New Residential Investment Corp.
Form 8-K
August 17, 2018

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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 17, 2018

New Residential Investment Corp.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-35777 (Commission File Number)	45-3449660 (IRS Employer Identification No.)
1345 Avenue of the Americas, 45th Floor New York, New York (Address of principal executive offices)	10105 (Zip Code)

Registrant’s telephone number, including area code (212) 479-3150

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

Overview

On August 17, 2018, New Penn Financial, LLC d/b/a Shellpoint Mortgage Servicing ("Shellpoint"), a subsidiary of New Residential Investment Corp. ("New Residential"), entered into a subservicing agreement (the "Shellpoint Subservicing Agreement") with Ocwen Loan Servicing, LLC ("OLS"), a subsidiary of Ocwen Financial Corporation ("Ocwen"). The Shellpoint Subservicing Agreement, described further below, has similar terms to the Subservicing Agreement, dated as of July 23, 2017, between New Residential Mortgage LLC ("NRM"), a subsidiary of New Residential, and OLS (the "NRM Subservicing Agreement") and is intended to, among other things, further accelerate the implementation of certain parts of the arrangements entered into between New Residential and Ocwen under the Existing Agreements referenced below.

As previously disclosed, HLSS Holdings, LLC (a subsidiary of NRZ) and HLSS MSR – EBO Acquisition LLC (a subsidiary of NRZ), as assignee of Home Loan Servicing Solutions, Ltd., entered into a series of agreements with OLS to purchase and acquire from OLS certain "Rights to MSRs" and other assets related to mortgage servicing rights for loans with a then-aggregate unpaid principal balance of approximately $110 billion (the "Subject MSRs") as set forth in (i) the Master Servicing Rights Purchase Agreement, dated as of October 1, 2012, as amended by Amendment No. 1 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of December 26, 2012, Amendment No. 2 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of April 6, 2015 (as so amended, the "MSR Purchase Agreement") and (ii) certain sale supplements to the MSR Purchase Agreement, as amended by Amendment No. 1 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of December 26, 2012, Amendment to Sale Supplements dated as of July 1, 2013, Amendment to Sale Supplement, dated as of September 30, 2013, Amendment to Sale Supplements, dated as of February 4, 2014, Amendment No. 2 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of April 6, 2015, February Amendment, dated as of February 17, 2017 (as so amended, the "Sale Supplements" and, together with the MSR Purchase Agreement, the "Sale Agreements").

Also as previously disclosed, (a) on July 23, 2017, NRM entered into (i) the Master Agreement, among NRM, OLS and certain other parties, (ii) the Transfer Agreement, between NRM, OLS, and for a limited purpose New Residential and Ocwen, and (iii) the NRM Subservicing Agreement, and (b) on January 18, 2018, NRM entered into (i) the New RMSR Agreement, among NRM, OLS and certain other parties (the "New RMSR Agreement") including a servicing addendum thereto (the "Servicing Addendum"), and (ii) Amendment No. 1 to the Transfer Agreement (collectively, the "Existing Agreements"). Under the Existing Agreements, NRM and OLS agreed to undertake certain actions to facilitate the transfers of OLS's remaining interests in the Subject MSRs as contemplated under the terms of the Sale Agreements. Following such transfers, NRM (or its permitted assignee) would engage OLS to subservice the mortgage loans related to the Subject MSRs.

Pursuant to the Master Agreement and the New RMSR Agreement, as applicable, OLS has continued and will continue to service the mortgage loans related to the Subject MSRs until the necessary third party consents are obtained in order to transfer OLS's remaining interests in the Subject MSRs to NRM in accordance with the Transfer Agreement, New RMSR Agreement or the Servicing Addendum, as applicable. NRM has assigned certain of its rights and obligations under the Existing Agreements to Shellpoint (including certain of NRM's rights to be a purchaser and a transferee under the New RMSR Agreement and the Transfer Agreement of any Subject MSRs selected from time to time by NRM to be in Shellpoint's name instead of NRM's name). In order to further expedite obtaining the third party consents necessary to transfer the Subject MSRs in accordance with the New RMSR Agreement and the Transfer Agreement, OLS and Shellpoint entered into the Shellpoint Servicing Agreement. The terms of the Shellpoint Servicing Agreement are further described below.

Shellpoint Subservicing Agreement

On August 17, 2018, Shellpoint and OLS entered into the Shellpoint Subservicing Agreement pursuant to which OLS will subservice the mortgage loans related to the MSRs that are transferred to Shellpoint pursuant to the New RMSR Agreement and the Transfer Agreement. In consideration for subservicing such mortgage loans, Shellpoint will pay a subservicing fee as set forth in the Shellpoint Subservicing Agreement. The initial term of the Shellpoint Subservicing Agreement will expire on July 25, 2022. At any time during the initial term, Shellpoint may terminate the agreement for convenience, subject to OLS's right to receive a termination fee and proper notice. Following the initial term, the Shellpoint Subservicing Agreement may be cancelled by Shellpoint on a quarterly basis and by OLS on an annual basis. In addition, Shellpoint and OLS shall have the ability to terminate the agreement for cause if certain conditions specified in the NRM Subservicing Agreement occur. Furthermore, if NRM terminates in whole the NRM Subservicing Agreement or the New RMSR Agreement for cause or, to the extent certain specified conditions are met, for convenience, the Shellpoint Subservicing Agreement will automatically terminate without further action on the part of Shellpoint.

Amendments to NRM Subservicing Agreement and New RMSR Agreement.

In addition, on August 17, 2018, NRM and Ocwen also entered into Amendment No. 1 to the NRM Subservicing Agreement and Amendment No. 1 to the New RMSR Agreement (collectively, the "Amendments"). Pursuant to each of the Amendments, the NRM Subservicing Agreement and New RMSR Agreement were amended to conform to certain of the terms of the Shellpoint Subservicing Agreement, including that (i) with respect to the NRM Subservicing Agreement, if either the Shellpoint Subservicing Agreement or the New RMSR Agreement is terminated in whole (a) for cause or, (b) to the extent certain specified conditions are met, for convenience, then, in each case, the NRM Subservicing Agreement would automatically terminate without further action on the part of NRM and (ii) with respect to the New RMSR Agreement, if either the Shellpoint Subservicing Agreement or the NRM Subservicing Agreement is terminated in whole for cause, the New RMSR Agreement would automatically terminate without further action on the part of HLSS Holdings, LLC.

The foregoing description of the Amendments and the NRM Subservicing Agreement and New RMSR Agreement do not purport to be complete and are qualified in their entirety by reference to (i) the full text of the NRM Subservicing Agreement, which was filed as Exhibit 10.44 to New Residential's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (the "SEC") on November 1, 2017 and (ii) the full text of the New RMSR Agreement, which was filed as Exhibit 10.51 to New Residential's Quarterly Report on Form 10-Q filed with the SEC on May 1, 2018. The NRM Subservicing Agreement and the New RMSR Agreement have been incorporated by reference as exhibits to this report to provide investors with information regarding their respective terms.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NEW RESIDENTIAL INVESTMENT CORP.
(Registrant)

/s/ Nicola Santoro, Jr.
Nicola Santoro, Jr.
Chief Financial Officer

Date: August 17, 2018

2px; VERTICAL-ALIGN: bottom; BORDER-TOP: medium none; BORDER-RIGHT: medium none"
valign="bottom">
% of Base Salary

($)

Officer

Salary

Threshold

Target

Maximum

Threshold

Target

Maximum

James H. Roberts

$
750,000

57.5
%

115
%

230

%

$
431,250

$
862,500

$
1,725,000

Laurel J. Krzeminski

$
450,000

30.0
%

60
%

120
%

$
135,000

$
270,000

$
540,000

Michael F. Donnino

$
475,000

37.5
%

75
%

150
%

$
178,125

$
356,250

$
712,500

Thomas S. Case

$
400,000

37.5
%

75
%

150
%

$
150,000

$
300,000

$
600,000

James D. Richards

$
350,000

37.5
%

75
%

150
%

$
131,250

$
262,500

$
525,000

John A. Franich[1]

$
425,000

37.5
%

75
%

150
%

$
159,375

$
318,750

$
637,500

[1] Mr. Franich ceased to serve as a Named Executive Officer of Granite effective July 31, 2013.

The following table illustrates the relative weightings of 2013 AIP performance measures. Payout calculations exclude the impact of any extraordinary business activity during the incentive cycle (e.g., acquisition or restructuring).

Annual Incentive Plan Metrics and Weightings	RONA (% of WACC)	OCF Margin	Strategic Metrics	Corporate Safety
	20%	30%	40%	10%

Return on Net Assets

RONA is calculated by dividing the adjusted net income Granite earned in the year ended December 31, 2013, by its weighted average net assets, adjusted for the purpose of calculating incentive compensation (total weighted average assets less current liabilities, long-term debt, deferred income taxes, and restructuring expenses).

