

GRANITE CONSTRUCTION INC
Form DEF 14A
April 24, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN

PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

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)

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(1)

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(2)

Filing Party:

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Date Filed:

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GRANITE CONSTRUCTION INCORPORATED

585 West Beach Street

Watsonville, California 95076

Notice of Annual Meeting of Shareholders

April 24, 2015

Date: Thursday, June 4, 2015

Time: 10:30 a.m., Pacific Daylight Time

Place: Monterey Plaza Hotel
400 Cannery Row

Monterey, CA 93940

Purposes of the Meeting:

- To elect two (2) directors for the ensuing three-year term;
- To hold an advisory vote on executive compensation for the Named Executive Officers;
- 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, 2015; 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 other nominee that confirms you are the beneficial owner of those shares. If you hold shares through the Granite Construction Profit Sharing and 401(k) Plan, you will need to bring proof of ownership of the shares.

Record Date:

The record date for the 2015 Annual Meeting of Shareholders is April 10, 2015. 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, 2014 with the proxy materials on Granite's website.

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 Materials:

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 faster and more 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 or about April 24, 2015, we will begin mailing a Notice of Internet Availability of Proxy Materials to all shareholders of record as of April 10, 2015, other than persons who hold shares in the Granite Construction Profit Sharing and 401(k) Plan (such persons, the "401(k) Participants" and such plan, the "401(k) Plan"). We will also post our proxy materials on the website referenced in the notice (<https://www.proxyvote.com>). All 401(k) Participants will receive a package in the mail that includes all proxy materials. The proxy materials will be mailed to all 401(k) Participants on or about April 24, 2015.

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 notice 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, including 401(k) Participants, can vote by Internet, telephone or mail. Shareholders, other than 401(k) Participants, may revoke a proxy and vote in person if attending the meeting.

To get directions to the 2015 Annual Meeting of Shareholders, call our Investor Relations Department at 831.724.1011 or visit our website at www.graniteconstruction.com at the "Investors" site.

By Order of the Board of Directors,

/s/ Richard A. Watts

Richard A. Watts

Senior Vice President, General Counsel and Secretary

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GRANITE CONSTRUCTION INCORPORATED

585 West Beach Street

Watsonville, California 95076

PROXY STATEMENT

As more fully described in the Notice of Internet Availability of Proxy Materials, Granite Construction Incorporated, a Delaware corporation (referred to herein as "we," "us," "our," "Granite" or the "Company"), on behalf of its Board of Directors, has made its proxy materials available to you on the Internet in connection with Granite's 2015 Annual Meeting of Shareholders, which will take place on June 4, 2015 at 10:30 a.m., Pacific Daylight Time, at the Monterey Plaza Hotel, 400 Cannery Row, Monterey, California. The Notice of Internet Availability of Proxy Materials was mailed to all Granite shareholders of record, except 401(k) Participants, on or about April 24, 2015, and our proxy materials were posted on the website referenced in the Notice of Internet Availability of Proxy Materials and made available to shareholders on April 24, 2015. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials. The proxy materials were mailed to all 401(k) Participants on or about April 24, 2015.

Granite, on behalf of its Board of Directors, is soliciting your proxy to vote your shares at the 2015 Annual Meeting of Shareholders or any subsequent adjournment or postponement. We solicit proxies to give all shareholders of record an opportunity to vote on the 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 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, if applicable.

VOTING INFORMATION

Who Pays for This Solicitation?

Granite pays for the cost of this proxy solicitation. We will request brokers, trusts, banks and other nominees 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, 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 April 10, 2015. You are entitled to one vote for each share of Granite common stock that 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, trust, bank or other nominee. As of the close of business on April 10, 2015, there were 39,346,005 shares of common stock issued and outstanding.

How Do I Vote and What Is the Deadline for Voting My Shares?

Shareholders, other than 401(k) Participants, have the option to vote by proxy in the following three ways:

By Internet: You can vote by Internet by following the instructions in the Notice of Internet Availability of Proxy Materials or by accessing the Internet at <https://www.proxyvote.com> and following the instructions at that website at any time prior to 11:59 p.m., Eastern Daylight Time, on June 3, 2015;

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 of Proxy Materials or by calling 1.800.690.6903 (toll free) and following the instructions at any time prior to 11:59 p.m., Eastern Daylight Time, on June 3, 2015; or

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 proxy card. Your proxy card must be received prior to 11:59 p.m., Eastern Daylight Time, on June 3, 2015.

Please refer to the Notice of Internet Availability of Proxy Materials or the information your broker, trust, bank or other nominee provides you for more information on the above options. If you 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).

All **401(k) Participants** have the option to vote by proxy in the following three ways:

By Internet: You can vote by Internet by following the instructions on your proxy card or by accessing the Internet at <https://www.proxyvote.com> and following the instructions at that website at any time prior to 12:00 p.m. (noon), Eastern Daylight Time, on June 2, 2015;

By telephone: In the United States and Canada you can vote by telephone using a touch-tone phone by following the instructions on your proxy card or by calling 1.800.690.6903 (toll free) and following the instructions at any time prior to 12:00 p.m. (noon), Eastern Daylight Time, on June 2, 2015; or

By mail: You can 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 proxy card. Your proxy card must be received prior to 12:00 p.m. (noon), Eastern Daylight Time, on June 2, 2015.

If you vote your shares over the Internet or telephone, you should not return a proxy card by mail (unless you are revoking your previous proxy).

What Is the Voting Requirement To Approve the Proposals?

If there is a quorum, nominees for election to the Board who receive the affirmative vote of a majority of the votes cast 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 nominee must exceed the number of votes cast "against" the nominee's election. Each of the other matters identified in the Notice of Meeting will be approved if it receives the affirmative vote of a majority of the votes cast on such matter. Any other matters properly proposed at the meeting, including a motion to adjourn the annual meeting to another time or place (including for the purpose of soliciting additional proxies), will also be determined by a majority of the votes cast, except as otherwise required by law or by Granite's Certificate of Incorporation, as amended, or bylaws.

If you hold shares through a broker, trust, bank or other nominee (*i.e.*, in "street name"), and you do not provide your broker, trust, bank or other nominee with voting instructions, "broker non-votes" may occur. Generally, a broker non-vote occurs when a broker, trust, bank or other nominee who holds shares for a beneficial owner does not vote on a particular matter (*i.e.*, a non-routine matter) because the broker, trust, bank or other nominee does not have discretionary voting power with respect to that matter and has not received instructions on such matter from the beneficial owner. Among our proposals, a broker, trust, bank or other nominee will have discretionary voting power only with respect to the proposal 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, 2015.

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 the election of directors or any of the other matters identified in the Notice of Meeting, the abstention will not impact the outcome of these matters. In tabulating the voting results for the election of directors and such other matters, only "For" and "Against" votes are counted for purposes of determining whether a majority has been obtained. Abstentions and broker non-votes are not considered to be votes cast and therefore will have no effect on the outcome of the vote on any of these matters.

If you vote by proxy card, telephone or the Internet, your shares will be voted at the annual meeting in the manner you indicated. James H. Roberts and Laurel J. Krzeminski are officers of the Company and were named by our Board of Directors as proxy holders. They will vote all proxies, or record an abstention, in accordance with the directions on the proxy. If no contrary direction is given, the shares will be voted as recommended by the Board of Directors. 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 each of the two (2) director nominees;

For the approval of the compensation of the Named Executive Officers as disclosed in this proxy statement;

For the approval of the Granite Construction Incorporated Annual Incentive Plan;

For the approval of the Granite Construction Incorporated Long Term Incentive Plan; and

For the ratification of 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, 2015.

As to any other matter 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.

