EUROSEAS LTD.
Form 6-K
August 08, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16 OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2014

Commission File Number: 001-33283

EUROSEAS LTD.
(Translation of registrant s name into English)

4 Messogiou & Evropis Street
151 24 Maroussi, Greece
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F [X]   Form 40-F [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): [ ].

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): [ ].

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached to this Report on Form 6-K as Exhibit 1 is a copy of the press release issued by Euroseas Ltd. (the Company) on August 8, 2014: Euroseas Ltd. Reports Results for the Six-Month Period and Quarter Ended June 30, 2014

This report on Form 6-K , except for the paragraph beginning with Aristides Pittas, Chairman and CEO of Euroseas commented: and the paragraph beginning with Tasos Aslidis, Chief Financial Officer of Euroseas commented , is hereby incorporated by reference into the Company s Registration Statement on Form F-3 File No. 333-177014, initially filed with the Commission on September 27, 2011, as amended, and the Company s Registration Statement on Form F-3 File No. 333-194922, initially filed with the Commission on March 31, 2014 as amended.

Exhibit 1

Euroseas Ltd. Reports Results for the Six-Month Period and Quarter Ended June 30, 2014

Maroussi, Athens, Greece **August 7, 2014** Euroseas Ltd. (NASDAQ: ESEA), an owner and operator of drybulk and container carrier vessels and provider of seaborne transportation for drybulk and containerized cargoes, announced today its results for the three and six month period ended June 30, 2014 as well as certain fleet updates.

Second Quarter 2014 Highlights:

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Net loss of $5.0 million; net loss available to common shareholders of $5.4 million or $0.09 loss per share basic and diluted. Total net revenues of $9.6 million. Adjusted net loss available to common shareholders[1] for the period remained the same at $0.09 per share basic and diluted.

- Adjusted EBITDA[1] was $(1.6) million.

- An average of 14.4 vessels were owned and operated during the second quarter of 2014 earning an average time charter equivalent rate of $7,373 per day.

- The Company declared its second dividend of $0.4 million on its Series B Preferred shares; the dividend was paid in-kind by issuing additional Series B Preferred Shares.

[1] Adjusted EBITDA, Adjusted net loss, Adjusted net loss available to common shareholders and Adjusted loss per share available to common shareholders are not recognized measurements under GAAP. Refer to a subsequent section of the Press Release for the definitions and reconciliation of these measurements to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP.

First Half 2014 Highlights:

- Net loss of $7.2 million; net loss available to common shareholders of $7.9 million or $0.15 loss per share basic and diluted. Total net revenues of $19.1 million. Adjusted net loss per share available to common shareholders[1] for the period was $0.15.

- Adjusted EBITDA[1] was $(0.6) million.

- An average of 14.2 vessels were owned and operated during the first half of 2014 earning an average time charter equivalent rate of $7,585 per day.

Aristides Pittas, Chairman and CEO of Euroseas commented: During the first half and during the month of July of 2014, the drybulk market weakened significantly against expectations widely held in the industry while the containership market remained static at low levels. Despite these developments, we continue to believe that both markets will show a gradual improvement over the rest of 2014 and during 2015. Our fleet continues to have a high exposure to the spot market and our chartering strategy remains to pursue short term charters of 3-12 months when possible. We are thus well positioned to take advantage of an improving market.

Tasos Aslidis, Chief Financial Officer of Euroseas commented: The results of the second quarter of 2014 reflect the depressed level of the containership and drybulk markets compared to the same quarter of 2013, despite the better commercial utilization rate of the vessels.

Total daily vessel operating expenses, including management fees, general and administrative expenses but excluding drydocking costs, averaged $6,449 per vessel per day during the second quarter of 2014 as compared to $6,115 per vessel per day for the same quarter of last year, and $6,398 per vessel per day for the first half of 2014 as compared to $6,192 per vessel per day for the same period of 2013, reflecting a 5.5% and 3.3% increase, respectively. As always, we want to emphasize that cost control remains a key component of our strategy.

On the financing front, we were able to secure financing for our recent acquisition of M/V Eirini P as well as refinance the balloon payment of loan of M/V Eleni P. As of June 30, 2014, our outstanding debt was $59.4 million versus restricted and unrestricted cash of about $46.4 million. As of the same date, our scheduled debt repayments over the next 12 months amounted to about $14.6 million, inclusive of about $4.9 million of balloon repayments which may be refinanced. All our debt covenants are satisfied.