RONA performance objectives for a given plan year are based on Granite's Weighted Average Cost of Capital ("WACC") which is defined as Granite's blended cost of debt and equity. The WACC, approved by the Compensation Committee for the purpose of calculating incentive compensation, was 7% for 2013. The AIP incorporates RONA and WACC because of the significant capital needs of the business. Granite's operations require sizable investment in capital equipment and aggregate reserves, which require periodic replacement. Accordingly, the AIP is designed in part to reward high returns on the net assets employed.

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

Operating Cash Flow Margin

The Operating Cash Flow Margin (“OCF Margin”) is calculated by dividing net cash flow from operating activities (as adjusted for restructuring expenses) by annual revenue. The AIP incorporates OCF Margin as one of the two financial metrics because it measures our ability to maintain the operating cash necessary to replace assets, purchase assets for growth, and generate fair dividend returns to the shareholders.
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Like RONA, the threshold, target and maximum OCF Margin objectives are established at levels that the Compensation Committee considers appropriate given Granite's historical performance, industry comparisons, and current market conditions. The OCF Margin objectives and associated payout levels for executive officers are reviewed and approved annually by the Compensation Committee.

Strategic Objectives

In addition to financial objectives, the Compensation Committee sets goals related to achievement of strategic objectives. Strategic objectives are reviewed and approved by the Compensation Committee on an annual basis and may change from year to year. The strategic objectives identified for each executive officer included a mix of quantitative and qualitative factors. For 2013 these included: expense reduction, new award attainment, Group level adjusted operating income, Process Improvement and bid efficiency. The objectives may have different weighted values as determined by the Compensation Committee.

In the case of the executive officers, the Committee approved the strategic metrics and assessed their achievement based primarily on the CEO's judgment and recommendations. The establishment of strategic objectives for the CEO and assessment of his individual performance is determined by the Compensation Committee in consultation with other members of the Board of Directors.

Safety

Granite places a priority on safety and strives to provide a safe work environment for our employees. Granite's programs and policies are implemented to minimize accidents with the goal of providing the safest working environments in the industry. An OSHA Recordable Incident Rate ("ORIR"), a nationally recognized metric, enables Granite to benchmark safety performance against the construction industry. The safety objectives are based on historical performance and management's focus to continually reduce the number of accidents.

In addition to the ORIR performance metric, the Named Executive Officers are required to attend safety training classes and conduct jobsite safety inspections. The safety incentive may be adjusted downwards due to non-participation in safety training and failure to conduct jobsite inspections.

The ORIR target and payout levels are reviewed and approved annually by the Compensation Committee. No safety incentive is payable in the event of a Granite employee work-related fatality during the plan year.

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.

In 2013 there were 10,923,221 hours of employee exposure and there were 108 OSHA recordable injuries. The ORIR for 2013 was calculated as follows:

ORIR: 108 x 200,000/10,923,221= 2.0

In 2013, no safety incentive was paid due to a work related fatality.

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2013 AIP Performance Objectives and Actual Payouts

Once threshold requirements below are met, Named Executive Officers can earn between 50% and 200% of their annual target opportunity, depending upon the level of performance for financial, strategic and safety measures. Payout is zero for performance below threshold levels. Performance objectives and actual payouts for 2013 are presented below:

Performance Level	RONA	OCF Margin	Corporate Safety
Maximum	8.4%	7.5%	1.4
Target	6.3%	5.0%	1.8
Threshold	4.2%	3.0%	2.4
Actual Performance[1]	0.2%	0.2%	2.0
Actual Payout (% of target)	0%	0%	0[2]

[1] Actual performance in relation to the RONA and OCF Margin measures reflect adjustments to exclude the effects of asset impairment charges.

[2] Although actual performance in relation to the Corporate Safety measure was above the threshold, there was no payout due to a work-related fatality.

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

Named Executive Officer	Target Annual Incentive	Actual Annual Incentive	Actual Annual Incentive (% of Target Opportunity)	
James H. Roberts	$862,500	$45,177	5	%
Laurel J. Krzeminski	$270,000	$14,142	5	%
Michael F. Donnino	$356,250	$85,763	24	%
Thomas S. Case	$300,000	$12,571	4	%
James D. Richards	$262,500	$6,875	3	%
John A. Franich[1]	$318,750	-	-	

[1] Mr. Franich ceased to serve as a Named Executive Officer of Granite effective July 31, 2013.

The Compensation Committee approved changes for the 2014 AIP designed to focus and reward management, including the Named Executive Officers, for maximizing business profitability. For 2014, both the CEO and CFO and Mr. Case are to be rewarded as a percent of the Company’s net income, while Named Executive Officers with financial accountability for the performance of an operating group are to be incentivized primarily on their individual group’s operating profit with a smaller incentive component tied to the Company’s net income.

Long-Term Incentive Compensation

In order to emphasize sustained long-term performance, all Named Executive Officers participated in the 2013 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 2013 LTIP are presented below:

Named Executive Officer	2013 LTIP Incentive Target Opportunity
James H. Roberts	$ 1,700,000
Laurel J. Krzeminski	$ 550,000
Michael F. Donnino	$ 600,000
Thomas S. Case	$ 550,000
James D. Richards	$ 400,000
John A. Franich	$ 550,000

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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 2011, 2012 and 2013 performance awards are calculated based on Granite's TSR 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.
- Emcor Group Inc.
- Fluor Corp.
- Headwaters Inc.
- Aegion Corporation (formerly Insituform Technologies)
- Jacobs Engineering Group Inc.
- Martin Marietta Materials
- Quanta Services Inc.
- Shaw Group Inc.
- Texas Industries
- URS Corp.
- Vulcan Materials Co.

As discussed above under "2014 Peer Group," TSR performance for the 2014-2016 measurement period is to be based upon Granite's revised industry peer group. It was the Compensation Committee's determination that the expanded peer group was a representative listing of construction, engineering and construction materials companies for the purposes of measuring Granite's relative TSR performance.

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

TSR 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, TSR performance has been 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. This provided for a payout opportunity over three years under the 2011 and 2012 TSR awards. In alignment with the Compensation Committee goal that the TSR component of the LTIP be based on performance at the end of the full three-year measurement period, the 2013 TSR award will be calculated at the end of the three-year performance period effective December 31, 2015 with vesting and payment the following year.

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TSR Performance Period	Award Opportunity	Payout Timing (if award earned based on performance)
January 1, 2011 – December 31, 2011	1/3rd of 2011 TSR Award	Q1 2012 (Award Complete)
January 1, 2011 – December 31, 2012	1/3rd of 2011 TSR Award	Q1 2013 (Award Complete)
January 1, 2011 – December 31, 2013	1/3rd of 2011 TSR Award	Q1 2014 (Award Complete)
January 1, 2012 – December 31, 2012	1/3rd of 2012 TSR Award	Q1 2013 (Award Complete)
January 1, 2012 – December 31, 2013	1/3rd of 2012 TSR Award	Q1 2014 (Award Complete)
January 1, 2012 – December 31, 2014	1/3rd of 2012 TSR Award	Q1 2015
January 1, 2013 – December 31, 2015	100% of 2013 TSR Award	Q1 2016

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.

2013 PERFORMANCE AWARD PAYOUTS

Total Shareholder Return Awards Earned in 2013 and Paid in 2014

Granite's two-year TSR ranking as of December 31, 2013 for the performance period beginning January 1, 2012 through December 31, 2013 was 8 out of 13 companies. Granite's three-year TSR ranking for the previous period beginning January 1, 2011 through December 31, 2013 was 9 out of 13 companies. The earned awards for the two periods are presented in the table below.

Performance Period January 1, 2012 – December 31, 2013

Named Executive Officer	Target TSR Incentive	Actual TSR Incentive	Restricted Stock Units Awarded[1]
James H. Roberts	$333,333	$277,667	10,550
Laurel J. Krzeminski	$122,210	$101,801	3,868
Michael F. Donnino	$133,333	$111,067	4,220
Thomas S. Case	$122,210	$101,801	3,868
James D. Richards[2]	-	-	-
John A. Franich[3]	$122,210	-	-

[1] Awards are denominated as a cash value until earned based on performance. The number of restricted stock units awarded is calculated by dividing the actual long-term incentive value by $26.32, which was the average stock price in January 2012.

[2] Mr. Richards was promoted to Senior Vice President and Group Manager effective January 1, 2013. Prior to his promotion, Mr. Richards did not participate in Granite's TSR program.

(3) Mr. Franich ceased to serve as a Named Executive Officer of Granite effective July 31, 2013.