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

You can change your vote or revoke your proxy at any time before the annual meeting. Shareholders, other than 401(k) Participants, may change their vote by: (i) voting again by telephone at any time prior to 11:59 p.m., Eastern Daylight Time, on June 3, 2015, if you originally voted by telephone, (ii) voting again by Internet at any time prior to 11:59 p.m., Eastern Daylight Time, on June 3, 2015, if you originally voted by Internet, or (iii) returning a later dated proxy card such that it is received prior to 11:59 p.m., Eastern Daylight Time, on June 3, 2015, if you voted by mail. Shareholders, other than 401(k) Participants, may revoke their proxy by filing with our Secretary a written revocation that is received by us before the polls close at the annual meeting. All 401(k) Participants may change their vote by: (i) voting again by telephone at any time prior to 12:00 p.m. (noon), Eastern Daylight Time, on June 2, 2015, if you originally voted by telephone, (ii) voting again by Internet at any time prior to 12:00 p.m. (noon), Eastern Daylight Time, on June 2, 2015, if you originally voted by Internet, or (iii) returning a later dated proxy card such that it is received prior to 12:00 p.m. (noon), Eastern Daylight Time, on June 2, 2015, if you voted by mail. Except for 401(k) Participants, shareholders may also change their vote or revoke their proxy by attending the annual meeting and voting in person if they are a shareholder of record.

If you hold your shares through a broker, bank, trust or other nominee, please refer to the information forwarded by your broker, bank, trust or other nominee for procedures on revoking your proxy.

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

You may attend the annual meeting and, except for 401(k) Participants, 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. Although Granite's 401(k) Participants may attend the meeting, they cannot vote in person at the meeting.

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 shares voted for or against, abstentions and broker non-votes as being present.

Who Supervises the Voting at the Meeting?

Granite's bylaws and policies specify that prior to the annual meeting management will appoint an independent Inspector of Elections to supervise the voting at the meeting and count the votes for each proposal following the closing of the polls at the annual 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.

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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 Securities and Exchange Commission (the "SEC") within four business days following the annual meeting. If the final results are not available at that time, we will provide preliminary results in the Form 8-K, and we will provide the final results in an amendment to the Form 8-K as soon as they become available.

Proposal 1: Election of Directors

The Board of Directors is divided into three classes. We keep the classes as equal in number as reasonably 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 David H. Kelsey and James W. Bradford, Jr. will expire at the 2015 Annual Meeting. The Board has nominated David H. Kelsey and James W. Bradford, Jr. for new terms. If elected, each of the nominees will serve as a director until the 2018 Annual Meeting and until his successor is elected and qualified or he resigns or until his death, retirement or 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.

BOARD OF DIRECTORS RECOMMENDATION

The Board of Directors unanimously 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 or director nominee has given us about his/her age, all positions he/she holds with Granite, 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, the Board also believes that all of our directors and nominees have a reputation for integrity, honesty and adherence to high ethical standards. The Board also believes that all of our directors have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to Granite and our Board.

Nominees for Director with Terms Expiring at the 2018 Annual Meeting

David H. Kelsey Director since 2003

Mr. Kelsey has served as Chief Financial Officer of Elevance Renewable Sciences, Inc., a privately-owned producer of high performance specialty chemicals and intermediate chemicals from natural oils, since August 2011. Prior to that, Mr. Kelsey served as Chief Financial Officer of Sealed Air Corporation, an S&P 500 manufacturer of specialty packaging for food and other protective applications, from January 2002 to August 2011. We believe that Mr. Kelsey's 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 qualify him to serve on our Board. 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 64.

James W. Bradford, Jr. Director since 2006

Mr. Bradford retired in June 2013 as Dean and Ralph Owen Professor for the Practice of Management at Vanderbilt University, Owen School of Management, in which capacities he served since 2005. Between 2002 and March 2005, Mr. Bradford served as Acting Dean, Associate Dean Corporate Relations, Clinical Professor of Management and Adjunct Professor at Vanderbilt University, Owen School of Management. 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 is currently also a member of the boards of directors of Genesco, Inc., Clarcor, Inc., and Cracker Barrel Old Country Store, Inc. We believe that Mr. Bradford's perspective as an academic, his experience in corporate compliance and governance matters and his knowledge of business strategies and financial matters, combined with his executive-level and legal experiences, qualify him to serve on our Board. Mr. Bradford holds a B.A. degree 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 67.

Continuing Directors with Terms Expiring at the 2016 Annual Meeting

William G. Dorey Director since 2004

Mr. Dorey retired in August 2010 as the Chief Executive Officer and President of Granite, in which capacities he served since 2004 and 2003, respectively. Mr. Dorey joined Granite in 1968 and, prior to being named Chief Executive Officer and President, held a variety of executive-level positions with Granite throughout his career, including Chief Operating Officer, Executive Vice President, Senior Vice President and Branch Division Manager. During this time, Mr. Dorey developed an intimate knowledge of our business, employees, culture, competitors and the effect of our business of various government policies. Mr. Dorey is currently a member of the board of directors of Astec Industries, Inc. We believe that his long history and experience with Granite, and his in-depth knowledge of the construction industry, demonstrate 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 70.

Rebecca A. McDonald Director since 1994

Ms. McDonald retired in 2012 as Chief Executive Officer of Laurus Energy Inc., a position she has held since December 2008. She previously served as President, Gas and Power, BHP Billiton from March 2004 to September 2007. Ms. McDonald is currently a member of the boards of directors of Veresen, Inc., Aggreko and ITT Corporation. 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 62.

William H. Powell Director since 2004

Mr. Powell retired in 2006 as Chairman and Chief Executive Officer of National Starch and Chemical Company, a position he had held since 1999, and has served as our Chairman of the Board since September 2009. Mr. Powell is currently a member of the boards of directors of PolyOne Inc. and FMC Corporation. 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 officer of a major global company qualify him to serve on our Board. Mr. Powell holds a B.A. degree in Chemistry and 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 69.

Claes G. Bjork Director since 2006

Mr. Bjork retired in 2002 as Chief Executive Officer of Skanska AB, Sweden, one of the world's largest construction companies, a position he had held since 1997. Prior to such time, Mr. Bjork held various executive and management positions within Skanska and served as Chairman of Scancem Cement. He is currently a member of the boards of directors of Consolidated Management Group and the Swedish American Chamber of Commerce, and he previously served on the board of Qlik Technologies, Inc. We believe that Mr. Bjork's 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

qualify him to serve on our Board. Mr. Bjork studied Civil Engineering in Sweden. Age 69.

Continuing Directors with Terms Expiring at the 2017 Annual Meeting

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 The Newhall Land and Farming Company 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 (“NYSE”). He is currently also a member of the boards of directors 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 on 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 71.

James H. Roberts Director since 2011

Mr. Roberts joined Granite in 1981 and has served in various capacities, including President and Chief Executive Officer since September 2010. He also served as Executive Vice President and Chief Operating Officer from September 2009 to August 2010, Senior Vice President from May 2004 to September 2009, Granite West Manager from February 2007 to September 2009,

Branch Division Manager from May 2004 to February 2007, Vice President and Assistant Branch Division Manager from 1999 to 2004, and Regional Manager of Nevada and Utah Operations from 1995 to 1999. Mr. Roberts served as Chairman of The National Asphalt Pavement Association in 2006. We believe that Mr. Roberts' knowledge of the construction industry, as well as his intimate knowledge of our business, employees, culture, and competitors, his understanding of the challenges and issues facing the Company and his insider's perspective of the Company's day-to-day operations and the strategic direction of the Company, qualify him to serve on our Board. He received a B.S.C.E. in 1979 and an M.S.C.E. in 1980 from the University of California, Berkeley, and an M.B.A. from the University of Southern California in 1981. He also completed the Stanford Executive Program in 2009. Age 58.

Gaddi H. Vasquez Director since 2012

Mr. Vasquez has served as Senior Vice President of Government Affairs of Edison International and Southern California Edison, one of the nation's largest investor owned utility companies principally serving Southern California, since 2013. Prior to that, Mr. Vasquez served as Senior Vice President of Public Affairs from 2010-2013, Vice President of Public Affairs from 2009-2010 and Division Vice President in Public Affairs at Southern California Edison from 1995-2002. Mr. Vasquez also served as executive Director of the Annenberg Foundation Trust at Sunnylands in 2009, as U.S. Ambassador to the United Nations Agencies based in Rome, Italy from 2006-2009, and as Director of the U.S. Peace Corps from 2002-2006. Mr. Vasquez is currently also a member of the National Advisory Board of the Salvation Army, a member of the board of directors the National Association of Latino Elected and Appointed Officials Educational Fund and a member of the

board of governors of the California State University Foundation. We believe that Mr. Vasquez's executive level experience and his experience in public service qualify him to serve on our Board. Mr. Vasquez holds a B.A. degree in Public Service Management from the University of Redlands. Age 60.