Second Quarter 2014 Results:

For the second quarter of 2014, the Company reported total net revenues of $9.6 million representing a 0.7% increase over total net revenues of $9.6 million during the second quarter of 2013. The Company reported net loss for the period of $5.0 million, net loss available to common shareholders of $5.4 million, as compared to net loss of $8.9 million for the second quarter of 2013. The results for the second quarter of 2014 include a $0.2 million unrealized gain on derivatives, a $0.2 million realized loss on derivatives, as compared to $0.4 million unrealized gain on derivatives, a $0.4 million realized loss on derivatives and $3.2 million loss on sale of a vessel for the same period of 2013.

Depreciation expenses for the second quarter of 2014 were $3.0 million compared to $4.2 million during the same period of 2013. On average, 14.4 vessels were owned and operated during the second quarter of 2014 earning an average time charter equivalent rate of $7,373 per day compared to 14.96 vessels in the same period of 2013 earning on average $7,708 per day.

Adjusted EBITDA for the second quarter of 2014 was $(1.6) million compared to $(1.0) million achieved during the second quarter of 2013. Please see below for Adjusted EBITDA reconciliation to net loss and cash flow provided by operating activities.

Basic and diluted loss per share available to common shareholders for the second quarter of 2014 was $0.09 calculated on 56,888,123 basic and diluted weighted average number of shares outstanding, compared to basic and diluted loss per share of $0.20 for the second quarter of 2013, calculated on 45,319,605 basic and diluted weighted average number of shares outstanding.

Excluding the effect, on the loss available to common shareholders, for the quarter of the unrealized gain on derivatives and the realized loss on derivatives, the adjusted net loss per share available to common shareholders for the quarter ended June 30, 2014 remained $0.09 per share basic and diluted compared to net loss of $0.12 per share basic and diluted for the quarter ended June 30, 2013. Usually, security analysts do not include the above items in their published estimates of earnings per share.

First Half 2014 Results:

For the first half of 2014, the Company reported total net revenues of $19.1 million representing a 6.5% decrease over total net revenues of $20.5 million during the first half of 2013. The Company reported a net loss for the period of $7.2 million, net loss available to common shareholders of $7.9, as compared to net loss of $13.5 million for the first half of 2013. The results for the first half of 2014 include a $0.3 million unrealized gain on derivatives, a $0.4 million realized loss on derivatives as compared to $0.9 million unrealized gain on derivatives, a $0.9 million realized loss on derivatives and a $3.2 million loss on sale of a vessel for the same period of 2013.

Depreciation expenses for the first half of 2014 were $5.8 million compared to $8.5 million during the same period of 2013. On average, 14.2 vessels were owned and operated during the first half of 2014 earning an average time charter equivalent rate of $7,585 per day compared to 14.98 vessels in the same period of 2013 earning on average $8,256 per day.

Adjusted EBITDA for the first half of 2014 was $(0.6) million compared to $(1.1) million achieved during the first half of 2013. Please see below for Adjusted EBITDA reconciliation to net loss and cash flow provided by operating activities.

Basic and diluted loss per share available to common shareholders for the first half of 2014 was $0.15 respectively, calculated on 52,446,850 basic and diluted weighted average number of shares outstanding compared to basic and diluted loss per share of $0.30 for the first half of 2013, calculated on 45,319,605 basic and diluted weighted average number of shares outstanding.

Excluding the effect, on the loss available to common shareholders, for the first half of 2014 of the unrealized gain on derivatives, realized loss on derivatives and the loss on sale of vessel, the adjusted net loss per share available to common shareholders for the six-month period ended June 30, 2014 remained $0.15 compared to loss of $0.23 per share basic and diluted for the same period in 2013. Usually, security analysts do not include the above items in their published estimates of earnings per share.