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Performance Period January 1, 2011 – December 31, 2013

Named Executive Officer	Target TSR Incentive	Actual TSR Incentive	Restricted Stock Units Awarded[1]
James H. Roberts	$166,650	$111,156	4,247
Laurel J. Krzeminski	$55,550	$37,052	1,416
Michael F. Donnino	$66,666	$44,466	1,699
Thomas S. Case	$61,105	$40,757	1,557
James D. Richards[2]	-	-	-
John A. Franich[3]	$61,103	-	-

[1] Awards are denominated as a cash value until earned based on performance. The number of restricted stock units awarded is calculated by dividing the actual long-term incentive value by $26.17, which was the average stock price in January 2011.

[2] Mr. Richards was promoted to Senior Vice President and Group Manager effective January 1, 2013. Prior to his promotion, Mr. Richards did not participate in Granite's TSR program.

[3] Mr. Franich ceased to serve as a Named Executive Officer of Granite effective July 31, 2013.

Service Awards Paid in 2013

Named Executive Officer	Service Award	Restricted Stock Units Awarded[1]
James H. Roberts	$566,667	18,157
Laurel J. Krzeminski	$183,333	5,874
Michael F. Donnino	$200,000	6,408
Thomas S. Case	$183,333	5,874
James D. Richards	$133,333	4,272
John A. Franich[2]	$183,333	5,874

[1] The number of restricted stock units awarded was calculated by dividing the service award by the closing stock price of $31.21 on March 14, 2013.

[2] Mr. Franich ceased to serve as a Named Executive Officer of Granite effective July 31, 2013.

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 2013.

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 Executive Officers: 1.5 x annual base salary

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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 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 as of December 31, 2013

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	158,337	$5,538,628	246	%
Laurel J. Krzeminski	$450,000	1.5	x	$675,000	Nov. 2015	22,290	$779,704	116	%
Michael F. Donnino	$475,000	1.5	x	$712,500	May 2014	66,636	$2,330,927	327	%
Thomas S. Case	$400,000	1.5	x	$600,000	Jan. 2015	20,553	$718,944	120	%
James D. Richards	$350,000	1.5	x	$525,000	Jan. 2018	17,431	$609,736	116	%

(1) To be achieved within five years following adoption of the Stock Ownership guidelines on May 13, 2009 or becoming a Named Executive Officer.

(2) As of January 1, 2014.

(3) Based on stock price of $34.98 at close of business on December 31, 2013.

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 50% of their base compensation and 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;

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- 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. In 2013, Granite increased matching contributions from 2 to 3% of IRS qualified compensation. Named Executive Officers 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. The Named Executive Officers receive a $1,417 per month vehicle allowance which includes reimbursement for the personal umbrella liability insurance.

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 9 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 provides 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 will 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;

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- A lump sum payment equal to 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.

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, including Mr. Richards, will be dependent upon their level of responsibility within the organization and will include the following severance multiples:

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

- 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, that the vesting and exercisability of such option awards will be accelerated in full upon the consummation of the change-in-control.

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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, 2013.

Members of the Compensation Committee:

Rebecca A. McDonald, Chair	William H. Powell
Claes G. Bjork	Gaddi Vasquez

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.

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Summary Compensation Table
2013

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, 2013.

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	2013	$750,000	$64,801	$1,398,289	$ 45,177	$ 124,778		$2,383,045
President & CEO	2012	$660,000		$722,364	$ 552,195	$ 127,444		$2,062,003
(Principal Executive Officer)	2011	$500,000		$500,000	$ 636,379	$ 122,789		$1,759,168
Laurel J. Krzeminski	2013	$450,000	$9,629	$478,985	$ 14,142	$ 43,957		$996,713
Senior Vice President & CFO	2012	$425,000		$257,462	$ 176,864	$ 46,173		$905,499
(Principal Financial Officer)	2011	$350,000		$166,700	$ 178,113	$ 38,195		$733,008
Michael F. Donnino	2013	$475,000	$33,986	$532,636	$ 85,763	$ 65,726		$1,193,111
Senior Vice President	2012	$400,000		$288,928	$ 223,075	$ 66,299		$978,302
and Group Manager	2011	$400,000		$200,000	$ 282,894	$ 57,483		$940,377
Thomas S. Case	2013	$400,000	$31,862	$488,255	$ 12,571	$ 202,745		$1,135,433
Senior Vice President	2012	$375,000		$264,880	$ 152,883	$ 55,409		$848,172
and Group Manager	2011	$375,000		$183,370	$ 205,154	$ 49,631		$813,155
James D. Richards	2013	$350,000	$6,103	$191,477	$ 6,875	$ 150,392		$704,847
Senior Vice President and Group Manager								
John A. Franich	2013	$249,904	-	$488,255	-	$ 642,336	(5)	$1,380,495
Former Senior Vice President	2012	$375,000		$264,880	$ 152,883	$ 45,996		$838,759
And Group Manager	2011	$375,000		$183,370	$ 232,328	$ 40,176		$830,874

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

[2] The awards in column (e) reflect (i) for 2013 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 in the prior year pursuant to the performance based component of the LTIP; (ii) for 2012 the grant date fair value of stock awards granted for service in the stated year pursuant to the Service Award feature of the LTIP; and (iii) for 2012 the grant date fair value of stock awards granted in the stated year based on performance in 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 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, 2013. Please refer to the “Compensation Discussion and Analysis — Compensation Elements — Long Term Incentive Compensation” beginning on page 21 for a detailed explanation of the 2011 LTIP.

(3) The amounts in column (f) reflect (i) for 2013, the cash awards earned for performance in 2013 and paid in March 2014; for 2012, the cash awards earned for performance in 2012 and paid in March 2013; and (ii) for 2011, cash awards earned for performance in 2011 and paid in March 2012. For a detailed explanation of cash awards for performance in 2013, see “Compensation Discussion and Analysis — Compensation Elements — Annual Incentive Compensation” beginning on page 19.

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

(5) Mr. Franich ceased to serve as a Named Officer of Granite effective July 31, 2013. Under his separation agreement, Mr. Franich received a payment by the Company for unused accrued vacation of $7,470, $6,037 for COBRA Insurance and $600,000 pursuant to the terms of his Severance Agreement.

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Other Compensation Table
2013

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	$ 7,070	$ 85,175	$ 17,004	$ 15,529	-	$124,778
Laurel J. Krzeminski	$ 7,070	$ 6,523	$ 17,004	$ 13,360	-	$43,957
Michael F. Donnino	$ 7,070	$ 29,020	$ 17,004	$ 11,612	$1,020	$65,726
Thomas S. Case	$ 6,312	$ 14,090	$ 17,004	$ 15,339	$150,000	$202,745
James D. Richards	$ 5,506	$ 8,299	$ 12,000	$ 18,152	$106,435	$150,392
John A. Franich	$ 6,447	$ 3,289	$ 9,919	$ 9,174	$613,507	$642,336

[1] The amounts in column (b) reflect the company matching contribution, not to exceed 3%, on compensation deferred into the 401(k) Plan.

[2] The amounts in column (c) reflect Restricted Stock and ESOP Dividend, and Restricted Stock Dividend Equivalent Units paid to Mr. Roberts, Ms. Krzeminski, and Messrs. Donnino, Case, Richards and Franich.

[3] The amounts in column (d) reflect the vehicle allowances provided to the Named Executive Officers. For a detailed explanation, please refer to “Other Compensation” on page 26.

[4] The amounts in column (e) reflect the company expense for medical, dental, vision, life, short and long-term disability insurance, Accidental Death & Dismemberment, Executive Liability Insurance, and Employee Assistance Program.

[5] The amounts in column (f) reflect reimbursement to Mr. Donnino for a mobile communication device, relocation expenses for Mr. Case, a health insurance rebate and relocation expenses for Mr. Richards, and payment by the Company to Mr. Franich for unused accrued vacation of $7,470, $6,037 for COBRA Insurance and $600,000 pursuant to the terms of his Severance Agreement.

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Grants of Plan-Based Awards Table
2013

The following table provides additional information about incentive plan awards and other equity awards granted to our Named Executive Officers during the year ended December 31, 2013.

