income measured as the lesser of (i) the excess of the fair market value of the shares at the time of such sale or disposition over the purchase price or (ii) an amount equal to 15% of the fair market value of the shares as of the first day of the purchase period. Any additional gain will be treated as long-term capital gain. If the shares are held for the periods described above, are sold and the sale price is less than the purchase

50

price, there is no ordinary income and the participating employee has a long-term capital loss for the difference between the sale price and the purchase price. If the shares are sold or otherwise disposed of before the expiration of the holding periods described above, the participant will recognize ordinary income generally measured as the excess of the fair market value of the shares on the date the shares are purchased over the purchase price. Any additional gain or loss on such sale or disposition will be long-term or short-term capital gain or loss, depending on the capital gain holding period. Granite is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant except to the extent of ordinary income recognized upon a sale or disposition of shares prior to the expiration of the holding periods described above.

New Plan Benefits

The number of future stock purchases under the Purchase Plan is not determinable because, under the terms of the Purchase Plan, purchases are based upon elections made by participants. The dollar value of benefits under the Purchase Plan is not determinable because purchase prices for stock purchased under the Purchase Plan are based upon fair market value of Granite s common stock at the time of the election and purchase by the participant.

Vote Required and Board of Directors Recommendation

Approval of this proposal requires a number of votes For the proposal that represents a majority of the shares present or represented by proxy and entitled to vote at the annual meeting, with abstentions and broker non-votes each being counted as present for purposes of determining the presence of a quorum, abstentions having the same effect as a negative vote and broker non-votes having no effect on the outcome of the vote.

The Board of Directors believes that approval of Granite Construction Incorporated 2009 Employee Stock Purchase Plan is in the best interests of Granite and its shareholders for the reasons stated above.

The Board of Directors unanimously recommends a vote FOR this proposal.

Proposal to Approve the Granite Construction Incorporated Annual Incentive Plan

We are seeking approval of the new Granite Construction Incorporated Annual Incentive Plan, or AIP, in accordance with Section 162(m) of the Internal Revenue Code and the corresponding regulations, as it applies to Granite s Chief Executive Officer and each of our four most highly paid Executive Officers (other than the Chief Executive Officer and the Chief Financial Officer) (collectively, the Covered Employees) beginning in 2010. The AIP, if approved by shareholders, will replace the short term cash component of the Corporate Incentive Plan and the Corporate and Division Incentive Plan with respect to the Covered Employees, as previously described in our Compensation Discussion and Analysis. A copy of the AIP, as approved by the Board of Directors on November 5, 2009, is attached to this proxy statement as Appendix B.

Purpose of the Plan

Section 162(m) of the Code has the effect of eliminating a federal income tax deduction for annual compensation in excess of $1 million paid by us (or our subsidiaries) to any Covered Employee each year

Table of Contents

unless that compensation is paid on account of attainment of one or more performance-based goals. One requirement for compensation to be performance-based is that compensation is paid or distributed pursuant to a plan that has been approved by the shareholders. The purpose of the AIP is to set the performance goals and the maximum award payable under the AIP and to preserve for us the federal income tax deductibility of incentive compensation earned by Covered Employees.

Awards that will be paid under the AIP if the plan is approved by the shareholders are currently paid under the Granite Construction Incorporated Amended and Restated 1999 Equity Incentive Plan in the form of performance units paid in cash. The AIP does not materially change the terms of the award program already in place, except that the list of performance targets has been expanded under the AIP. Specifically, the AIP does not increase the maximum cash award that may be paid annually pursuant to the Equity Incentive Plan.

The AIP is consistent with our emphasis on performance-based compensation and our current compensation philosophy. Moreover, the AIP is intended to:

(a) align the interests of the participants and our shareholders and motivate participants toward superior performance;

(b) provide annual cash incentives based on short term results that are key to Granite s successful operation;

(c) attract and retain the services of the employees upon whose judgment, interest and special effort the successful conduct of Granite s operations is largely dependent; and

(d) preserve, to the extent possible, the tax-deductibility of executive compensation.