Fleet Profile:

The Euroseas Ltd. fleet profile is as follows:

Name	Type	Dwt	TEU	Year Built	Employment	TCE Rate ($/day)
Dry Bulk Vessels						
Vessels in the water						
EIRINI P	Panamax	76,466		2004	TC til Oct-14	$9,000
PANTELIS	Panamax	74,020		2000	TC til Feb-15	105% of average BPI 4TC
ELENI P	Panamax	72,119		1997	TC til Oct-14	97% of average BPI 4TC
ARISTIDES N.P.	Panamax	69,268		1993	TC till Aug-14	$4,000
MONICA P	Handymax	46,667		1998	TC til Sep-14	$7,500
Vessels under construction(*)						
Hull Number YZJ 1116	Kamsarmax	82,000		2015	N/A	
Hull Number YZJ 1153	Kamsarmax	82,000		2016	N/A	
Hull Number DY 160	Ultramax	63,500		2015	N/A	
Hull Number DY 161	Ultramax	63,500		2016	N/A	
Total Dry Bulk Vessels	**9**	**629,540**				
Container Carriers						
EVRIDIKI G	Intermediate	34,677	2,556	2001	TC til Apr -15	$8,200
TIGER BRIDGE	Intermediate	31,627	2,228	1990	TC til Sep -14	$6,800
AGGELIKI P	Intermediate	30,360	2,008	1998	TC til Sep-14	$6,950
DESPINA P	Handy size	33,667	1,932	1990	TC til Sep-14	$6,950
CAPTAIN COSTAS	Handy size	30,007	1,742	1992	TC 'till Aug-14 Thereafter TC 'till Jul-15	$6,500 $7,750
JOANNA	Handy size	22,301	1,732	1999	Voyage Colombia China starting Aug 2014	$400,000 (lumpsum)
					TC 'till Nov-14	$7,150

MARINOS	Handy size	23,596	1,599	1993	+ 5 months in Charterers Option	$8,000
MANOLIS P	Handy size	20,346	1,452	1995	TC till Mar-15	$7,200
NINOS	Feeder	18,253	1,169	1990	TC til Oct-14	$8,200
KUO HSIUNG	Feeder	18,154	1,169	1993	TC til Jul-15	$8,700
Total Container Carriers	**10**	**262,988**	**17,587**			
Fleet Grand Total	**19**	**892,528**	**17,587**			

Note: (*) Vessels are to be delivered in the fourth quarter of 2015 (one ultramax and one kamsarmax), the other ultramax in the first quarter of 2016 and the other kamsarmax in the fourth quarter of 2016.

Summary Fleet Data:

	Three Months, ended June 30, 2013	Three Months, ended June 30, 2014	Six Months, ended June 30, 2013	Six Months, ended June 30, 2014
FLEET DATA				
Average number of vessels (1)	14.96	14.40	14.98	14.20
Calendar days for fleet (2)	1,361	1,310	2,711	2,570
Scheduled off-hire days incl. laid-up (3)	34.26	64.25	100.37	64.25
Available days for fleet (4) = (2) - (3)	1,327	1,246	2,611	2,506
Commercial off-hire days (5)	124.07	6.67	132.5	6.67
Operational off-hire days (6)	2.90	3.66	19.35	5.94
Voyage days for fleet (7) = (4) - (5) - (6)	1,200	1,235	2,459	2,493
Fleet utilization (8) = (7) / (4)	90.4%	99.2%	94.2%	99.5%
Fleet utilization, commercial (9) = ((4) - (5)) / (4)	90.6%	99.5%	95.0%	99.7%
Fleet utilization, operational (10) = ((4) - (6)) / (4)	99.8%	99.7%	99.3%	99.8%
AVERAGE DAILY RESULTS				
Time charter equivalent rate (11)	7,708	7,373	8,256	7,585
Vessel operating expenses excl. drydocking expenses (12)	5,534	5,708	5,545	5,628
General and administrative expenses (13)	581	741	647	771
Total vessel operating expenses (14)	6,115	6,449	6,192	6,398
Drydocking expenses (15)	783	982	1,063	525

(1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of calendar days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.

(2) Calendar days. We define calendar days as the total number of days in a period during which each vessel in our fleet was in our possession including off-hire days associated with major repairs, drydockings or special or intermediate surveys or days of vessels in lay-up. Calendar days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during that period.

(3) The scheduled off-hire days including vessels laid-up are days associated with scheduled repairs, drydockings or special or intermediate surveys or days of vessels in lay-up. We use available days to measure the number of days in a period during which vessels were available to generate revenues.

(4) Available days. We define available days as the total number of days in a period during which each vessel in our fleet was in our possession net of scheduled off-hire days including days of vessels laid-up.

(5) Commercial off-hire days. We define commercial off-hire days as days waiting to find employment.

(6) Operational off-hire days. We define operational off-hire days as days associated with unscheduled repairs or other off-hire time related to the operation of the vessels,

(7) Voyage days. We define voyage days as the total number of days in a period during which each vessel in our fleet was in our possession net of commercial and operational off-hire days. We use voyage days to measure the number of days in a period during which vessels actually generate revenues.