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, the current membership of the committees and the number of meetings held by each committee in 2014. The former Strategic Planning Committee was disbanded effective June 5, 2014 and the Committee's responsibilities have reverted to the Board.

	Audit / Compliance	Compensation	Nominating and Corporate Governance	Executive
Claes G. Bjork ⁽¹⁾		ü	Chair	ü
James W. Bradford, Jr. ⁽¹⁾	ü	ü		ü
Gary M. Cusumano				ü
William G. Dorey ⁽¹⁾			ü	ü
David H. Kelsey ⁽¹⁾	Chair		ü	
Rebecca A. McDonald ⁽¹⁾	ü	Chair		ü
William H. Powell ⁽¹⁾⁽²⁾		ü	ü	Chair
James H. Roberts				ü
Gaddi H. Vasquez ⁽¹⁾		ü	ü	
Number of Meetings in 2014	9	6	5	7

⁽¹⁾ Independent directors.

⁽²⁾ Chairman of the Board.

Audit/Compliance Committee

All members of the Audit/Compliance Committee are non-employee directors who are, and at all times during 2014 were, determined by the Board to be independent under the listing standards of the NYSE. Each member also satisfies the independence requirements for audit committee members of public companies established by the SEC. The Board has determined that Mr. Kelsey meets the criteria as an audit committee financial expert as defined by the SEC rules. The Board of Directors has also determined that all members of the Audit/Compliance Committee are financially literate as required by the listing standards of the NYSE. The Audit/Compliance Committee has direct responsibility for risk oversight related to accounting matters, financial reporting, and 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 of this proxy statement and in

"Report of the Audit/Compliance Committee" on page 40, as well as 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 current members of the Compensation Committee are non-employee directors who are, and at all times during 2014 were, determined by the Board to be independent under the listing standards of the NYSE. The Compensation Committee reviews and approves all aspects of compensation for our directors, our Chief Executive Officer and our other executive officers. In addition, the Compensation Committee is responsible for risks related to employment policies and our compensation and benefit systems, including consideration of whether any risks associated with such policies and systems are likely to have a material adverse effect on Granite. The Compensation 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 Compensation Committee meetings and recommends annual salary levels, incentive compensation and payouts for other executive officers for the Compensation Committee's approval. The Compensation Committee also administers the 2012 Equity Incentive Plan and the Amended and Restated 1999 Equity Incentive Plan, as amended (the "1999 Equity Plan"), with respect to persons subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 "Internal Revenue Code"), the Annual Incentive Plan, the Long Term Incentive Plan, the 2012 Equity Incentive Plan and the 1999 Equity Plan are administered only by the Compensation Committee, which includes at least two "outside 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 current members of the Nominating and Corporate Governance Committee are non-employee directors who are, and at all times during 2014 while serving on the Nominating and Corporate Governance Committee were, determined by the Board to be independent under the listing standards of the NYSE. The Nominating and Corporate Governance Committee recommends and nominates persons to serve on the Board. The Nominating and Corporate Governance Committee also develops and recommends corporate governance principles and practices to the Board and oversees the annual evaluations of the Board and certain senior executive officers of the Company. Additionally, the Nominating and Corporate Governance Committee oversees risks associated with our Corporate Governance Guidelines and Policies and Code of Conduct. The Nominating and Corporate Governance 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.

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 Executive Committee also meets regularly to consider the approval of certain large project bidding decisions, as well as to assess and monitor ongoing risks and contingencies related to large projects. The scope of the Executive 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

During 2014, the Compensation Committee directly retained the services of Mercer (US) Inc. ("Mercer"), 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's fees for executive compensation consulting to the Committee in 2014 were \$ 174,227.

During 2014, Mercer provided the following services to the Compensation Committee related to executive officer compensation:

- Attended meetings of the Compensation Committee as the Committee's advisor.

- Evaluated the competitive positioning of Granite's executive officers' base salaries, annual incentive and long-term incentive compensation relative to our peer companies;

• Advised on 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 Granite's peer companies and relative to the Compensation Committee's articulated compensation philosophy;

• Provided advice on the design of Granite's annual and long-term incentive plans;

• Advised on the performance measures and performance targets for the annual and long-term incentive programs;

- Assisted with the preparation of the "Compensation Discussion and Analysis" for this proxy statement;

• Assessed the potential for material risk within Granite's compensation policies and practices for all employees, including executive officers.

During 2014, management retained the services of Mercer to provide compensation consulting, employee communications consulting, and the management, recordkeeping and trustee services for its 401(k) Plan and Employee Stock Ownership Plan (ESOP). The aggregate fees paid for these other services in 2014 were \$474,888, of which Granite paid \$219,665. The remaining fees were paid by 401(k) Participants or funds that serve the 401(k) Plan.

Based in part on the policies and procedures Mercer and the Compensation Committee have in place, the Compensation Committee believes that the advice it receives from the executive compensation consultant, a Mercer representative, is objective and not influenced by Mercer's or its affiliates' relationships with Granite. These policies and procedures include:

• The executive 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;

• The executive compensation consultant is not responsible for selling other Mercer or affiliate services to Granite;

• Mercer's professional standards prohibit the executive compensation 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 has the sole authority to retain and terminate the executive compensation consultant;

• The executive compensation consultant has direct access to the Compensation Committee without management intervention;

• The Compensation Committee evaluates the quality and objectivity of the services provided by the executive compensation consultant each year and determines whether to continue to retain the consultant; and

• The protocols for the engagement (described below) limit how the executive compensation consultant may interact with management.

In retaining Mercer, the Compensation Committee considered the six factors set forth in Section 10C-1(b)(4)(i) through (v) of the Exchange Act, and concluded that no conflict of interest exists that would prevent Mercer from serving as an independent compensation consultant to the Compensation Committee.

While it is necessary for the executive compensation consultant to interact with management to gather information, the Compensation Committee has adopted protocols governing if and when the executive compensation consultant's advice and recommendations can be shared with management. These protocols are included in the Compensation Committee's engagement letter with Mercer. The Compensation Committee also determines the appropriate forum for receiving the executive compensation consultant's recommendations. Where appropriate, management invitees are present to provide context for the recommendations.

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 SEC and the listing standards of the NYSE, the directors shall elect a Lead Director to serve for a two-year term or until such time, if earlier, at which an independent Chairman is elected. Because William H. Powell, the current Chairman of the Board, is an independent director, we currently do not have a Lead Director. In his capacity as Chairman, Mr. Powell chairs all Board meetings and presides over all executive sessions of the non-employee members of the Board.

Board Leadership Structure and Its Role in Risk Oversight

The Board of Directors has determined that having an independent director serve as the Chairman of the Board is in the best interest of Granite and its shareholders at this time. 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. However, the Board, in accordance with its Corporate Governance Guidelines and Policies, 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 and effective risk management is a top priority of the Board and management. 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 delegated certain risk management oversight responsibilities to relevant Board committees, as follows below.

The Audit/Compliance Committee has the direct responsibility for risk oversight relating to accounting matters, financial reporting and enterprise, legal and compliance risks. Our Chief Financial Officer (who is responsible for managing the risk management function), General Counsel (who serves as our Corporate Compliance Officer), Director of Internal Audit, management and 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 and the Board also meet 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.

The Executive Committee is responsible for overseeing management's efforts 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 overseeing risks related to employment policies and our compensation and benefits systems, and the Nominating and Corporate Governance Committee oversees risks associated with our Corporate Governance Guidelines and Policies and Code of Conduct, including compliance with listing standards for independent directors and committee assignments. The committee chairs report on risk related matters to the full Board from time to time as appropriate.