		Estimated Future Payouts under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts under Equity Incentive Plan Awards[2]				
Named Executive Officer (a)	Grant Date (b)	Threshold (c)	Target (d)	Maximum (e)	Threshold (f)	Target (g)	Maximum (h)	All Other Stock Awards: Number of Shares or Stock Units (i)	Grant Date Fair Value of Stock Awards (j)
James H. Roberts	-	$431,250	$862,500	$1,725,000	-	-	-	-	-
	-	-	-	-	-	$1,700,000	$2,833,000	-	-
	03/14/13	-	-	-	-	-	-	18,157 [3]	$566,667
	03/14/13	-	-	-	-	-	-	26,646 [4]	$831,622
Laurel J. Krzeminski	-	$135,000	$270,000	$540,000	-	-	-	-	-
	-	-	-	-	-	$550,000	$917,000	-	-
	03/14/13	-	-	-	-	-	-	5,874 [3]	$183,333
	03/14/13	-	-	-	-	-	-	9,473 [4]	$295,652
Michael F. Donnino	-	$178,125	$356,250	$712,500	-	-	-	-	-
	-	-	-	-	-	$600,000	$1,000,000	-	-
	03/14/13	-	-	-	-	-	-	6,408 [3]	$200,000
	03/14/13	-	-	-	-	-	-	10,658 [4]	$332,636
Thomas S. Case	-	$150,000	$300,000	$600,000	-	-	-	-	-
	-	-	-	-	-	$550,000	$917,000	-	-
	03/14/13	-	-	-	-	-	-	5,874 [3]	$183,333
	03/14/13	-	-	-	-	-	-	9,770 [4]	$304,922
James D. Richards[5]	-	$131,250	$262,500	$525,000	-	$400,000	$667,000	4,272 [3]	$133,333
								1,863 [5]	$58,144
John A. Franich[6]		$159,375	$318,750	$637,500		$550,000	$917,000	5,874	$183,333
								9,770	$304,922

(1) Amounts in columns (c) through (e) reflect threshold, target and maximum incentives, as applicable, under the 2013 AIP. Under the 2013 AIP, each Named Executive Officer had the ability to earn 50% - 200% of his or her target annual incentive compensation based on the level (from below threshold to maximum) of achievement of performance goals. For a more detailed discussion of annual incentive compensation and the payout actually received by each Named Executive Officer under the 2013 AIP, see “Compensation Discussion and Analysis — Compensation Elements — Annual Incentive Compensation” beginning on page 19 and “Compensation Discussion and Analysis — Compensation

Elements — Annual Incentive Compensation — 2013 AIP Performance Objectives and Actual Payouts” beginning on page 21.

(2) Amounts in columns (f) through (h) reflect the threshold, target and maximum award amounts applicable to the performance based (TSR) component of our 2013 LTIP. Each Named Executive Officer has the ability to earn from 0% to 200% of the TSR component of the LTIP target opportunity. Any payouts under the LTIP are made in the form of restricted stock units. Payouts on the TSR component of the LTIP are made after the end of the year. For more detailed discussion of the 2013 LTIP and payouts thereunder, see “Compensation Discussion and Analysis — Compensation Elements — Long Term Incentive Compensation” beginning on page 21.

(3) (4) The restricted stock units granted on March 14, 2013 reflect the performance and service awards granted under the LTIP. The number of restricted stock units granted for the performance award is calculated by dividing the performance award by the average stock price for January 2012 of $26.32. The restricted stock units granted as performance awards are fully vested on the date of grant. The number of restricted stock units granted for the service award is calculated by dividing the service award by the closing price of our common stock of $31.21 on the date of the grant. The restricted stock units granted as service awards vest in three equal annual installments beginning on March 14, 2013. The holders of restricted stock units are entitled to receive dividends equivalent units in lieu of cash dividends declared by the Board on the outstanding common stock of the Company.

(5) Mr. Richards’ 2013 performance award was calculated based on his incentive program in place prior to being promoted and becoming a Named Executive Officer effective January 1, 2013. His 2013 Service Award was calculated as 33.3% of his 2013 LTIP Target opportunity.

(6) Mr. Franich ceased to serve as a Named Executive Officer of Granite effective July 31, 2013.

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Outstanding Equity Awards at Fiscal Year-End Table
2013

The following table summarizes equity awards made to the Named Executive Officers that were outstanding as of December 31, 2013.

	Stock Awards		
	Number of Shares or Units of Stock That Have Not Vested [1]		Market Value of Shares or Units of Stock That Have Not Vested [2]
Named Executive Officer (a)	(b)		(c)
James H. Roberts	36,580	[4]	$1,279,568
Laurel J. Krzeminski	12,409	[4]	$434,067
Michael F. Donnino	13,763	[4]	$481,430
Thomas S. Case	12,617	[4]	$441,343
James D. Richards	10,098		$353,228
John A. Franich[3]	-		-

[1] Upon death or disability, all of the equity awards of a Named Executive Officer would vest immediately.

[2] The amounts shown in column (c) are based on the December 31, 2013 closing price of our common stock of $34.98.

[3] Mr. Franich ceased to serve as a Named Executive Officer of Granite effective July 31, 2013.

[4] Vesting dates for each outstanding Restricted Stock and Restricted Stock Unit awards for the Named Executive Officers are as follows:

		Number of Shares Underlying Vesting Awards				
Vesting Date	Award Type	James H. Roberts	Laurel J. Krzeminski	Michael F. Donnino	Thomas S. Case	James D. Richards
2014						
03/11/2014	Restricted Stock Units	6,262	2,088	2,505	2,296	1,653
03/14/2014	Restricted Stock Units	12,082	4,164	4,543	4,164	3,034
01/01/2014	Restricted Stock Units					296
2015						
03/14/2015	Restricted Stock Units	12,083	4,166	4,543	4,166	3,035
2016						
03/14/2016	Restricted Stock Units	6,153	1,991	2,172	1,991	2,080

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Stock Vested Table
2013

The following table reflects the number of shares our Named Executive Officers acquired upon the vesting of stock awards during 2013 and the value realized before payment of any applicable withholding tax and broker commissions.

	Stock Awards	
Named Executive Officer (a)	Number of Shares Acquired on Vesting (b)	Value Realized upon Vesting [1] (c)
James H. Roberts	42,393	$1,337,280
Laurel J. Krzeminski	15,037	$474,500
Michael F. Donnino	9,541	$300,802
Thomas S. Case	18,932	$595,207
James D. Richards	8,258	$258,057
John A. Franich	15,219	$479,764

[1] The amounts in column (c) are based on the fair market value of our common stock on the applicable vesting date.

Nonqualified Deferred Compensation Table
2013

The following table summarizes our Named Executive Officers' compensation under our nonqualified deferred compensation plan for the year ended December 31, 2013, which is also reflected in the Summary Compensation Table above:

Named Executive Officer (a)	Executive Contribution in Last Fiscal Year[1][2] (b)	Registrant Contributions in Last Fiscal Year (c)	Aggregate Earnings in Last Fiscal Year[3] (d)	Aggregate Withdrawals/ Distributions (e)	Aggregate Balance at Last Fiscal Year End (f)
James H. Roberts	$ 14,993	-	$88,517	-	$483,919
Laurel J. Krzeminski	$ 35,373	-	$15,817	-	$123,764
Michael F. Donnino	$ 299,427	-	$107,750	-	$1,604,422
Thomas S. Case	-	-	$3	-	$79,055
James D. Richards	-	-	-	-	-

[1] The Granite Construction Key Management Deferred Compensation Plan II allows Named Executive Officers to defer equity and non-equity incentive compensation. Participants are required to make an election each plan year with respect to the amount to be deferred, future distribution date, and form of distribution. A distribution election is irrevocable on the first day of each plan year.

[2] Amounts included are $14,993 of Mr. Robert's non-equity incentive plan award, $35,373 of Ms. Krzeminski's non-equity incentive plan award and the following amounts deferred by Mr. Donnino: $3,399 of his non-equity incentive plan award; $112,757 or 100% of his TSR stock award, which was granted and vested March 24, 2013,

based on 2011 performance; $80,093 or 35% of his TSR stock award, which was granted and vested March 24, 2013, based on 2012 performance; $77,715 or 33% of his service award granted March 11, 2011, which vested March 11, 2013; and $25,463 or 11.67% of his service award granted March 14, 2012, which vested March 14, 2013.

(3) Amounts included in this column do not include above market or preferential earnings (of which there were none) and, accordingly, such amounts are not reported in the Summary Compensation Table on page 29 as above market or preferential earnings.

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Potential Payments Upon Change-in-Control

Except in the case of a change-in-control, Granite is not obligated to pay severance or other enhanced benefits to any of the Named Executive Officers in connection with a termination of their employment. Upon death or disability, all of the equity awards of a Named Executive Officer would vest immediately.

The following table sets forth an example of the potential payments and benefits under Granite's compensation and benefit plans and arrangements to which the Named Executive Officers would be entitled upon termination of employment under certain circumstances within three years following a change-in-control of Granite. The amounts set forth in the table are based on the assumption that such termination event occurred on the last business day of fiscal year 2013.