(8) Fleet utilization. We calculate fleet utilization by dividing the number of our voyage days during a period by the number of our available days during that period. We use fleet utilization to measure a company s efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons such as unscheduled repairs or days waiting to find employment.

(9) Fleet utilization, commercial. We calculate commercial fleet utilization by dividing our available days net of commercial off-hire days during a period by our available days during that period.

(10) Fleet utilization, operational. We calculate operational fleet utilization by dividing our available net of operational off-hire days during a period by our available days during that period.

(11) Time charter equivalent, or TCE, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE is determined by dividing revenue generated from voyage charters net of voyage expenses by voyage days for the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract. TCE is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company s performance despite changes in the mix of charter types (i.e., spot voyage charters, time charters and bareboat charters) under which the vessels may be employed between the periods.

(12) Daily vessel operating expenses, which includes crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs and management fees are calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period. Drydocking expenses are reported separately.

(13) Daily general and administrative expense is calculated by dividing general and administrative expense by fleet calendar days for the relevant time period.

(14) Total vessel operating expenses, or TVOE, is a measure of our total expenses associated with operating our vessels. TVOE is the sum of vessel operating expenses excluding drydocking expenses and general and administrative expenses. Daily TVOE is calculated by dividing TVOE by fleet calendar days for the relevant time period.

(15) Drydocking expenses, which include expenses during drydockings that would have been capitalized and amortized under the deferral method divided by the fleet calendar days for the relevant period. Drydocking expenses could vary substantially from period to period depending on how many vessels underwent drydocking during the period.

Conference Call and Webcast:

Tomorrow, Friday, August 8, 2014 at 9:00 a.m. ET, the company's management will host a conference call to discuss the results.

Conference Call details:

Participants should dial into the call 10 minutes before the scheduled time using the following numbers: 1 866 819 7111 (from the US), 0800 953 0329 (from the UK) or +44 (0)1452 542 301 (from outside the US). Please quote Euroseas.

A recording of the conference call will be available until August 15, 2014 by dialing 1 866 247 4222 (from the US), 0800 953 1533 (from the UK) or +44 (0)1452 550 000 (international standard dial in). Access Code: 6973591#

Audio webcast Slides Presentation:

There will be a live and then archived audio webcast of the conference call, via the internet through the Euroseas website (www.euroseas.gr). Participants to the live webcast should register on the website approximately 10 minutes prior to the start of the webcast. A slide presentation on the Second Quarter and First Half 2014 results in PDF format will also be available 30 minutes prior to the conference call and webcast accessible on the company s website (www.euroseas.gr) on the webcast page. Participants to the webcast can download the PDF presentation.

Euroseas Ltd.

Unaudited Consolidated Condensed Statements of Operations

(All amounts expressed in U.S. Dollars except number of shares)

	Three Months Ended June 30,	Three Months Ended June 30,	Six Months Ended June 30,	Six Months Ended June 30,
	2013	**2014**	**2013**	**2014**
	(unaudited)		(unaudited)	
Revenues				
Voyage revenue	9,986,356	10,081,816	21,325,722	20,048,813
Related party revenue	60,000	60,000	120,000	120,000
Commissions	(474,540)	(502,688)	(962,283)	(1,030,826)
Net revenues	**9,571,816**	**9,639,128**	**20,483,439**	**19,137,987**
Operating expenses				
Voyage expenses	748,642	1,002,655	997,718	1,138,951
Vessel operating expenses	6,298,912	6,238,260	12,558,899	12,036,879
Drydocking expenses	1,066,242	1,286,807	2,878,644	1,372,211
Depreciation	4,218,799	2,972,497	8,501,893	5,825,417
Net loss on sale of vessel	3,191,678	-	3,191,678	-
Management fees	1,232,925	1,238,792	2,473,650	2,430,598
Other general and administrative expenses	790,850	970,903	1,754,396	1,978,792
Total operating expenses	**17,548,048**	**13,709,914**	**32,356,878**	**24,782,848**
Operating loss	**(7,976,232)**	**(4,070,786)**	**(11,873,439)**	**(5,644,861)**
Other income/(expenses)				
Interest and finance cost	(489,237)	(487,781)	(968,577)	(957,923)