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, its governance performance and its overall 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 and, 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.

Current Board members whose performance, capabilities, and experience meet Granite's expectations and needs are nominated for re-election in the year of their respective term's completion. In accordance with Granite's Corporate Governance Guidelines and Policies, Board members will not stand for re-nomination and no proposed candidate will be re-nominated if the nominee's 72nd birthday occurs prior to the annual meeting of shareholders in the year of re-nomination or nomination. Moreover Directors will retire no later than the first annual meeting of shareholders immediately following 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 Chairman of the Board and an executive search firm, if the Committee deems engagement of such a firm appropriate. 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, an executive search firm is typically engaged to use 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 Nominating and Corporate Governance 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 multiple candidates of such capability and character that might be nominated and the Board may be expanded accordingly.

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 and shareholders and members of the communities in which it operates. The Nominating and Corporate Governance Committee is responsible for assuring that relevant sources of potential candidates have been appropriately 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. The Committee will consider nominees to the Board recommended by shareholders so long as the shareholder gives timely notice in writing of his or her recommendation. To be timely, a shareholder recommendation for a director to be elected at the 2016 Annual Meeting of Shareholders must be received at Granite's principal office, addressed to the Corporate Secretary, on or before December 23, 2015.

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 at Granite's principal office, addressed to the Corporate Secretary, 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. 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.

To be timely, a shareholder nomination for a director to be elected at the 2016 Annual Meeting of Shareholders must be received at Granite's principal office, addressed to the Corporate Secretary, on or before December 23, 2015. For further information, see "Shareholder Proposals to be Presented at the 2016 Annual Meeting of Shareholders" on page 49.

Director Independence

Under the listing standards of the NYSE, 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 NYSE, 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 2014, the following non-employee directors were determined to be independent under the listing standards of the NYSE: Claes G. Bjork, James W. Bradford, Jr., William G Dorey, David H. Kelsey, Rebecca A. McDonald, William H. Powell and Gaddi H. Vasquez.

Board and Annual Shareholder Meeting Attendance

During 2014, the Board of Directors held six regular meetings. Each of the directors attended at least 75% of the aggregate of the total number of meetings of the Board and the total number of meetings of any committee(s) on which he or she served. Except for irreconcilable conflicts, directors are expected to attend the annual meeting of shareholders. 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" on page 14. All nine directors then in office attended Granite's 2014 Annual Meeting of Shareholders.

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" on page 14.

Corporate Governance Guidelines and Policies

Granite's Board of Directors is subject to the Board of Directors Corporate Governance Guidelines and Policies. The Board of Directors Corporate Governance Guidelines and Policies is available on our website. See "Granite Website" on page 14.

Code of Conduct

Granite's Code of Conduct applies to all Granite employees, including the Chief Executive Officer and the Chief Financial Officer, and to all directors, including the Chairman of the Board. The Code of Conduct is available on Granite's website. We will also post any amendments to the Code of Conduct, or waivers of the application of provisions of the Code of Conduct to any of our directors or executive officers, on our website. See "Granite Website" on page 14.

Granite Website

The following charters and policies are available on Granite's website at www.graniteconstruction.com at the "Investors" site, then under "Corporate Governance": the Audit/Compliance Committee Charter, the Nominating and Corporate Governance Committee Charter, the Compensation Committee Charter, the Board of Directors Corporate Governance Guidelines and Policies, the Board of Directors' Nomination Policy, and the Communication with the Board of Directors Policy. You can also obtain copies of these charters and policies, without charge, by contacting Granite's Investor Relations Department at 831.724.1011. The Code of Conduct is available on Granite's website at www.graniteconstruction.com at the "Our Company" site under "Code of Conduct." You can obtain a copy of the Code of Conduct and any amendments to the Code of Conduct, without charge, by contacting Granite's Human Resources Department at 831.724.1011.

Executive and Director Compensation and Other Matters

Compensation Discussion and Analysis

Objective of the Compensation Program

The market for executive talent is highly competitive and the objective of our executive 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. The Compensation Committee believes that an effective way to enhance Granite's performance is through variable compensation structured to align with the Company's short and long-term performance objectives. Key elements of the program are as follows:

- Market competitive base salaries at the 50th percentile of comparable positions in the market as the goal;

- Actual pay levels reflecting market data, individual experience, tenure and ability to impact business and financial results;

- Short-term and long-term goals aligned with the best interests of shareholders, with cash and stock-based incentives earned upon the attainment of pre-established financial and safety goals;

- A comprehensive benefits program which is available to all salaried employees and includes: medical, dental, vision, life, accidental death and dismemberment insurance, short-term and long-term disability insurance, paid vacation, holiday pay; and

- Eligibility, along with other management employees, to participate in our Non-Qualified Deferred Compensation Program.

Executive Officer Compensation Program

During fiscal year 2014, we conducted our annual "Say on Pay" shareholder advisory vote, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and Securities Exchange Commission ("SEC") rules. This resulted in the approval of our 2013 compensation of the Named Executive Officers by approximately 94%

of the votes cast. The Compensation Committee considers these voting results when planning compensation for subsequent years. In addition to this endorsement by our shareholders of our executive compensation programs and practices, management values the views of our largest institutional shareholders and proxy advisory firms on our compensation practices and disclosures.

The key components of the 2014 program for compensating our Named Executive Officers are as follows:

- Adjustments to align total direct compensation closer with market median levels if deemed necessary by the Compensation Committee;

- An Annual Incentive Plan (“AIP”) with Net Income, Operating Income and Safety as the key performance measures;

- A Long-Term Incentive Plan (“LTIP”) that includes a performance-based component and a service-based component. The LTIP performance measure is Relative Total Shareholder Return (“TSR”); and

- Stock ownership guidelines.

The specific provisions of the compensation opportunity, plan design, and performance objectives are described in greater detail in the remainder of this 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 executive officers. Compensation and potential payouts are determined with assistance and recommendations from the compensation consultant as discussed below. The Compensation Committee determines the compensation of the Chief Executive Officer. The annual salary levels, incentive compensation targets and potential payouts of the other executive officers are reviewed and approved by the Compensation Committee based on recommendations of the Chief Executive Officer and the compensation consultant. See "Information About the Board of Directors and Corporate Governance — Committees of the Board — Compensation Committee" on page 9.

Role of the Compensation Consultant

The Compensation Committee has retained Mercer as its compensation consultant to provide information, analysis, and advice with regard to executive officer compensation. Representatives of the compensation consultant attend Compensation Committee meetings and provide guidance and expertise on competitive pay practices and plan designs that are consistent with the key objectives of the compensation program. See "Information About the Board of Directors and Corporate Governance — Role of the Compensation Consultant" on page 9.

Annual Risk Assessment

The Compensation Committee annually reviews the balance between risk and reward in the design of the Executive Officer and employee incentive compensation programs. The AIP and LTIP utilize a portfolio of performance metrics across the company designed to balance short and long-term financial objectives and generate shareholder value. Performance goals are set as a range for each objective with a maximum payout opportunity assigned to each performance goal. The Compensation Committee carefully reviews incentive plan goals to ensure the appropriate levels of difficulty, and reviews Granite and its peer groups' financial performance to ensure performance goals and payout opportunities are appropriately calibrated. The performance measures, maximum payout opportunities and the calibration of achievability of incentive plan goals are all designed to help ensure that the incentive plans appropriately balance risk and reward, limiting excessive risk-taking and the potential for windfall payouts.

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. Benchmark data is obtained from

a single peer group consisting of fourteen public companies representing the construction, engineering and construction materials industries.

In 2014, the Compensation Committee determined that industry-specific companies are the most appropriate source of benchmark data. The industry peer group was expanded to fourteen companies to ensure robustness of that data source, and the use of a secondary broader industrial data source for benchmarking purposes was discontinued.

The data from the peer group of fourteen public companies is used by the Compensation Committee to establish base salary, target total cash and long-term incentive compensation levels. The Committee also determined that, beginning with the 2014 - 2016 performance period, this expanded industry peer group would be the most appropriate comparative group for measuring relative Total Shareholder Return performance. See “Long Term Incentive Compensation – Performance Awards” on page 23.