The principle features of the AIP are summarized below, but the summary is qualified in its entirety by reference to the AIP itself.

Summary of the Plan

The Compensation Committee, which is composed solely of outside directors, will administer and have the authority to interpret the AIP as it applies to Covered Employees and other officer-level participants who are designated as participants in the AIP by the Compensation Committee at the beginning of the applicable plan year. Within the first 90 days of each plan year, the Compensation Committee will establish an individual target award for each participant designated by the Compensation Committee, including the Covered Employees. The target awards are established as a dollar amount, subject to a dollar maximum in the case of Covered Employees, of $2,500,000 per Covered Employee per calendar year. Subject to the foregoing maximum, actual awards may be paid at target, above target or below target depending on Granite s financial performance.

The Compensation Committee reserves discretion under the AIP to adjust downward individual target awards for the Covered Employees based on individual performance during the plan year; awards applicable to Covered Employees may not be adjusted upward. With respect to participants who are not Covered Employees, individual target awards may be adjusted up or down at the discretion of the Compensation Committee based on individual performance during the plan year.

An individual target award applicable to a Covered Employee may be based on any one or more of the following performance criteria. Each performance criteria may be used either alone or in any combination, which may be expressed with respect to Granite or one or more business or operating units, as the Compensation Committee may determine.

52

Table of Contents

- Revenue
- operating income
- gross margin
- operating margin
- earnings per share
- return on capital
- gross profit margin
- net operating profits after taxes
- cash flow and operating cash flow
- operating income and adjusted operating income
- safety incident rate (including total injury incident rate, OSHA recordable injury rate and lost time injury rate)
- economic value added
- pre-tax profit
- net asset value
- economic profit
- return on assets
- return on net assets
- return on invested capital
- total shareholder return
- general and administrative costs
- cost of capital and weighted average cost of capital
- earnings before income tax, depreciation and amortization (EBITDA)
- return on equity
- net income
- gross income
- overhead
- net operating assets
- backlog
- return on stockholder equity
- earnings before income tax (EBIT)

At the end of each plan year and before any bonus award is paid to a Covered Employee, the Compensation Committee will be responsible for certifying performance with respect to the target awards and corresponding performance criteria and making final determinations of annual incentive payments for Covered Employees.

AIP participants must be employed by Granite on the payment date in order to receive a bonus award payment. In the case of retirement, death, or disability, participants will receive a prorated award. Individual awards earned under the AIP will be made in cash. Awards paid under the AIP are eligible for deferral under, and in accordance with the terms and conditions of, the Granite Construction Incorporated Key Management Deferred Compensation Plan II.

At any time, the Board may suspend or terminate the AIP and the Compensation Committee may amend the AIP, subject to shareholder approval to the extent required under Section 162(m).

Vote Required and Board of Directors Recommendation

Approval of this proposal requires a number of votes For the proposal that represents a majority of the shares present or represented by proxy and entitled to vote at the annual meeting, with abstentions and broker non-votes each being counted as present for purposes of determining the presence of a quorum, abstentions having the same effect as a negative vote and broker non-votes having no effect on the outcome of the vote.

The Board of Directors believes that approval of Granite Construction Incorporated Annual Incentive Plan is in the best interests of Granite and its shareholders for the reasons stated above.

Table of Contents

The Board of Directors unanimously recommends a vote FOR this proposal.

Proposal to Approve the Granite Construction Incorporated Long-Term Incentive Plan

We are seeking approval of the new Granite Construction Incorporated Long-Term Incentive Plan, or LTIP, in accordance with Section 162(m) of the Internal Revenue Code and the corresponding regulations, as it applies to Granite s Chief Executive Officer and each of our four most highly paid Executive Officers (other than the Chief Executive Officer and the Chief Financial Officer) (collectively, the Covered Employees) beginning in 2010. The LTIP, if approved by shareholders, will replace the long term stock-based component of the Corporate Incentive Plan and the Corporate and Division Incentive Plan with respect to the Covered Employees, as previously described in our Compensation Discussion and Analysis. A copy of the LTIP, as approved by the Board of Directors on November 5, 2009, is attached to this proxy statement as Appendix C.