Named Executive Officer (a)	Cash Severance Payment(1) (b)	Insurance Benefits(2) (c)	Other Compensation(3) (d)	Accelerated Equity Awards(4) (e)	Total (f)
James H. Roberts	$3,536,723	$ 52,379	$ 4,023	$1,279,568	$4,872,693
Laurel J. Krzeminski	$1,772,986	$ 50,217	$ 4,023	$434,067	$2,211,293
Michael F. Donnino	$2,043,882	$ 38,909	$ 4,023	$481,430	$2,568,244
Thomas S. Case	$1,671,878	$ 52,190	$ 3,771	$441,343	$2,169,182
James D. Richards	$416,963	$ 17,371	$ 3,268	$353,228	$790,830

(1) The amounts in column (b) for Mr. Roberts, Ms. Krzeminski and Messrs. Donnino and Case reflect a lump sum payment equal to (i) three times the annual average of the aggregate annual incentive bonuses earned for the three fiscal years preceding the fiscal year of the change-in-control plus (ii) three times the annual base salary rate in effect immediately prior to the termination. Mr. Richards is a new participant under the Executive and Retention Plan. Mr Richards' amounts reflect a lump sum payment equal to one times his current base salary rate in effect immediately prior to the termination and one times his most recent annual incentive bonus.

(2) The amounts in column (c) for Mr. Roberts, Ms. Krzeminski and Messrs. Donnino and Case reflect a lump sum payment equal to three times the average annual cost to Granite of the Named Executive Officer's group insurance benefits, such as life, health and long-term disability, for the three fiscal years ending before the date of termination. The amount in column (c) for Mr. Richards is one times the annual cost to Granite of his group insurance benefits.

(3) The amounts in column (d) for Mr. Roberts, Ms. Krzeminski and Messrs. Donnino and Case reflect a lump sum payment equal to three times the annual average cash equivalent of contributions which were made on behalf of the Named Executive Officer for the three fiscal years ending before the date of termination to the 401(k) Plan and any other retirement plan provided by Granite and in effect as of the date of termination. Mr. Richards' amount reflects a lump sum payment of one times such annual cost before the date of termination of the 401(k) Plan. This amount does not include additional amounts that may be payable for reasonable professional outplacement services for the Named Executive Officer to which the Named Executive Officer is entitled under the plan until the earlier of (i) two years following the date of termination and (ii) the date on which the Named Executive Officer obtains other employment.

(4) In the event of a change-in-control, if the acquiring person does not assume or replace outstanding equity awards, all non-exercisable, unvested or unpaid portions of the outstanding equity awards would become immediately exercisable and fully vested. If the Named Executive Officer's service is terminated under certain circumstances within 12 months following a change-in-control, the exercisability, vesting, and payment of the outstanding equity awards would be accelerated effective immediately as of the date of termination. The amounts in column (e) reflect the outstanding equity awards valued at the December 31, 2013 closing price of our common stock of $34.98.

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DIRECTOR COMPENSATION

Stock Ownership

All existing non-employee directors appointed to the board prior to November 2009 are required by November 2014 to own and maintain three times their Annual Board Cash Retainer from Granite in Granite common stock. All future non-employee directors are required to own and maintain three times their Annual Board Cash Retainer from Granite in Granite common stock within five years after joining the Board.

Cash and Equity Compensation Policy

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

1. Cash retainers are paid in quarterly installments. No additional fees are paid for attendance at meetings whether in person or telephonically;

2. The Chairman of the Board's retainer is inclusive of all Committee retainers; and

3. Directors, other than the Chairman of the Board, receive an annual grant of Restricted Stock Units valued at $100,000 on the date of grant. The Chairman of the Board receives an annual grant of Restricted Stock Units equal to $150,000 in value on the date of grant. All Restricted Stock Units vest in full on the first anniversary of the date of grant (typically May 20th of each year).

Annual Board Retainers		
Member	$70,000	
Chairman of the Board	$150,000	
Annual Committee Retainers		
Audit	$10,000	
Audit Chair	$20,000	
Nominating and Corporate Governance	$5,000	
Nominating and Corporate Governance Chair	$15,000	
Compensation	$5,000	
Compensation Chair	$17,000	
Strategic Planning	$5,000	
Strategic Planning Chair	$15,000	
Executive	$5,000	
Annual Equity Grants		
Member	$100,000	Restricted Stock Units
Chairman of the Board	$150,000	Restricted Stock Units

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Director Compensation Table
2013

The following table presents the compensation provided by Granite to our directors for the year ended December 31, 2013.

Name (a)	Fees Earned or Paid in Cash[1] (b)	Unit Award[2] (c)	All Other Compensation[3] (d)	Total (e)
Claes G. Bjork[4]	$100,000	$100,000	$ 5,254	$205,254
James W. Bradford, Jr.	$100,000	$100,000	$ 2,292	$202,292
Gary M. Cusumano	$75,000	$100,000	$ 1,885	$176,885
William G. Dorey	$82,500	$100,000	$ 1,885	$184,385
David H. Kelsey[4]	$95,000	$100,000	$ 6,206	$201,206
Rebecca A. McDonald	$102,000	$100,000	$ 4,524	$206,524
William H. Powell	$150,000	$150,000	$ 2,827	$302,827
Gaddi H. Vasquez[4]	$80,000	$100,000	$ 1,614	$181,614

(1) The amount in column (b) reflects the annual cash retainer paid to non-employee directors for the year ended December 31, 2013. In 2013 each non-employee director was paid an annual retainer as a member of the Board and additional retainers for service as a member of a Board committee. The cash retainer was paid quarterly in equal payments; no meeting fees were paid.

(2) The amounts in column (c) reflect the grant date fair market value of the 2013 Restricted Stock Unit awards. The grant date fair value is determined in accordance with Financial Accounting Standards 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, 2013. These awards have a one year vesting schedule. On June 6, 2013, Messrs. Bjork, Bradford, Cusumano, Dorey, Kelsey, Ms. McDonald and Mr. Vasquez received an annual grant of 3,355 Restricted Stock Units with a grant date fair market value of $29.81 per share. As Chairman of the Board, Mr. Powell received a grant of 5,032 Restricted Stock Units with a grant date fair market value of $29.81 per share. As of December 31, 2013: Mr. Bjork had an outstanding balance of 8,216 options, 7,624 deferred units and 3,383 Restricted Stock Units; Mr. Bradford had an outstanding balance of 3,163 options, 787 deferred units and 3,383 Restricted Stock Units; Mr. Cusumano had an outstanding balance of 1,268 options, and 3,383 Restricted Stock Units; Mr. Dorey had an outstanding balance of 3,383 Restricted Stock Units; Mr. Kelsey had an outstanding balance of 5,973 options, 9,408 deferred units and 3,383 Restricted Stock Units; Ms. McDonald had an outstanding balance of 2,760 options, 5,108 deferred units, and 3,383 Restricted Stock Units; Mr. Powell had an outstanding balance of 5,075 Restricted Stock Units; and Mr. Vasquez had an outstanding balance of 3,383 Restricted Stock Units.

(3) Column (d) includes the cash value of dividend equivalents from deferred units in prior years and restricted stock units.

(4) The Granite Construction Key Management Deferred Compensation Plan II allows non-employee directors to defer receipt of their annual cash retainer and Restricted Stock Unit awards into the Nonqualified Deferred Compensation Plan (in which case, the Restricted Stock Units are referred to as "deferred units"). Granite does not provide a matching contribution to non-employee director deferrals. Participants are required to make an election each plan year with respect to the amount to be deferred, future payment date and form of distribution. A distribution election is irrevocable on the first day of each plan year. Mr. Kelsey deferred 100% of both his annual cash retainer and

Restricted Stock Unit awards into the Key Management Deferred Compensation Plan II. Mr. Bjork deferred 100% of his Restricted Stock Unit award into the Key Management Deferred Compensation Plan II. Mr. Vasquez deferred 70% of both his annual cash retainer and Restricted Stock Unit awards into the Key Management Deferred Compensation Plan II. Messrs. Bradford, Cusumano, Dorey and Powell and Ms. McDonald made no deferrals of their annual cash retainers or Restricted Stock Units into the Key Management Deferred Compensation Plan II.

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STOCK OWNERSHIP OF BENEFICIAL OWNERS AND CERTAIN MANAGEMENT

The following table provides information regarding the ownership of our common stock as of March 1, 2014 by each person known to us to beneficially own 5% or more of our common stock, each of our directors and nominees, each of our Named Executive Officers, and all of our current directors and executive officers as a group.