Peer Group of Public Companies

The fourteen public companies selected for the peer group are in the construction, engineering and/or construction materials industries and compete for executive talent in the same market as Granite. The table below names each of the companies and its respective annual revenues and total assets for its 2014 fiscal year.

Company Name	Revenues (\$ Millions)	Total Assets (\$ Millions)
URS Corporation ⁽¹⁾	\$ 10,991	\$ 8,718
AECOM Technology Corporation	\$ 8,356	\$ 6,123
Quanta Services, Inc.	\$ 7,851	\$ 6,312
EMCOR Group, Inc.	\$ 6,425	\$ 3,389
MasTec, Inc.	\$ 4,615	\$ 3,558
Tutor Perini Corporation	\$ 4,492	\$ 3,773
Foster Wheeler AG ⁽¹⁾	\$ 3,306	\$ 2,740
Vulcan Materials Company	\$ 2,994	\$ 8,062
Martin Marietta Materials, Inc.	\$ 2,958	\$ 7,464
Primoris Services Corporation	\$ 2,086	\$ 1,111
Dycom Industries, Inc.	\$ 1,812	\$ 1,212
Aegion Corporation	\$ 1,331	\$ 1,296
MYR Group, Inc.	\$ 944	\$ 520
Layne Christensen Company	\$ 859	\$ 647

⁽¹⁾ Company delisted due to acquisition during 2014. (2013 fiscal year data shown)

Granite's fiscal 2014 revenues and total assets at December 31, 2014 were \$2,275,270 and \$1,620,494, respectively.

Compensation Elements

Base Salaries

Effective January 1, 2014, Mr. Richards' base salary increased from \$350,000 to \$375,000. The increase was supported by market data from Granite's 2013 peer group as shown in the table below, and reflects Mr. Richards' increased tenure

and performance in the Senior Vice President and Northwest Group Manager position. No other changes to the base salaries of our Named Executive Officers were made for 2014.

For amounts paid as base salary during 2014, see the Summary Compensation Table appearing on page 29.

Base Salary Positioning Chart

Named Executive Officer	Title During 2014	2014 Base Salary	2013 Peer Group Median	% Variance
James H. Roberts	President & Chief Executive Officer (CEO)	\$750,000	\$979,000	(31%)
Laurel J. Krzeminski	Senior Vice President & Chief Financial Officer (CFO)	\$450,000	\$465,000	(3%)
Michael F. Donnino	Senior Vice President & Large Projects Group Manager	\$475,000	\$518,000	(9%)
James D. Richards	Senior Vice President & Northwest Group Manager	\$375,000	\$518,000	(38%)
Patrick B. Kenny	Senior Vice President & Kenny Group Manager	\$360,000	\$518,000	(44%)
Thomas S. Case ⁽¹⁾	Senior Vice President & Operations Services Group Mgr.	\$400,000	\$518,000	(30%)

⁽¹⁾ Mr. Case ceased to serve as an executive officer of Granite effective November 30, 2014.

Annual Incentive Compensation

The Named Executive Officers participate in the AIP pursuant to which annual incentive compensation is determined by overall company performance and/or applicable group performance. As described in more detail below, each Named Executive Officer's targeted annual incentive opportunity is expressed as a percentage of base salary. Maximum cash payouts cannot exceed the lesser of three times the target opportunity (rounded to the nearest \$1,000) or \$2,500,000.

Annual Incentive Opportunity

Named Executive Officer	2014 Base Salary	Annual Incentive Opportunity ⁽¹⁾		
		% of Base Salary	Target (\$)	Maximum
James H. Roberts	\$750,000	115%	\$862,500	\$2,500,000
Laurel J. Krzeminski	\$450,000	75%	\$337,500	\$1,014,000
Michael F. Donnino	\$475,000	75%	\$356,250	\$1,068,000
James D. Richards	\$375,000	75%	\$281,250	\$843,000
Patrick B. Kenny	\$360,000	60%	\$216,000	\$648,000
Thomas S. Case ⁽²⁾	\$400,000	75%	\$300,000	\$900,000

⁽¹⁾ The “target” annual incentive opportunity is competitive with those offered by peer group companies, and is the basis for establishing the maximum annual incentive.

⁽²⁾ Mr. Case ceased to serve as an executive officer of Granite effective November 30, 2014. As a result, Mr. Case's 2014 Annual Incentive Opportunity was forfeited.

2014 Annual Incentive Plan

Effective January 1, 2014, the Compensation Committee approved changes to the 2014 Annual Incentive Plan. These changes were implemented to support realignment of the organizational structure and reward increases in profitability. The 2014 plan introduced changes to the AIP funding approach so that individual awards are based on a pre-determined percentage (or funding ratio) of Company Net Income and/or Group Operating Income.

Named Executive Officer bonuses incorporate two funding ratio levels. The initial funding ratio applies once Company Net Income and/or Group Operating Income achieve “threshold” performance levels. A higher funding ratio level is applied once financial performance is at or above “expectations” performance levels for Company Net Income and/or Group Operating Income. The “expectations” performance levels of Company Net Income and Group Operating Income are typically greater than budgeted amounts and are intended to encourage plan participants to deliver superior financial performance. No funding of individual bonuses will occur if the performance of the Company and/or Group is below the specified “threshold” level of performance.

2014 Annual Incentive Plan Performance Measure Definitions

Company Net Income (“NI”)

Company Net Income is actual consolidated net income for Granite Construction Incorporated calculated in accordance with GAAP;

Company Pre-Bonus Net Income

Company Pre-Bonus Net Income is defined as Company Net Income before the cost of annual incentive plan cash bonuses which are calculated based on Company performance;

Operating Income (“OI”)

Operating Income is actual operating income for the applicable Group calculated in accordance with GAAP, excluding allocated SG&A;

Operating Profit (“OP”)

Operating Profit is defined as Operating Income after the cost of pre-bonus allocated SG&A and before the cost of annual incentive plan cash bonuses which are calculated based on the performance of the applicable Group;

Safety

Granite uses the OSHA Recordable Incident Rate (“ORIR”), a nationally recognized metric, to benchmark its safety performance against the construction industry. ORIR tracks all injuries serious enough to require OSHA documentation (i.e., those that result in medical treatment, restricted duty or lost time) and represents the number of events per 100 full-time employees. It is calculated by multiplying the number of OSHA recordable injuries (total 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. The ORIR target and payout levels are reviewed and approved annually by the Compensation Committee.

2014 Annual Incentive Plan Company and Group Funding Ratios

Funding ratios are individualized to account for the Named Executive Officer’s respective roles and responsibilities. Mr. Roberts, Ms. Krzeminski, and Mr. Case’s bonus opportunities are based on Company financial performance. Messrs. Donnino, Richards, and Kenny have two funding ratios with a larger ratio tied to their Group’s performance and a smaller ratio tied to overall Company performance. This is intended to relate bonus opportunities for Messrs. Donnino, Richards, and Kenny to both their Group’s performance as well as the overall results of the Company. Bonuses are adjusted based on a safety multiplier from -10% to +10%, with safety at target performance resulting in no adjustment.

Company Bonus Funding Ratios

(Percentage of Company Pre-Bonus Net Income)

Named Executive Officer	Company Net Income At or Above Threshold	Company Net Income At or Above Expectations
James H. Roberts	1.100%	1.650%
Laurel J. Krzeminski	0.440%	0.660%
Michael F. Donnino	0.100%	0.150%

James D. Richards	0.100%	0.150%
Patrick B. Kenny	0.100%	0.150%
Thomas S. Case ⁽¹⁾	0.320%	0.480%

⁽¹⁾ Mr. Case ceased to serve as an executive officer of Granite effective November 30, 2014. As a result, Mr. Case's 2014 Annual Incentive Opportunity was forfeited.