Purpose of the Plan

Section 162(m) of the Code has the effect of eliminating a federal income tax deduction for annual compensation in excess of $1 million paid by us (or our subsidiaries) to any Covered Employee each year unless that compensation is paid on account of attainment of one or more performance-based goals. One requirement for compensation to be performance-based is that compensation is paid or distributed pursuant to a plan that has been approved by the shareholders. The purpose of the LTIP is to set the performance goals and the maximum award payable under the LTIP and to preserve for us the federal income tax deductibility of incentive compensation earned by Covered Employees.

Awards that will be paid under the LTIP if the plan is approved by the shareholders are currently paid under the Granite Construction Incorporated Amended and Restated 1999 Equity Incentive Plan in the form of performance units paid in restricted stock. The LTIP does not materially change the terms of the award program already in place, except that the list of performance targets has been expanded under the LTIP. Specifically, the LTIP does not increase the maximum shares (or share equivalents) that may be issued annually pursuant to restricted stock (or restricted stock unit awards) under the Equity Incentive Plan.

The LTIP is consistent with our emphasis on performance-based compensation and our current compensation philosophy. Moreover, the LTIP is intended to:

(a) align the interests of the participants and our shareholders and motivate participants toward superior performance;

(b) provide restricted stock or restricted stock unit awards based on long term results that are key to Granite s successful operation;

(c) attract and retain the services of the employees upon whose judgment, interest and special effort the successful conduct of Granite s operations is largely dependent; and

(d) preserve, to the extent possible, the tax-deductibility of executive compensation.

The principle features of the LTIP are summarized below, but the summary is qualified in its entirety by reference to the LTIP itself.

Table of Contents

Summary of the Plan

The Compensation Committee, which is composed solely of outside directors, will administer and have the authority to interpret the LTIP as it applies to Covered Employees and other officer-level participants who are designated as participants in the LTIP by the Compensation Committee at the beginning of the applicable performance period. Within the first 90 days of each three-year performance period, the Compensation Committee will establish an individual target award for each participant designated by the Compensation Committee, including the Covered Employees. The target awards are established as a dollar amount and restricted stock awards or restricted stock unit awards are calculated by dividing the thirty-day average of Granite s stock price (measured during the first 30 days of the final year of the applicable three-year performance period) into the dollar amount set forth in the target award; provided, however, that no more than 100,000 shares or share equivalents may be awarded to any Covered Employee in any calendar year. Subject to the foregoing maximum, actual awards may be paid at target, above target or below target depending on Granite s financial performance.

The Compensation Committee reserves discretion under the LTIP to adjust downward individual target awards for the Covered Employees based on individual performance during the performance period; awards applicable to Covered Employees may not be adjusted upward. With respect to participants who are not Covered Employees, individual target awards may be adjusted up or down at the discretion of the Compensation Committee based on individual performance during the performance period.

An individual target award applicable to a Covered Employee may be based on any one or more of the following performance criteria. Each performance criteria may be used either alone or in any combination, which may be expressed with respect to Granite or one or more business or operating units, as the Compensation Committee may determine.

Revenue	economic value added	return on equity
operating income	pre-tax profit	net income
gross margin	net asset value	gross income
operating margin	economic profit	overhead
earnings per share	return on assets	net operating assets
return on capital	return on net assets	backlog
gross profit margin	return on invested capital	return on stockholder equity
net operating profits after taxes	total shareholder return	earnings before income tax (EBIT)
cash flow and operating cash flow	general and administrative costs	
operating income and adjusted operating income	cost of capital and weighted average cost of capital	
safety incident rate (including total injury incident rate, OSHA recordable injury rate and lost time injury rate)	earnings before income tax, depreciation and amortization (EBITDA)	

At the end of each three-year performance period and before any award is paid to a Covered Employee, the Compensation Committee will be responsible for certifying performance with respect to the target awards and corresponding performance criteria and making final determinations of long term incentive payments for Covered Employees.