Name	Amount and Nature Beneficial Ownership[(1)]	Percentage (%) of Common Stock Outstanding[(2)]	
BlackRock, Inc[(3)] 40 East 52nd Street, New York, NY 10022	3,072,567	7.88	%
Franklin Advisory Services, LLC[(4)] One Parker Plaza, Ninth Floor, Fort Lee, NJ 07024	2,625,615	6.73	%
Heartland Advisors, Inc.[(5)] 789 North Water Street, Milwaukee, WI 53202	2,655,225	6.81	%
The Vanguard Group [(6)] 100 Vanguard Blvd., Malvern, PA 19353	1,957,800	5.02	%
Claes G. Bjork[(7)]	14,093	*	
James W. Bradford, Jr.[(8)]	17,589	*	
Gary M. Cusumano[(9)]	17,773	*	
William G. Dorey[(10)]	143,760	*	
David H. Kelsey[(11)]	13,745	*	
Rebecca A. McDonald[(12)]	11,546	*	
William H. Powell	42,543	*	
Gaddi H. Vasquez	2,319	*	
Thomas S. Case[(13)]	25,414	*	
Michael F. Donnino[(14)]	70,029	*	
Laurel J. Krzeminski[(15)]	29,559	*	
Martin P. Matheson[(16)]	2,247	*	
James D. Richards[(17)]	17,140	*	
James H. Roberts[(18)]	190,428	*	
All Executive Officers and Directors As a Group (15 Persons)[(7-18)] [(19)]	599,860	1.54	%

*Less than 1%

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

[(2)] Calculated on the basis of 39,013,249 shares of common stock issued and outstanding as of March 1, 2014, including 21,380 shares of common stock underlying options exercisable within 60 days after March 1, 2014 and 72,707 shares of common stock issuable upon the vesting of restricted stock units within 60 days after March 1, 2014 that are deemed outstanding in accordance with the rules of the Securities and Exchange Commission.

[(3)] Based upon a Schedule 13G/A filed by BlackRock, Inc. ("BlackRock") with the SEC (i) the number of shares beneficially owned is as of December 31, 2013, and (ii) BlackRock has sole voting power and sole dispositive power with respect to all 3,072,567 shares.

(4) Based upon a Schedule 13G filed by Franklin Advisory Services, LLC ("Franklin Advisory Services") with the SEC (i) the number of shares beneficially owned is as of December 31, 2013, and (ii) Franklin Advisory Services has sole voting power with respect to 2,477,615 shares and sole dispositive power with respect to 2,652,615 shares. Such Schedule 13G notes that (i) the securities in question are beneficially owned by one or more open or closed end investment companies or other managed accounts that are investment management clients of investment managers that are direct and indirect subsidiaries of Franklin Resources, Inc. ("FRI"), and that FRI may be deemed to be the beneficial owner of such shares and (ii) Franklin Advisory Services may be deemed to be the beneficial owner of such shares through its affiliation with FRI.

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(5) Based upon a Schedule 13G filed by Heartland Advisors, Inc. ("Heartland") with the SEC (i) the number of shares beneficially owned is as of December 31, 2013, and (ii) Heartland has shared voting and shared dispositive power with respect to 2,655,225 shares. Such Schedule 13G notes that the shares in question may be deemed beneficially owned by (a) Heartland by virtue of its investment and voting authority granted by certain clients, which may be revoked at any time, and (ii) William J. Nasgovitz by virtue of his control of Heartland.

(6) Based on a Schedule 13G filed by The Vanguard Group ("Vanguard") with the SEC (i) the number of shares beneficially owned is as of December 31, 2013, and (ii) Vanguard has shared voting and shared dispositive power with respect to 1,957,800 shares.

(7) Includes 8,216 shares of common stock which Mr. Bjork has the right to acquire within 60 days after March 1, 2014 as a result of vested and exercisable options.

(8) Includes 3,163 shares of common stock which Mr. Bradford has the right to acquire within 60 days after March 1, 2014 as a result of vested and exercisable options, and 14,425 shares of common stock that Mr. Bradford holds jointly with his wife.

(9) Includes 1,268 shares of common stock which Mr. Cusumano has the right to acquire within 60 days after March 1, 2014 as a result of vested and exercisable options and 1,471 shares of common stock that Mr. Cusumano holds in trust for the benefit of his family as to which shares Mr. Cusumano and his wife share voting and investment power.

(10) Includes 93,304 shares of common stock that Mr. Dorey holds in trust for the benefit of his family as to which shares Mr. Dorey and his wife share voting and investment power.

(11) Includes 5,973 shares of common stock which Mr. Kelsey has the right to acquire within 60 days after March 1, 2014 as a result of vested and exercisable options, and 1,848 shares of common stock that Mr. Kelsey holds jointly with his wife.

(12) Includes 2,760 shares of common stock which Ms. McDonald has the right to acquire within 60 days after March 1, 2014 as a result of vested and exercisable options.

(13) Includes 14,752 shares of common stock owned by our Employee Stock Ownership Plan ("ESOP") but allocated to Mr. Case's account as of March 1, 2014, 5,855 shares of common stock that Mr. Case holds in trust for the benefit of himself and his wife as to which Mr. Case shares Mr. Case and his wife share voting and investment power and 11,885 shares of common stock issuable upon the vesting of restricted stock units within 60 days after March 1, 2014. Subject to continued employment by Granite, Mr. Case will become eligible to make withdrawals of his ESOP shares when he attains age 55.

(14) Includes 9,632 shares of common stock issuable to Mr. Donnino upon the vesting of restricted stock units within 60 days after March 1, 2014.

(15) Includes 11,535 shares of common stock issuable to Ms. Krzeminski upon the vesting of restricted stock units within 60 days after March 1, 2014.

(16) Includes 81 shares of common stock owned by the ESOP but allocated to Mr. Matheson's account as of March 1, 2014 and 1,826 shares of common stock issuable upon the vesting of restricted stock units within 60 days after March 1, 2014. Subject to continued employment by Granite, Mr. Matheson will become eligible to make withdrawals of his ESOP shares when he attains age 55.

(17) Includes 5,876 shares of common stock owned by the ESOP but allocated to Mr. Richards' account as of March 1, 2014 and 4,688 shares of common stock issuable upon the vesting of restricted stock units within 60 days after March 1, 2014 and 6,388 shares of common stock that Mr. Richards owns jointly with his wife. Subject to continued employment by Granite, Mr. Richards will become eligible to make withdrawals of his ESOP shares when he attains age 55.

(18) Includes 127,585 shares of common stock owned by the ESOP but allocated to Mr. Roberts' account as of March 1, 2014 and 33,141 shares of common stock issuable upon the vesting of restricted stock units within 60 days after March 1, 2014. As a result of having attained age 55 and continuing to be employed by Granite, Mr. Roberts is currently eligible to make withdrawals of his ESOP shares.

(19) Does not include 2,132 shares of common stock issuable upon the vesting of restricted stock units which were granted to Patrick B. Kenny, Senior Vice President, on March 14, 2014 and will vest on March 24, 2014.

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers, directors and any persons who beneficially own more than 10% of our common stock to report ownership of, and transactions in, Granite stock with the SEC. Our executive officers, directors and any persons who beneficially own more than 10% of our common stock are required by SEC regulation to furnish to Granite copies of all Section 16(a) reports they file.

Based solely on our review of these reports and written representations from all of our executive officers and directors that no other reports were required with respect to their beneficial ownership of our common stock during fiscal year 2013, we believe that all reporting requirements applicable to our executive officers, directors and any persons who beneficially own more than 10% of our common stock pursuant to Section 16(a) of the Exchange Act were complied with, except that (1) due to administrative errors one grant of restricted stock units and surrenders of restricted stock units to cover the taxes associated with vestings of restricted stock units were reported by James D. Richards in a late Form 4 filing; and (2) due to third-party reporting system delays, one surrender of performance units to cover the taxes associated with a deferred performance units distribution by William G. Dorey was reported in a late Form 4 filing.

EQUITY COMPENSATION PLAN INFORMATION

The following table contains information as of December 31, 2013 regarding stock authorized for issuance under the 2012 Equity Incentive Plan:

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)[1]	Weighted average exercise price of outstanding options, warrants and rights (b)[2]	Number of Securities remaining available for future issuance under equity compensation plans (excluding stock reflected in column (a)) (c)
Equity Compensation Plans Approved by Shareholders	839,201	$ 38.88	1, 632,932
Equity Compensation Plans Not Approved by Shareholders	-	-	-
Total	839,201	$ 38.88	1,632,932

(1) Reflects options to purchase 24,178 shares of common stock and Restricted Stock Units covering 815,023 shares of common stock.

(2) Reflects the exercise price per share of common stock purchasable upon the exercise of stock options only.

Granite’s legal staff is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions (transactions involving an executive officer, director, director nominee or greater than 5% beneficial owner of Granite common stock or an immediate family member of, or anyone (other than a tenant or employee) residing in the home of, an executive officer, director, director nominee or greater than 5% beneficial owner of Granite common stock). They also determine, based on the facts and circumstances, whether a related person has a direct or indirect interest in the transaction. In addition, the Board of Directors has adopted a written policy and written procedures for review and approval or ratification of related party transactions involving Granite. The policy requires the Audit/Compliance Committee’s review and approval or ratification of any related party transaction (as defined in the policy) in which Granite is a participant. This includes, among other things, any related party transaction that would be required to be disclosed under the rules and regulations of the SEC.