Group Bonus Funding Ratios

(Percentage of Group Operating Profit)

Named Executive Officer	Group Operating Income At or Above Threshold	Group Operating Income At or Above Expectations
Michael F. Donnino	0.600%	0.900%
James D. Richards	0.600%	0.900%
Patrick B. Kenny	0.600%	0.900%

2014 Annual Incentive Plan Performance Objectives

At the beginning of the annual performance period (January 1st – December 31st), the Compensation Committee approved the 2014 AIP financial performance goals. Named Executive Officer annual incentive bonuses are funded once threshold performance levels are achieved. Higher funding levels are applied once performance is at or above expectations. Bonus payouts are calculated as a percentage of Company pre-bonus net income and Group operating profit.

Company Performance

	Net Income Threshold	Net Income Expectations
Granite Construction Incorporated	\$19.1M	\$50.0M

Group Performance

	Group Operating Income Threshold	Group Operating Income Expectations
Large Projects Group	\$36.3M	\$59.0M
Northwest Group	\$29.4M	\$45.0M
Kenny Group	\$10.0M	\$18.0M

Safety Multiplier

2014 Annual Incentive Plan bonus awards are subject to adjustment by a safety multiplier, which is calculated based on year-end safety results. Messrs. Roberts, Case and Ms. Krzeminski's awards are subject to adjustment based on the overall safety results of the Company. Messrs. Donnino, Richards, and Kenny's awards are subject to adjustment based upon both the overall safety results of the Company and of their assigned Groups.

The values of the 2014 AIP awards are subject to adjustment based on safety results as follows:

If Safety ORIR is 2.5 or more, or if an employee fatality occurred, the annual incentive performance award is multiplied by 90% and reduced accordingly.

If Safety ORIR is at the 1.7 target level, no adjustment is made.

If Safety ORIR is 1.5 or less, the annual incentive performance award is multiplied by 110% and increased accordingly.

Linear interpolation is used to determine the magnitude of the adjustment for Safety ORIR falling between 2.5 and 1.5.

2014 Company and Group Safety Goals

	Threshold	Target	Maximum
Safety ORIR	2.5	1.7	1.5
Multiplier	90%	100%	110%

2014 Annual Incentive Plan Company and Group Performance Results and Bonus Payouts

2014 year-end Company and Group safety performance results were as follows:

2014 Safety Performance Results

	Company Safety ORIR Results	Company Safety Multiplier	Group Safety ORIR Results	Group Safety Multiplier
James H. Roberts	1.5	110%	-	-
Laurel J. Krzeminski	1.5	110%	-	-
Michael F. Donnino	1.5	110%	1.6	105%
James D. Richards	1.5	110%	1.3	110%
Patrick B. Kenny	1.5	110%	2.0	96.25%
Thomas S. Case ⁽¹⁾	1.5	110%	-	-

⁽¹⁾ Mr. Case ceased to serve as an executive officer of Granite effective November 30, 2014. As a result, Mr. Case's 2014 Annual Incentive Opportunity was forfeited.

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

2014 AIP Company Bonus Payouts

Named Executive Officer	Company Bonus Payout at Threshold	Company Bonus Payout at Expectations	Company Bonus Payout (before Safety Multiplier)	Company Safety Multiplier	Actual Company Payout
James H. Roberts	\$ 221,100	\$ 892,650	\$ 284,488	110%	\$312,937
Laurel J. Krzeminski	\$ 88,440	\$ 357,060	\$ 113,795	110%	\$125,175
Michael F. Donnino	\$ 20,100	\$ 81,150	\$ 25,863	110%	\$28,449
James D. Richards	\$ 20,100	\$ 81,150	\$ 25,863	110%	\$28,449
Patrick B. Kenny	\$ 20,100	\$ 81,150	\$ 25,863	110%	\$28,449
Thomas S. Case ⁽¹⁾	\$ 64,320	\$ 259,680	-	-	-

⁽¹⁾ Mr. Case ceased to serve as an executive officer of Granite effective November 30, 2014. As a result, Mr. Case's 2014 Annual Incentive Opportunity was forfeited.

2014 AIP Group Bonus Payouts

Named Executive Officer	Group Bonus Payout at Threshold	Group Bonus Payout at Expectations	Group Bonus Payout (before Safety Multiplier)	Group Safety Multiplier	Actual Group Payout
Michael F. Donnino	\$ 86,400	\$ 347,400	\$ 114,364	105%	\$120,082
James D. Richards	\$ 58,800	\$ 236,700	\$ 75,989	110%	\$83,587
Patrick B. Kenny	\$ 30,600	\$ 122,400	\$ 54,888	96.25%	\$52,830

2014 Actual AIP Total Bonus Payouts ⁽¹⁾

Named Executive Officer	Actual Company Bonus Payout	Actual Group Bonus Payout	Total Actual AIP Bonus Payout
James H. Roberts	\$ 312,937	-	\$ 312,937
Laurel J. Krzeminski	\$ 125,175	-	\$ 125,175
Michael F. Donnino	\$ 28,449	\$ 120,082	\$ 148,531
James D. Richards	\$ 28,449	\$ 83,587	\$ 112,036
Patrick B. Kenny	\$ 28,449	\$ 52,830	\$ 81,279
Thomas S. Case ⁽²⁾	-	-	-

⁽¹⁾ Represents the sum of 2014 Company bonus payouts and 2014 Group bonus payouts.

⁽²⁾ Mr. Case ceased to serve as an executive officer of Granite effective November 30, 2014. As a result, Mr. Case's 2014 Annual Incentive Opportunity was forfeited.

Long Term Incentive Compensation

In order to emphasize sustained long term performance, all Named Executive Officers participated in the 2014 LTIP. The Compensation Committee reviewed peer group compensation data for comparable positions and established incentive target opportunities which approximate peer group median compensation levels. The opportunities for the Named Executive Officers under the 2014 LTIP are presented below:

Named Executive Officer	2014 LTIP Incentive Target Opportunity
James H. Roberts	\$ 1,700,000
Laurel J. Krzeminski	\$ 550,000
Michael F. Donnino	\$ 600,000
James D. Richards	\$ 425,000
Patrick B. Kenny	\$ 245,000
Thomas S. Case ⁽¹⁾	\$ 425,000

⁽¹⁾ Mr. Case ceased to serve as an executive officer of Granite effective November 30, 2014. As a result, Mr. Case's 2014 equity awards were forfeited.

Each Named Executive Officer's target award is divided into two components – Performance Awards and Service Awards. The table below reflects the weighting of the two components:

LTIP Components Weighting

	Weighting
Performance Award	66.7%
Service Award	33.3%
Total	100%

Performance Awards

Payouts for the 2012 – 2014, and 2013 – 2015 performance periods are calculated based on Granite’s Total Shareholder Return rank relative to the companies in the Standard & Poor’s Construction Materials and Construction Equipment classification. The higher the overall performance ranking, the greater the payout percentage. These companies are listed below:

- Dycom Industries Inc. · Aegion Corporation · Shaw Group Inc.
- Emcor Group Inc. · Jacobs Engineering Group Inc. · Texas Industries
- Fluor Corp. · Martin Marietta Materials · URS Corp.
- Headwaters Inc. · Quanta Services Inc. · Vulcan Materials Co.

Total Shareholder Return performance for the 2014 - 2016 performance period is based upon Granite’s revised industry peer group of construction, engineering and construction materials companies approved by the Compensation Committee effective January 1, 2014.

Total Shareholder Return - Funding Mechanism

Rank	Payout (% of Target)
1 – 2 of 13	200%
3 of 13	180%
4 of 13	160%
5 of 13	140%
6 of 13	120%
7 of 13	100%
8 of 13	83.3%
9 of 13	66.7%
10 of 13	50%
11 – 13 of 13	0%

Total Shareholder Return Performance Calculation

Total Shareholder Return is calculated by dividing (i) the sum of the closing price on the last trading day of the 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. Prior to 2013, Total Shareholder Return performance was measured in one, two and three year periods ending on December 31st of each year over the

three-year performance period, with one third of the opportunity tied to performance in each of these performance periods. Accordingly, under the 2012 performance awards, the performance periods consisted of the year ending December 31, 2012, the two years ending December 31, 2013 and the three years ending December 31, 2014, with vesting and payment occurring in the following year. In alignment with the Compensation Committee goal that the Total Shareholder Return component of the LTIP be based on performance at the end of the full three-year measurement period, the 2013 and 2014 performance awards are calculated at the end of a three-year performance period. The 2013 performance awards will be calculated for the three-year period ending December 31, 2015 with vesting and payment the following year. The 2014 performance awards will be calculated for the three-year period ending December 31, 2016 with vesting and payment the following year.

