



GRANITE CONSTRUCTION INCORPORATED AUDIT/COMPLIANCE COMMITTEE CHARTER

**as Approved by the Board of Directors on
January 31, 2003**

Revised January 22, 2004

Purpose

The Audit/Compliance Committee ("Committee") is appointed by the Board of Directors and its purpose is to assist the Board in (A) its oversight of (1) the Company's accounting and financial reporting principles and policies and internal controls and procedures, including the internal audit function, (2) the integrity of the company's financial statements, (3) the qualifications and independence of the Company's independent auditor, (4) the Company's compliance with legal and regulatory requirements, and (5) the Company's Corporate Compliance Program and Code of Conduct, and (B) selecting, evaluating, setting the compensation of, and, where deemed appropriate, replacing the Company's independent auditor (or nominating independent auditor to be proposed for stockholder approval in any proxy statement). In addition, the Committee shall prepare the report required by the rules of the Securities and Exchange Commission (S.E.C.) to be included in the Company's annual proxy statement.

Duties & Responsibilities

The function of the Committee is oversight. The management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles, policies, internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditor is responsible for planning and carrying out a proper audit of the Company's annual financial statements, reviews of the Company's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures.

The Committee shall be comprised of at least three directors, each of whom shall satisfy the independence and experience requirements of the New York Stock Exchange and the S.E.C., as such requirements are interpreted by the Board in its business judgment. At least one member of the Committee shall be a financial expert, as defined by Item 401(h) of Regulation S-K (§229.401(h)).

Director fees are the only compensation a Committee member shall receive from the Company.

The Committee shall meet regularly, but not less frequently than quarterly, to discuss with management the annual audited and quarterly unaudited financial statements. The Committee should also meet separately at least quarterly in executive sessions with management, the internal auditor and the independent auditor to discuss any matters that the Committee or any of these persons or firms believe should be discussed privately. The Committee may form and delegate authority to subcommittees when appropriate.

In addition, the Committee shall have the sole authority to appoint / replace the independent auditor, subject to stockholder ratification, and Pre-approve all audit, review and attest services that are required under the securities laws and all other permissible non-audit service to be rendered by the independent auditor. Non-audit services can also be pre-approved in accordance with the Policies and Procedures established by the Committee (see appendix). The independent auditor will report directly to the Committee. The Committee may request any officer or employee of the Company, the Company's outside counsel, independent auditor, investment bankers or financial analysts who follow the Company to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall have the authority to retain legal, accounting or other consultants as it determines necessary to carry out its duties.

QLCC

The Audit/Compliance Committee shall serve as the Qualified Legal Compliance Committee ("QLCC") of the Board of Directors and which shall adhere to the following:

Purpose

The purpose of the QLCC is to receive evidence of a material violation of federal or state securities law or breach of fiduciary duty or similar violation by the Company or by any officer, employee, or agent of the Company (a "Material Violation") from attorneys subject to Section 307 of the Sarbanes-Oxley Act of 2002 (the "Act") representing the Company (whether employed by the Company or as outside counsel or otherwise) and to determine an appropriate response of the Company to evidence of such Material Violation

Responsibilities

The QLCC is charged by the Board with establishing and maintaining the appropriate procedures to address reported evidence of Material Violations, the reporting requirements mandated by Section 307 of the Act, and to take all appropriate action to address such evidence as outlined in the Reporting Requirements section of this charter. See the Granite Audit/Compliance Committee Handbook for additional QLCC procedures.

Activities

The Committee shall make regular reports to the Board on the business conducted by the Committee.

For the following areas, the Committee shall:

Independent Auditor

1. Review the annual audited financial statements with management and the independent auditor, including those matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the annual audit. In particular, discuss:
 - a. The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the independent auditor, internal auditor or management.
 - b. The management letter provided by the independent auditor and the Company's response to that letter.
 - c. Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
 - d. Any changes recommended in the planned scope of the annual audit and any special audits.
 - e. Any issues on which the Company's independent audit team consulted the independent auditor's national office.
 - f. Report on internal control weaknesses and other recommendations and management response.
 - g. Discuss scope of interim reviews, annual audit, staffing and fees.
 - h. Major issues or disagreements regarding accounting and auditing principles and practices.

2. Review with management and the independent auditor the Company's quarterly or annual financial statements prior to the filing of its Form 10-Q or Form 10-K, including the results of the independent auditor's reviews of the Company's quarterly financial statements prior to the release of quarterly and annual earnings.
3. Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
4. Review the experience and qualifications of the senior members of the independent auditor team, including the lead partner.
5. Obtain and review a report from the independent auditor at least annually regarding (a) the auditor's internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditor and the Company.
6. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and the internal auditor. The Committee shall present its conclusions to the Board and, if so determined by the Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the auditor.
7. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the lead audit partner or even the independent auditing firm itself on a regular basis.
8. Meet with the independent auditor prior to the audit to review the planning and staffing of the audit.
9. Obtain from the independent auditor assurance that Section 10A of the Securities Exchange Act of 1934, as amended, has not been implicated.