LTIP participants must be employed by Granite on the payment date in order to receive a bonus award payment. In the case of retirement, death, or disability, participants will receive a prorated award. Individual awards earned under the LTIP will be made in shares of restricted stock, or in restricted stock unit awards, issued under the Equity Incentive Plan. Restricted stock unit awards paid under the LTIP are eligible for deferral under, and in accordance with the terms and conditions of, the Granite Construction Incorporated Key Management Deferred Compensation Plan II.

At any time, the Board may suspend or terminate the LTIP and the Compensation Committee may amend the LTIP, subject to shareholder approval to the extent required under Section 162(m).

Vote Required and Board of Directors Recommendation

Approval of this proposal requires a number of votes For the proposal that represents a majority of the shares present or represented by proxy and entitled to vote at the annual meeting, with abstentions and broker non-votes each being counted as present for purposes of determining the presence of a quorum, abstentions having the same effect as a negative vote and broker non-votes having no effect on the outcome of the vote.

The Board of Directors unanimously recommends a vote FOR this proposal.

Ratification of Independent Registered Public Accounting Firm

The Audit/Compliance Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP to serve as Granite s independent registered public accounting firm to perform the audit of our financial statements for the fiscal year ending December 31, 2010. PricewaterhouseCoopers LLP and its predecessor, Coopers & Lybrand, have been our auditors since 1982.

A representative of PricewaterhouseCoopers LLP will be present at the annual meeting. He or she will be given the opportunity to make a statement if he or she desires and will be available to respond to appropriate shareholder questions.

Although ratification is not required by Granite s bylaws or otherwise, the Board is submitting the selection of PricewaterhouseCoopers LLP to our shareholders for ratification as a matter of good corporate practice. The vote of a majority of the shares present or represented by proxy and entitled to vote present at the annual meeting is required for approval of this proposal. If shareholders do not ratify the appointment of PricewaterhouseCoopers LLP as Granite s independent registered public accounting firm, the Audit/Compliance Committee will reconsider the appointment. Even if the selection is ratified, the Audit/Compliance Committee, in its discretion, may select a different independent registered public accounting firm at any time during the year it if determines that such a change would be in the best interest of Granite and our shareholders.

Table of Contents

The Board of Directors unanimously recommends a vote FOR this proposal.

Shareholder Proposals to Be Presented at the 2011 Annual Meeting

Under Granite s bylaws, director nominations and proposals for other business to be presented at the annual shareholder meeting by a shareholder may be made only if that shareholder is entitled to vote at the meeting, gave the required notice, and was a shareholder of record at the time when he or she gave the required notice. In addition, matters other than nominations for election to the Board must conform to statutory requirements under the Delaware General Corporation Law.

The required notice must be in writing, must contain the information specified in our bylaws, and must be received at our principal executive offices not less than 120 days prior to the first anniversary of the date the proxy statement for the preceding year s annual meeting of shareholders was released to shareholders. If no meeting was held in the previous year, the date of the annual meeting is changed by more than 30 calendar days from the previous year, or in the event of a special meeting, to be on time, the notice must be delivered by the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public announcement of the date of the meeting was made.

Separate from the notice, SEC rules entitle a shareholder to require us to include certain shareholder proposals in Granite s proxy materials. However, those rules do not require us to include a nomination for election to the Board (or any other office) or set limits on the content of a shareholder proposal. We are also not required to include eligibility, timeliness, and other requirements (including a requirement that before a shareholder can submit his or her proposal, he or she must have continuously held at least $2,000 in market value or 1% of our common stock for at least one year).