Total Shareholder Return Performance Period	Award Opportunity	Payout Timing (if award earned based on performance)
January 1, 2012 – December 31, 2012	1/3 rd of 2012 Performance Award	Q1 2013 (Award Complete)
January 1, 2012 – December 31, 2013	1/3 rd of 2012 Performance Award	Q1 2014 (Award Complete)
January 1, 2012 – December 31, 2014	1/3 rd of 2012 Performance Award	Q1 2015 (Award Complete)
January 1, 2013 – December 31, 2015	100% of 2013 Performance Award	Q1 2016
January 1, 2014 – December 31, 2016	100% of 2014 Performance Award	Q1 2017

Service Awards

The service award was added to the LTIP based on the Compensation Committee's belief that granting of Restricted Stock Unit awards assists in maintaining competitive levels of compensation, encourages the continued retention of key management and aligns the interest of Named Executive Officers with that of the shareholders. Service Awards vest ratably over three years.

2014 Performance Award Payouts**Total Shareholder Return Awards Earned in 2014 and Paid in 2015**

Granite's three-year Total Shareholder Return ranking as of December 31, 2014 for the performance period from January 1, 2012 through December 31, 2014 was 7 out of 13 companies, or 100% of the TSR target opportunity. See "Total Shareholder Return - Funding Mechanism" on page 23. The earned awards for the performance period are presented in the following table.

Performance Period January 1, 2012 – December 31, 2014

Named Executive Officer	Target TSR Incentive	Actual TSR Incentive	Restricted Stock Units Awarded ⁽¹⁾
James H. Roberts	\$ 333,333	\$ 333,333	12,665
Laurel J. Krzeminski	\$ 122,210	\$ 122,210	4,643
Michael F. Donnino	\$ 133,333	\$ 133,333	5,066
James D. Richards ⁽²⁾	-	-	-
Patrick B. Kenny ⁽²⁾	-	-	-
Thomas S. Case ⁽³⁾	\$ 122,210	-	-

⁽¹⁾ Awards are denominated as a cash value until earned based on performance. The number of restricted stock units awarded was calculated by dividing the actual long-term incentive value by \$26.32, which was the average stock price over the first 30 days of January 2012.

⁽²⁾ Messrs. Richards and Kenny were not eligible to participate in the 2012 Total Shareholder Return program.

⁽³⁾ Mr. Case ceased to serve as an executive officer of Granite effective November 30, 2014. As a result, Mr. Case's 2014 equity awards were forfeited.

Service Awards Paid in 2014

Named Executive Officer	Service Award	Restricted Stock Units Awarded ⁽¹⁾
James H. Roberts	\$ 566,649	14,795
Laurel J. Krzeminski	\$ 183,342	4,787
Michael F. Donnino	\$ 200,003	5,222
James D. Richards	\$ 141,672	3,699
Patrick B. Kenny	\$ 81,656	2,132
Thomas S. Case ⁽²⁾	\$ 141,672	3,699

⁽¹⁾ The number of restricted stock units awarded was calculated by dividing the service award by the closing stock price of \$38.30 on March 14, 2014.

⁽²⁾ Mr. Case ceased to serve as a Named Executive Officer of Granite effective November 30, 2014. As a result, Mr. Case's 2014 equity awards were forfeited.

Policy Regarding Recovery of Award if Basis Changes Because of Restatement

If the basis upon which a previous compensation award was made is determined to have been in error due to a restatement of a prior year's financial results, it is Granite's policy to either recover the amount overpaid or to offset the overpayment against future incentive compensation earned. There were no adjustments to calculations that affected incentive compensation calculated or paid in 2014.

Stock Ownership Guidelines

Our Board of Directors has adopted Stock Ownership Guidelines to align the interests of Granite's executive officers with the interests 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 standards. Stock ownership guidelines are determined as a multiple of the executive officer's base salary, and are as follows:

Chief Executive Officer: 3 x annual base salary

Other Named Executive Officers: 2 x annual base salary

Minimum stock ownership levels are to be achieved within five years following the later of the May 13, 2009 adoption of the Stock Ownership Guidelines and the date an individual becomes 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 Granite Construction Incorporated Profit Sharing and 401(k) Plan ("401(k) Plan"); 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.

Stock Ownership

Named Executive Officer	Base Salary	Stock Ownership as Multiple of Base	Required Value of Stock Ownership	Date to be Achieved ⁽¹⁾	# Vested Shares Owned ⁽²⁾	Value of Shares Owned ⁽³⁾	Percentage of Attainment
James H. Roberts	\$750,000	3 x	\$2,250,000	May 2014	155,423	\$5,526,065	246%
Laurel J. Krzeminski	\$450,000	2 x	\$900,000	Nov. 2015	29,602	\$1,052,499	117%
Michael F. Donnino	\$475,000	2 x	\$950,000	May 2014	56,947	\$2,024,751	213%
James D. Richards	\$375,000	2 x	\$750,000	Jan. 2018	9,314	\$331,159	44%
Patrick B. Kenny	\$360,000	2 x	\$720,000	Jan. 2018	3,132	\$111,358	15%

⁽¹⁾ To be achieved within five years after becoming a Named Executive Officer.

⁽²⁾ As of January 1, 2015.

⁽³⁾ Based on the 2014 annual average stock price of \$35.56.

The Company's Insider Trading Policy, which applies to employees, officers and directors of the Company and their family members and affiliates, provides that such individuals are prohibited from engaging in hedging transactions involving the Company's securities.

Non-Qualified Deferred Compensation (NQDC)

Granite offers its executive officers and other key executives participation in the Granite Construction Key Management Deferred Compensation Plan II (the "NQDC"), which:

- Allows executive officers to defer up to 50% of their base compensation and up to 100% of their incentive compensation (cash and equity);

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

- Includes a Rabbi Trust, which provides participants a measure of added security that benefit obligations will be satisfied;

- 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.

Flexible Bonus Policy

The Compensation Committee has the authority to award discretionary bonuses to employees of the Company. In 2013, our Compensation Committee determined that it would be beneficial to define and limit its authority to award discretionary bonuses and adopted the Flexible Bonus Policy pursuant to which employees of the Company, including our Named Executive Officers, are eligible to receive a discretionary bonus, which may be based on Company performance, individual performance or such other factors as our Compensation Committee may consider appropriate. In determining Company performance, our Compensation Committee may consider the achievement of corporate financial, strategic and operational objectives including, but not limited to, revenue, income, and backlog. In determining individual performance, our Compensation Committee may consider the achievement of personal objectives including, but not limited to, business targets, budgetary targets, succession planning, and safety targets. The aggregate amount of any bonus or bonuses payable under the Flexible Bonus Policy to any one participant in any calendar year may not exceed \$250,000. Our Compensation Committee believes that the flexible design of the

Flexible Bonus Policy is necessary in order to consider the effects of unanticipated events and circumstances on the Company's business or on a participant's performance.

Other Compensation

The Named Executive Officers are eligible to participate in the 401(k) Plan. Granite provides matching contributions up to 3% of IRS qualified compensation. Mr. Roberts, Ms. Krzeminski and Mr. Donnino are required to maintain a \$5,000,000 personal umbrella liability insurance policy to provide coverage while conducting company business. They are reimbursed for the costs incurred to purchase and maintain the required personal umbrella liability insurance policy. Mr. Roberts, Ms. Krzeminski and Mr. Donnino receive a \$1,417 per month vehicle allowance which includes reimbursement for the personal umbrella liability insurance. Messrs. Richards and Kenny receive a \$1,000 per month vehicle allowance.