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

The Audit/Compliance Committee has determined that the following transactions shall be deemed to be pre-approved: (i) employment of an executive officer if (a) the executive officer’s compensation is required to be reported in Granite’s proxy statement or (b) the executive officer is not an immediate family member of another executive officer or director of Granite, the executive officer’s compensation would be reported in Granite’s proxy statement if the executive officer were a “named executive officer” and the Compensation Committee approved (or recommended that the Board approve) such compensation; (ii) compensation to a director required to be disclosed in Granite’s proxy statement; (iii) any transaction with another company at which the related person’s only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that company’s shares, if the aggregate amount involved does not exceed the greater of $1,000,000 or 2% of that company’s annual revenues; (iv) any charitable contribution, grant or endowment by Granite to a charitable organization, foundation or university at which a related person’s only relationship is as an employee (other than an executive officer) or a director, if the aggregate amount involved does not exceed the lesser of $100,000 or 2% of the charitable organization’s total annual receipts; (v) any transaction where the related person’s interest arises solely from the ownership of Granite common stock and all holders of Granite common stock receive the same benefit on a pro rata basis; and (vi) any transaction with a related person involving services as a bank depositary of funds, transfer agent, registrar or trustee under a trust indenture or similar services.

In addition, the Board has delegated to the Chair of the Audit/Compliance Committee the authority to pre-approve or ratify (as applicable) any related person transaction in which the aggregate amount involved is expected to be less than $100,000.

No director who has an interest in the transaction under consideration may participate in the approval process. All related party transactions approved by the Audit/Compliance Committee must be disclosed to the full Board of Directors.

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REPORT OF THE AUDIT/COMPLIANCE COMMITTEE

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

Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls and the effectiveness of the internal control over financial reporting. In fulfilling its oversight responsibilities, the Audit/Compliance Committee reviewed and discussed with management the audited financial statements in the Annual Report on Form 10-K for fiscal year ended December 31, 2013, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

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

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

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

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

Based on the review and discussions referred to above, the Audit/Compliance Committee recommended to Granite's Board of Directors that Granite's audited financial statements be included in Granite's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Members of the Audit/Compliance Committee:

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

This Report of the Audit/Compliance 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 Audit/Compliance Committee by reference therein.

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INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

Principal Accountant Fees and Services

Aggregate fees for professional services rendered for us by PricewaterhouseCoopers LLP for the years ended December 31, 2013 and December 31, 2012 were:

	2013	2012
Audit Fees[(1)]	$2,785,950	$3,289,564
Audit-Related Fees[(2)]	$92,500	$450,750
All Other Fees[(3)]	$6,800	$6,800
Total	$2,885,250	$3,747,114

[(1)] Audit Fees paid in 2012 and 2013 were for professional services rendered for the audits of Granite's consolidated financial statements, including audits of internal control over financial reporting, audits of subsidiary financial statements, quarterly financial reviews and audit related expenses.

[(2)] Audit-Related Fees paid in 2012 and 2013 were for pre-qualifications and other professional services support. Audit-Related Fees paid in 2012 included professional services rendered for due diligence work performed in connection with acquisitions and pre-implementation review of a new ERP system.

[(3)] All Other Fees include software licenses paid in 2012 and 2013.

Audit Committee Pre-Approval Policies and Procedures

The Audit/Compliance Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm. During 2013, no services were provided to us by PricewaterhouseCoopers LLP other than in accordance with the pre-approval policies and procedures.

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

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PROPOSAL 2: ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Board of Directors is asking shareholders to approve an advisory resolution on executive compensation. The advisory vote is a non-binding vote on the compensation of our Named Executive Officers. The vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this proxy statement. We received a favorable vote on a similar resolution at our 2013 Annual Meeting of Shareholders, with approximately 95% of our shareholders approving the resolution. The text of the resolution to be voted on at the annual meeting is as follows:

RESOLVED, that the shareholders of Granite Construction Incorporated approve, on an advisory basis, the compensation of the Company's Named Executive Officers as disclosed in the proxy statement for the Company's 2014 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities Exchange Act of 1934, as amended (which disclosure includes the Compensation Discussion and Analysis section, the Summary Compensation Table for 2013 and the related compensation tables and narrative disclosure within the Executive and Director Compensation and Other Matters section of the proxy statement).

The Company urges you to read the disclosure under "Compensation Discussion and Analysis," which begins on page 16 and discusses how our compensation policies and procedures implement our pay-for-performance compensation philosophy. You should also read the Summary Compensation Table and other related compensation tables and narrative disclosure which provide additional details about the compensation of each individual who served as our Chief Executive Officer, each individual who served as our Chief Financial Officer and our three other most highly-compensated executive officers for fiscal 2013. We have designed our executive compensation structure to attract, motivate and retain executives with the skills required to formulate and implement the Company's strategic objectives and create shareholder value. We believe that our executive compensation program is reasonable, competitive and strongly focused on pay for performance principles, and provides an appropriate balance between risk and incentives. In particular, key elements of our executive compensation program are:

- Market competitive base salaries, with the 50th percentile of comparable positions in the market as the starting point;

- 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 non-financial 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 and holiday pay; and

- Eligibility, along with other key management employees, to participate in our Non-Qualified Deferred Compensation Program and a program offering periodic medical examinations.

The vote regarding the compensation of the Named Executive Officers described above, referred to as a "say-on-pay advisory vote," is advisory, and is therefore not binding on the Company, the Compensation Committee or the Board of Directors. Although non-binding, the Compensation Committee and the Board of Directors value the opinions that shareholders express in their votes and will review the voting results and take them into consideration when making future decisions regarding our executive compensation programs as they deem appropriate.

THE BOARD OF DIRECTORS RECOMMENDATION

The Board of Directors unanimously recommends a vote "FOR" the approval of the compensation of the Named Executive Officers as disclosed in this proxy statement and as described above pursuant to the compensation disclosure rules of the Exchange Act.

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PROPOSAL 3: RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit/Compliance Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP to serve as Granite’s independent registered public accounting firm to perform the audit of our financial statements for the fiscal year ending December 31, 2014. PricewaterhouseCoopers LLP and its predecessor, Coopers & Lybrand, have been our auditors since 1982.

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

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

THE BOARD OF DIRECTORS RECOMMENDATION

The Board of Directors unanimously recommends a vote "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, 2014.

SHAREHOLDER PROPOSALS TO BE PRESENTED AT THE 2015 ANNUAL MEETING OF SHAREHOLDERS

Under Granite’s bylaws, director nominations and proposals for other business to be presented at the annual shareholder meeting by a shareholder may be made only if that shareholder is entitled to vote at the meeting, timely gave the required notice, and was a shareholder of record at the time when he or she gave the required notice. The required notice must be in writing, must contain the information specified in our bylaws, and must be received at our principal executive offices, 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. If no meeting was held in the previous year, the date of the annual meeting is changed by more than 30 calendar days from the previous year, or in the event of a special meeting, to be on time, the notice must be delivered by the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public announcement of the date of the meeting was made.

Separate from the requirements in our bylaws, you may submit proposals on matters appropriate for shareholder action at our annual meeting of shareholders in accordance with Rule 14a-8 promulgated under the Exchange Act (“Rule 14a-8”). Rule 14a-8 entitles a shareholder to require us to include certain shareholder proposals in Granite’s proxy materials if the shareholder meets certain eligibility and timing requirements set forth in Rule 14a-8.

Pursuant to Granite’s bylaws and Rule 14a-8, to be considered for inclusion in Granite’s proxy statement or otherwise presented at our 2015 annual meeting of shareholders, a shareholder nomination or proposal must be received by our Secretary at Granite’s principal executive offices on or before Friday, December 26, 2014.

HOUSEHOLDING

As permitted by the Exchange Act, only one copy of the Notice of Internet Availability of Proxy Materials or proxy materials is being delivered to shareholders residing at the same address, unless any shareholder has notified us of its desire to receive multiple copies of the Notice of Internet Availability of Proxy Materials or proxy materials, as applicable. This is known as householding. We will promptly deliver, upon oral or written request, a separate copy of the Notice of Internet Availability of Proxy Materials or the proxy materials, as applicable, to any shareholder residing at a shared address to which only one copy was mailed. Requests for additional copies of the Notice of Internet Availability of Proxy Materials or proxy materials, or requests to receive multiple or single copies of the Notice of Internet Availability of Proxy Materials or proxy materials at a shared address in the future, should be directed to: Granite Construction Incorporated, 585 West Beach Street, Watsonville, California 95076, Attention: Investor Relations Department, Telephone: 831.724.1011.

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FORM 10-K

Copies of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (excluding exhibits) filed with the SEC are available, without charge, upon written request to Granite Construction Incorporated, 585 West Beach Street, Watsonville, California 95076, Attention: Investor Relations Department. Exhibits to the Annual Report on Form 10-K will be furnished upon payment of a fee of $0.25 per page to cover our expenses in furnishing the exhibits.