Pursuant to Granite s bylaws and SEC rules, to be considered for inclusion in Granite s proxy statement for presentation at our 2011 annual shareholder meeting, all shareholder proposals must be received by our Secretary at Granite s principal executive offices on or before the close of business on Friday, November 26, 2010.

Other Matters

As of the date of this proxy statement, the only matters that management intends to present or knows that others will present at the meeting have been included in this proxy statement. If any other matters are properly presented at the meeting, or any adjournment, the persons named in the proxy card will vote the represented shares using their best judgment.

Michael Futch
Vice President, General Counsel and Secretary

Dated: March 26, 2010

Table of Contents

PROXY TABULATOR P.O. BOX 9112 FARMINGDALE, NY 11735 GRANITE CONSTRUCTION INCORPORATED Profit Sharing and 401(K) Plan Voting Directive Card for Annual Meeting of Shareholders The undersigned hereby directs Mercer Trust Company, as Trustee of the Granite Construction Profit Sharing and 401(k) Plan, to vote all the shares of stock in GRANITE CONSTRUCTION INCORPORATED (Granite) beneficially held for me by the Plan at Granite s Annual Meeting of Shareholders to be held at the Embassy Suites, 1441 Canyon Del Rey, Seaside, California on May 7, 2010 at 10:30 a.m., local time, and at any adjournment thereof (1) as specified upon the proposals listed on the reverse side of this card and as more particularly described in Granite s Proxy Statement dated March 26, 2010, and (2) to grant to William G. Dorey and LeAnne M. Stewart the discretion to vote said shares upon such other matters as may properly come before the meeting. The shares represented here shall be voted as specified. IF NO SPECIFICATION IS MADE I AUTHORIZE FIDUCIARY COUNSELORS INC., AS INDEPENDENT FIDUCIARY FOR THE PLAN, TO DIRECT THE TRUSTEE HOW TO VOTE THESE SHARES. PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE Date: ___, 2010 Signature(s) (Sign in the Box) *(Please sign your name exactly as it appears on this proxy card)

Table of Contents

IMPORTANT: PLEASE DATE, SIGN AND MAIL PROMPTLY THE ENCLOSED PROFIT SHARING AND 401(K) PLAN VOTING DIRECTIVE CARD IN THE ENCLOSED RETURN ENVELOPE TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE MEETING. If the Trustee has not received your voting directive card by May 4, 2010 Fiduciary Counselors Inc., as independent fiduciary for the Plan, will direct the Trustee how to vote these shares. As a participant in the Granite Construction Profit Sharing and 401(k) Plan (the Plan), you are entitled to vote your shares of the Common Stock held in the Plan. Your voting direction submitted to Mercer Trust Company, Trustee of the Plan, will be confidential. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS 1, 2, 3, 4 & 5. Please fill in box(es) as shown using black or blue ink or number 2 pencil. PLEASE DO NOT USE FINE POINT PENS. 1. ELECTION OF DIRECTORS To elect the following nominees as directors to hold office for a three-year term and until their respective successors are elected and have qualified. FOR AGAINST ABSTAIN a. William G. Dorey b . Rebecca A. McDonald c. William H. Powell d. Claes G. Bjork 2. To act upon a proposal to approve the Granite Construction Incorporated Employee Stock Purchase Plan. 3. To act upon a proposal to approve the Granite Construction Incorporated Annual Incentive Plan 4. To act upon a proposal to approve the Granite Construction Incorporated Long Term Incentive Plan 5. To ratify the appointment by Granite s Audit/Compliance Committee of PricewaterhouseCoopers LLP as Granite s independent registered public accounting firm for the fiscal year ending December 31, 2010. 6. To grant discretionary authority to William G. Dorey and LeAnne M. Stewart to vote upon such other matters as may properly come before the meeting. The persons that have made this solicitation know at this time of no other matters to be presented at the meeting. PLEASE SIGN AND DATE ON THE REVERSE SIDE