Internal Audit

10. Review from time to time with management and/or the internal auditor (whether they are Company employees or independent contractors) the internal audit functions, its charter, and the appointment and replacement of the internal auditor.
11. Review the significant reports to management prepared by the internal auditor and management's responses.
12. Discuss with the independent auditor the internal audit responsibilities, budget, annual audit plan and staffing and any recommended changes in the planned scope of the internal audit plan for the coming year

13. Obtain and review reports from management and the internal auditor that the Company's subsidiaries are in conformity with applicable legal and reporting requirements, including disclosures of insider and related party transactions.
14. Assure that the procedures to promote and protect "whistle blowers" are established and effective, which will provide for confidential, anonymous submissions by employees of the Company of concerns regarding questionable internal controls, accounting or auditing matters.

Granite Management

15. Review and discuss with management an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of the accounting principles, any major issues as to the adequacy of the Company's internal controls, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements.
16. Discuss with management the company's earnings releases, 10Q, 10K and other press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies.
17. Meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
18. Review policies from time to time with management and/or recommend to the Board guidelines for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account.
19. Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies.
20. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the company's Code of Conduct and Corporate Compliance Program
21. Review with the Company's outside legal counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
22. Ensure that the Code of Conduct addresses conflicts of interest, fair dealing, the protection and proper use of Company assets, compliance with laws and regulations, and the reporting of legal or unethical behavior.

Qualified Legal Compliance Committee

23. The QLCC shall meet as necessary to develop its procedures and discharge its responsibilities.
24. The QLCC shall establish written procedures to receive, consider and retain Section 307 reports, as contemplated by the Act.
25. The QLCC shall inform the Company's chief legal officer ("CLO") and chief executive officer ("CEO") of any report of evidence of a material violation.
26. The QLCC shall decide whether an investigation is necessary to determine whether the Material Violation described in the report has occurred, is occurring, or is about to occur and, if so, to:
 - a. notify the full Board of Directors;
 - b. initiate an investigation, which may be conducted either by the CLO or by outside attorneys; and
 - c. retain such additional expert personnel as the QLCC deems necessary.
27. The QLCC shall at the conclusion of any such investigation:
 - a. recommend that the Company implement an "appropriate response," which may include appropriate remedial measures, such as
 - (i) appropriate disclosures, and/or the imposition of appropriate sanctions or steps to stop any Material Violation that occurs, prevent any Material Violation that is yet to occur, and/or to rectify or address any Material Violation that has already occurred and minimize the likelihood of its recurrence; and
 - (ii) inform the CLO and CEO and the Board of the results of any such investigation and the appropriate remedial measures to be adopted; and
 - b. take all appropriate action to implement an appropriate response, including, in the event the Company fails in any material respect to implement an appropriate response that the QLCC has recommended, consider exercising, and if appropriate, exercising the QLCC's authority to notify the Securities and Exchange Commission.
28. The QLCC shall have the authority to engage such professional advisors, including independent counsel and such other advisors or consultants as the QLCC determines are appropriate to discharge its responsibilities.
29. The QLCC shall have the authority to develop and maintain appropriate corporate training programs to facilitate familiarity with and foster the development of expertise in the operation of the QLCC.

Audit/Compliance Committee

30. Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
31. Review and reassess the adequacy of the Charter annually and recommend any proposed changes to the Board for approval.
32. Evaluate the Committee's performance annually.
33. At the beginning of each fiscal year, share with the full Board the Committee's planned agenda for the ensuing year.
34. Pre-approve the audit and non-audit services performed by the independent auditor in order to assume that they do not impair the auditor's independence from the Company in conformity with the Audit and Non-Audit Services Pre-Approval Policy
35. Evaluate annually the performance of the Director of Internal Audit and the Corporate Compliance Officer.
36. Audit Committee Chair will report regularly to the Board of Directors
 - a. The results of the annual independent audit.
 - b. The appointment of the independent auditor.
 - c. Other significant matters.
37. Hold Executive Sessions with the independent auditor, internal auditor, Granite management and others.