OTHER MATTERS

As of the date of this proxy statement, the only matters that management intends to present or knows that others will present at the meeting have been included in this proxy statement. If any other matters are properly presented at the meeting, or any adjournment, your shares will be voted in the discretion of the persons named on your proxy card.

Dated: April 25, 2014

Richard A. Watts
Senior Vice President, General Counsel and Secretary

	VOTE BY INTERNET - www.proxyvote.com Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 PM Eastern Time on June 4, 2014 (until 12:00 PM (noon) EDT on June 3, 2014 if you are a 401(k) Participant. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.
Granite Construction Incorporated 585 West Beach Street Watsonville, CA 95076 ATTN: Betty Kwong	ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years. VOTE BY PHONE - 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 PM Eastern Time on June 4, 2014 (until 12:00 PM (noon) EDT on June 3, 2014 if you are a 401(k) Participant). Have your proxy card in hand when you call and then follow the instructions. VOTE BY MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:	KEEP THIS PORTION FOR YOUR RECORD DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

The Board of Directors recommends you vote FOR the following:

		For	Against	Abstain
	Election of Directors			
1.	Nominees			
1a.	Gary M. Cusumano	o	o	o
1b.	James H. Roberts	o	o	o
1c.	Gaddi H. Vasquez	o	o	o

The Board of Directors recommends you vote FOR proposals 2 and 3.

		For	Against	Abstain
2.	Advisory vote to approve executive compensation of the named executive officers.	o	o	o
3.	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, 2014.	o	o	o

	Yes	No
Please indicate if you	o	o

plan
to
attend
this
meeting

Please sign
exactly as
your name(s)
appear(s)
hereon. When
signing as
attorney,
executor,
administrator,
or other
fiduciary,
please give
full title as
such. Joint
owners should
each sign
personally.
All holders
must sign. If a
corporation or
partnership,
please sign in
full corporate
or partnership
name, by
authorized
officer.

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice of Annual Meeting & Proxy Statement and, Annual Report (which includes a copy of the Form 10-K) is/are available at www.proxyvote.com .

GRANITE CONSTRUCTION INCORPORATED Annual
Meeting of Shareholders
June 5, 2014 10:30 AM PDT
This proxy is solicited by the Board of Directors

SPECIAL INSTRUCTIONS FOR 401(k) PARTICIPANTS: In accordance with the terms of the Trust Agreement for each of the 401(k) Plan, Mercer has delegated its authority to vote all the shares of stock in GRANITE CONSTRUCTION INCORPORATED beneficially held for the 401(k) Participant, as applicable, to Broadridge. Any shares allocable to the participant’s 401(k) account on the record date will be voted by Broadridge in accordance with the instructions of the participant received via telephone or the Internet or indicated on the reverse. IF THIS PROXY CARD IS RECEIVED BEFORE 12:00 PM (noon) Eastern Daylight Time on June 3, 2014, BUT A CHOICE IS NOT SPECIFIED, BROADRIDGE WILL VOTE SHARES ALLOCABLE TO THE PARTICIPANT’S 401(k) AS THE BOARD OF DIRECTORS RECOMMENDS. IF THIS FORM IS NOT RECEIVED BEFORE 12:00 PM (noon) Eastern Daylight Time on June 3, 2014, AND NO VOTE WAS SUBMITTED VIA TELEPHONE OR THE INTERNET BY THAT DATE, SHARES ALLOCABLE TO THE PARTICIPANT’S 401(k) WILL NOT BE VOTED. The 401(k) Participants may revoke a prior vote by following the instructions described in Granite’s Proxy Statement dated April 25, 2014. The voting direction submitted to Broadridge by the 401(k) Participants will be confidential.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

Continued and to be signed on reverse side

Granite Construction Incorporated
585 West Beach Street
Watsonville, CA 95076
ATTN: Betty Kwong

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 PM Eastern Time on June 4, 2014 (until 12:00 PM (noon) EDT on June 3, 2014 if you are a 401(k) Participant. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 PM Eastern Time on June 4, 2014 (until 12:00 PM (noon) EDT on June 3, 2014 if you are a 401(k) Participant). Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

The Board of Directors recommends you vote FOR the following:

		For	Against	Abstain
	Election of Directors			
1.	Nominees			
1a.	Gary M. Cusumano	o	o	o
1b.	James H. Roberts	o	o	o
1c.	Gaddi H. Vasquez	o	o	o

The Board of Directors recommends you vote FOR proposals 2 and 3.

		For	Against	Abstain
2.	Advisory vote to approve executive compensation of the named executive officers.	o	o	o
3.	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, 2014.	o	o	o

	Yes	No
Please indicate if you	o	o

plan to attend this meeting

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice of Annual Meeting & Proxy Statement and, Annual Report (which includes a copy of the Form 10-K) is/are available at www.proxyvote.com .

GRANITE CONSTRUCTION INCORPORATED Annual
Meeting of Shareholders
June 5, 2014 10:30 AM PDT
This proxy is solicited by the Board of Directors

The shareholder(s) hereby appoint(s) James H. Roberts and Laurel J. Krzeminski and each of them with full power of substitution to represent and to vote all the shares of stock in GRANITE CONSTRUCTION INCORPORATED which the shareholder(s) is/are entitled to vote at the Annual Meeting of Shareholders to be held at 10:30 AM Pacific Daylight Time on June 5, 2014, at the Hyatt Regency Monterey Hotel, 1 Old Golf Course Road, Monterey, California 93943, and any adjournment or postponement thereof, (1) as specified upon the proposals listed on the reverse side of this card and as more particularly described in Granite's Proxy Statement dated April 25, 2014, and (2) in their discretion upon such other matters as may properly come before the meeting or any adjournment thereof.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

Continued and to be signed on reverse side

*** Exercise Your Right to Vote ***
Important Notice Regarding the Availability of Proxy Materials for the
Shareholder Meeting to Be Held on June 05, 2014

GRANITE CONSTRUCTION INCORPORATED	Meeting Information Meeting Type: Annual Meeting For holders as of: April 11, 2014 Date: June 05, 2014 Time: 10:30 AM PDT
Location:	Hyatt Regency Monterey Hotel 1 Old Golf Course Road Monterey, California 93943 For directions please call: 831-724-1011

Granite Construction Incorporated 585 West Beach Street Watsonville, CA 95076 ATTN: Betty Kwong	You are receiving this communication because you hold shares in the above named company. This is not a ballot. You cannot use this notice to vote these shares. This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. You may view the proxy materials online at www.proxyvote.com or easily request a paper copy (see reverse side). We encourage you to access and review all of the important information contained in the proxy materials before voting. See the reverse side of this notice to obtain proxy materials and voting instructions.

Before You Vote
How to Access the Proxy Materials

Proxy Materials Available to VIEW or RECEIVE:
1. Notice of Annual Meeting & Proxy Statement and
2. Annual Report (which includes a copy of the Form 10-K)
How to View Online:
Have the information that is printed in the box marked by the arrow è XXXX XXXX XXXX (located on the following page) and visit: www.proxyvote.com.
How to Request and Receive a PAPER or E-MAIL Copy:
If you want to receive a paper or e-mail copy of these documents, you must request one. There is NO charge for requesting a copy. Please choose one of the following methods to make your request:
1) BY INTERNET: www.proxyvote.com
2) BY TELEPHONE: 1-800-579-1639
3) BY E-MAIL*: sendmaterial@proxyvote.com
*
If requesting materials by e-mail, please send a blank e-mail with the information that is printed in the box marked by the arrow è XXXX XXXX XXXX located on the following page) in the subject line.

Requests, instructions and other inquiries sent to this e-mail address will NOT be forwarded to your investment advisor. Please make the request as instructed above on or before May 22, 2014 to facilitate timely delivery.

How To Vote
Please Choose One of the Following Voting Methods

Vote In Person: Many shareholder meetings have attendance requirements including, but not limited to, the possession of an attendance ticket issued by the entity holding the meeting. Please check the meeting materials for any special requirements for meeting attendance. At the meeting, you will need to request a ballot to vote these shares.

Vote By Internet: To vote now by Internet, go to www.proxyvote.com. Have the information that is printed in the box marked by the arrow è XXXX XXXX XXXX available and follow the instructions.

Vote By Mail: You can vote by mail by requesting a paper copy of the materials, which will include a proxy card.

Voting items
The Board of Directors recommends you vote FOR the following:

1. Election of Directors

Nominees

1a. Gary M. Cusumano

1b. James H. Roberts

1c. Gaddi H. Vasquez

The Board of Directors recommends you vote FOR proposals 2 and 3.

2. Advisory vote to approve executive compensation of the named executive officers.

3. 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, 2014.