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

In connection with its determination of the various elements of compensation for our executive officers, 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 "nonperformance-based" compensation paid to our principal executive officer and our next four highest paid individuals, other than our principal financial officer, to \$1 million annually. Some of the elements of our executive compensation package, including certain payments under our AIP, are intended to qualify as "performance-based" compensation, which is exempt from the limitation on deductibility under Section 162(m). 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.

Change-in-Control Arrangements

All of our Named Executive Officers, along with 7 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 continue their employment with Granite during the pendency of a potential change-in-control transaction; and

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

The Executive Retention and Severance Plan originally provided that if a participant's employment with Granite is terminated by Granite within three years after a "change-in-control" of Granite other than for cause, or if the participant resigns from such employment within three years after a "change-in-control" of Granite for "good reason," the participant would be entitled to the following benefits:

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

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

- A lump sum payment equal to three times the average of the aggregate annual employer contribution, less applicable withholding, made on behalf of the participant for the three fiscal years preceding the fiscal year of the change-in-control to the 401(k) 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 participant until the earlier of two years following the date of termination or the date on which the participant obtains employment.

Payments made to the terminated participant do not include tax gross-up payments, and are capped. The amount of the payment will not exceed, and will be reduced if required in order not to exceed, the "safe harbor" amount allowable under Section 4999 of the Internal Revenue Code, but only if the reduction would increase the net after-tax amount received by the participant.

In August, 2010, the Compensation Committee approved changes to the Executive Retention and Severance Plan that are believed to be in alignment with emerging best practices. The benefits provided to then-current participants under the Executive Retention and Severance Plan were not changed. Benefits to subsequent new participants will be dependent upon their level of responsibility within the organization and will include the following severance multiples:

Position	Severance Multiple
Chief Executive Officer	2.99 x
Chief Financial Officer	2 x
Other Senior Vice Presidents and Officers	1 x

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 participant's authority, duties or responsibilities, causing the participant'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 participant's base salary rate; (iii) relocation of the participant's work place that increases the regular commute distance between the participant'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 participant during a change-in-control period.

The 2012 Equity Incentive Plan authorizes the Compensation Committee to set the terms of any equity award to provide that there will be no acceleration of the exercisability, vesting or payment of such award upon the occurrence of a change-in-control unless the change-in-control is accompanied by the award recipient's involuntary termination without cause or the award recipient's resignation for good reason. However, under the Executive Retention and Severance Plan, restricted stock and restricted stock unit awards vest in full upon the consummation of a change-in-control, provided the award recipient remains an employee prior to the change-in-control. In addition, the Executive Retention and Severance Plan provides that if the surviving, successor or acquiring corporation does not either assume, continue or substitute outstanding option awards and the award recipient remains an employee prior to the change-in-control, then the vesting and exercisability of such option awards will be accelerated in full upon the consummation of the change-in-control.

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 incorporated by reference into Granite's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Members of the Compensation Committee:

Rebecca A. McDonald, Chair William H. Powell
James W. Bradford, Jr. Gaddi H. Vasquez
Claes G. Bjork

This Report of the Compensation Committee does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filing made by us under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate this Report of the Compensation Committee by reference therein.

Summary Compensation Table**2014**

The following table summarizes, for the years specified, the compensation for our Chief Executive Officer, our Chief Financial Officer and other Named Executive Officers for the fiscal year ended December 31, 2014.

Named Executive Officer and Position (a)	Year (b)	Salary (c)	Bonus ⁽¹⁾ (d)	Stock Awards ⁽²⁾ (e)	Non-Equity Incentive Plan Compensation ⁽³⁾ (f)	All Other Compensation ⁽⁴⁾ (g)	Total (h)
James H. Roberts President & CEO (Principal Executive Officer)	2014	\$750,000	-	\$1,133,374	\$312,937	\$126,166	\$2,322,477
	2013	\$750,000	\$64,801	\$1,398,289	\$45,177	\$124,778	\$2,383,045
	2012	\$660,000		\$722,364	\$552,195	\$127,444	\$2,062,003
Laurel J. Krzeminski Senior Vice President & CFO (Principal Financial Officer)	2014	\$450,000	-	\$385,719	\$125,175	\$45,436	\$1,006,330
	2013	\$450,000	\$9,629	\$478,985	\$14,142	\$43,957	\$996,713
	2012	\$425,000		\$257,462	\$176,864	\$46,173	\$905,499
Michael F. Donnino Senior Vice President & Large Projects Group Mgr.	2014	\$475,000	-	\$426,701	\$148,531	\$54,629	\$1,104,861
	2013	\$475,000	\$33,986	\$532,636	\$85,763	\$65,726	\$1,193,111
	2012	\$400,000		\$288,928	\$223,075	\$66,299	\$978,302
James D. Richards Senior Vice President & Northwest Group Manager	2014	\$375,000	-	\$141,672	\$112,036	\$93,736	\$722,444
	2013	\$350,000	\$6,103	\$191,477	\$6,875	\$150,392	\$704,847
Patrick B. Kenny Senior Vice President & Kenny Group Manager	2014	\$360,000	-	\$81,656	\$81,279	\$37,211	\$560,146
Thomas S. Case⁽⁵⁾ Senior Vice President & Operating Services Mgr.	2014	\$369,231	-	\$349,450	-	\$478,308	\$1,196,989
	2013	\$400,000	\$31,862	\$488,255	\$12,571	\$202,745	\$1,135,433
	2012	\$375,000		\$264,880	\$152,883	\$55,409	\$848,172

The amounts in column (d) reflect, for 2013, discretionary cash bonuses approved by the Compensation Committee (1) in recognition of both the Tappan Zee Bridge and I-35 projects receiving final funding and approval by their owners.

The awards in column (e) reflect the grant date fair value of stock awards granted for service in the stated year based on the Service Award feature of the LTIP and the grant date fair value of stock awards granted in the stated year based on performance for the performance period including the prior year pursuant to the performance based component of the LTIP. The grant date fair value is determined in accordance with Financial Accounting Standards (2) Code Topic 718, without regard to potential forfeitures. For additional information about the assumptions used in these calculations, see Note 14 to the audited consolidated financial statements of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. Please refer to the "Compensation Discussion and Analysis — Compensation Elements — Long Term Incentive Compensation" beginning on page 22 for a detailed explanation of the 2012 LTIP.

The amounts in column (f) reflect: (i) for 2014, the cash awards earned for performance in 2014 and paid in March 2015; (ii) for 2013, the cash awards earned for performance in 2013 and paid in March 2014; and (iii) for 2012, (3) cash awards earned for performance in 2012 and paid in March 2013. For a detailed explanation of cash awards for performance in 2014, see "Compensation Discussion and Analysis — Compensation Elements — Annual Incentive Compensation" beginning on page 18.

(4) Please refer to the Other Compensation Table below for details with respect to all other compensation.

Mr. Case ceased to serve as an executive officer of Granite effective November 30, 2014. Accordingly, Mr. Case's (5) salary was prorated to reflect his actual period of service during 2014. Pursuant to the terms of his resignation agreement, Mr. Case received a severance payment by the Company of \$400,000, \$25,423 for unused accrued vacation, and \$1,925 for COBRA Insurance.

Other Compensation Table**2014**

Named Executive Officer (a)	401(k) Match⁽¹⁾ (b)	Dividends⁽²⁾ (c)	Vehicle Allowances⁽³⁾ (d)	Insurance⁽⁴⁾ (e)	Other⁽⁵⁾ (f)	Total (g)
James H. Roberts	\$ 7,800	\$ 83,610	\$ 17,004	\$ 17,177	\$575	\$126,166
Laurel J. Krzeminski	\$ 7,800	\$ 5,720	\$ 17,004	\$ 14,784	\$128	\$45,436
Michael F. Donnino	\$ 7,800	\$ 15,930	\$ 17,004	\$ 12,816	\$1,079	\$54,629
James D. Richards	\$ 6,733	\$ 7,756	\$ 12,000	\$ 16,743	\$50,304	\$93,736
Patrick B. Kenny	&nbs					