Audit/Compliance Committee Meeting Planner AN = As Necessary		Meeting Dates				
		AN	Q1 3/10/04	Q2 5/24/04	Q3 7/21/04	Q4 12/01/04
1	Review annual audited financial statements (including required communications); recommend to the Board when the audited financial statements should be included in the 10-K.		X			
2	Review the quarterly or annual financial statements prior to filing the 10-Q or 10-K, including results of the independent auditor's reviews prior to the release of quarterly or annual earnings.		X	X	X	X
3	Review the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the financial statements.		X	X	X	X
4	Review the experience and qualifications of the senior members of the independent auditor team, including the lead partner.	X				
5	Obtain and review a report from the independent auditor regarding a) quality control procedures, b) any material issues raised by the most recent quality-control review of the firm, or by any inquiry by authorities within the preceding five years, c) any steps taken to deal with any such issues, and d) all relationships between the independent auditor and the Company.					X
6	Evaluate the qualifications, performance and independence of the independent auditor and present conclusions to the Board.		X			
7	Consider adopting a policy of rotating the lead audit partner or even the independent auditing firm itself on a regular basis.	X				
8	Meet with the independent auditor prior to the audit to review the planning and staffing of the audit.					X
9	Obtain from the independent auditor assurance that Section 10A of the Securities Exchange Act of 1934, as amended, has not been implicated.		X	X	X	X
Internal Audit						
10	Review Internal Audit functions, charter, and the appointment and replacement of the internal auditor.	X				
11	Review the significant reports to management prepared by the internal auditor and management's responses.		X	X	X	X
12	Discuss with the internal auditor the internal audit responsibilities, annual audit plan, budget and staffing and any recommended changes in the planned scope of the internal auditing plan for the coming year.					X

Internal Audit (cont'd)		AN	Q1	Q2	Q3	Q4
			3/10/04	5/24/04	7/21/04	12/01/04
13	Obtain and review reports from management and the internal auditor that the Company's subsidiaries are in conformity with applicable legal and reporting requirements.	X				
14	Assure that the procedures to promote and protect "whistle blowers" are established and effective.	X				
Granite Management						
15	Review and discuss with management an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements.		X	X	X	X
16	Discuss with management the company's earnings releases, including non-GAAP measures, financial information and guidance.		X	X	X	X
17	Review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.	X				
18	Review policies with management and/or recommend to the Board guidelines for the hiring of employees of the independent auditor who were engaged on the Company's account.	X				
19	Review with management and the independent auditor any correspondence with regulators or government agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies	X				
20	Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the company's Code of Conduct.		X	X	X	X
21	Review with the Company's outside legal counsel legal matters that may have a material impact on the financial statements, compliance polices and any material reports received from regulators or governmental agencies.	X				
22	Ensure that the Code of Conduct addresses conflicts of interest, fair dealing, the protection and proper use of Company assets, compliance with laws and regulations and the reporting of illegal or unethical behavior.	X				
QLCC						
23	Develop procedures and discharge responsibilities.	X				
24	Establish written procedures to receive, consider and retain Section 307 reports, as contemplated by the Act.	X				
25	Inform the Company's chief legal officer ("CLO") and chief executive officer ("CEO") of any report of evidence of a material violation.	X				

QLCC (cont'd)	AN	Q1	Q2	Q3	Q4
		3/10/04	5/24/04	7/21/04	12/01/04
26 Decide whether an investigation is necessary to determine whether a Material Violation has occurred, is occurring, or is about to occur and, if so, to a) notify the full Board of Directors; b) initiate an investigation, which may be conducted either by the CLO or by outside attorneys; and c) retain additional expert personnel.	X				
27 At the conclusion of any investigation, recommend that the Company implement an appropriate response.	X				
28 Engage professional advisors as appropriate to discharge Committee responsibilities.	X				
29 Develop and maintain appropriate corporate training programs to facilitate familiarity with and foster the development of expertise in the operation of the QLCC.	X				
Audit/Compliance Committee					
30 Prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.		X			
31 Review and reassess the adequacy of the Charter annually and recommend any proposed changes to the Board for approval.		X			
32 Evaluate the Committee's performance annually.			X		
33 At the beginning of each fiscal year, share with the full Board the Committee's planned agenda for the ensuing year.		X			
34 Pre-approve the audit and non-audit services performed by the independent auditor					X
35 Evaluate the performance of the Director of Internal Audit and the Corporate Compliance Officer.				X	
36 Report to the Board of Directors results of annual independent audit, recommendation of the appointment of the independent auditor and other matters as necessary.	X				
37 Hold Executive Sessions with the independent auditor, internal auditor, Granite management and counselors.		X	X	X	X

The Committee meeting planner contemplates Committee chairperson leadership (with input from management and the auditors) in:

- Developing a detailed agenda for each meeting
- Keeping lines of communication open among the Board, auditors and Committee members