Loss on derivatives, net	(22,802)	(54,211)	(2,027)	(95,865)
Other investment income	-	237,500	-	475,000
Foreign exchange gain / (loss)	(2,929)	(702)	3,766	404
Interest income	48,350	145,653	236,818	255,269
Other expenses, net	**(466,618)**	**(159,541)**	**(730,020)**	**(323,115)**
Equity loss in joint venture	(431,760)	(786,770)	(897,459)	(1,262,204)
Net loss	**(8,874,610)**	**(5,017,097)**	**(13,500,918)**	**(7,230,180)**
Dividend Series B Preferred shares	-	(387,055)	-	(651,416)
Net loss available to common shareholders	-	**(5,404,152)**	-	**(7,881,596)**
Loss per share, basic and diluted	(0.20)	(0.09)	(0.30)	(0.15)
Weighted average number of shares, basic and diluted	45,319,605	56,888,123	45,319,605	52,446,850

Euroseas Ltd.

Unaudited Consolidated Condensed Balance Sheets

(All amounts expressed in U.S. Dollars except number of shares)

		June 30, **2014**
ASSETS	(unaudited)	
Current Assets:		
Cash and cash equivalents	11,400,237	38,384,909
Trade accounts receivable	1,879,151	535,190
Other receivables, net	1,440,833	1,015,299
Inventories	1,474,114	1,950,650
Restricted cash	462,415	294,059
Prepaid expenses	295,248	325,093
Total current assets	**16,951,998**	**42,505,200**
Fixed assets:		
Vessels, net	105,463,737	120,962,255
Advances for vessels under construction	50,122	12,462,459
Long-term assets:		
Restricted cash	7,400,000	7,700,000
Deferred charges, net	338,431	370,775
Other Investments	5,196,196	5,671,196
Investment in joint venture	21,215,870	19,953,665
Total long-term assets	**139,664,356**	**167,120,350**
Total assets	**156,616,354**	**209,625,550**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Long term debt, current portion	12,862,000	14,617,000
Trade accounts payable	2,336,952	4,135,843

Accrued expenses	1,002,445	1,534,726
Accrued dividends	13,050	13,050
Deferred revenue	996,599	1,544,644
Due to related company	903,478	1,025,071
Derivatives	697,889	501,015
Total current liabilities	**18,812,413**	**23,371,349**
Long-term liabilities:		
Long term debt, net of current portion	32,782,000	44,821,000
Derivatives	319,859	174,831
Total long-term liabilities	**33,101,859**	**44,995,831**
Total liabilities	**51,914,272**	**68,367,180**
Mezzanine equity: Series B Preferred shares (par value $0.01, 20,000,000 preferred shares authorized, 0 and 31,351 shares issued and outstanding, respectively)	-	29,651,416
Shareholders' equity:		
Common stock (par value $0.03, 200,000,000 shares authorized,45,723,255 and 56,888,123 issued and outstanding)	1,371,698	1,706,644
Additional paid-in capital	252,314,683	266,766,205
Accumulated deficit	(148,984,299)	(156,865,895)
Total shareholders' equity	**104,702,082**	**111,606,954**
Total liabilities and shareholders' equity	**156,616,354**	**209,625,550**

Euroseas Ltd.

Unaudited Consolidated Condensed Statements of Cash Flows

(All amounts expressed in U.S. Dollars)

		Six Months Ended June 30, 2014
Cash flows from operating activities:		
Net loss	(13,500,918)	(7,230,180)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of vessels	8,501,893	5,825,417
Loss on sale of vessel	3,191,678	-
Amortization of deferred charges	84,236	61,978
Loss in investment in joint venture	897,459	1,262,204
Share-based compensation	367,429	286,468
Unrealized gain on derivatives	(882,937)	(341,902)
Other income accrued	-	(475,000)
Changes in operating assets and liabilities	4,222,768	3,541,086
Net cash provided by operating activities	**2,881,608**	**2,930,071**
Cash flows from investing activities:		
Contribution to joint venture	(6,250,000)	-
Vessel acquisition and advances for vessels under construction	(636,602)	(33,230,898)
Proceeds from sale of vessel	3,569,159	-
Change in restricted cash	(995,497)	(131,644)
Net cash used in investing activities	**(4,312,940)**	**(33,362,542)**
Cash flows from financing activities:		
Proceeds from issuance of common stocks, net	-	14,550,000
Proceeds from issuance of preferred stocks, net	-	29,700,000
Dividends paid	(1,357,986)	-
Loan fees paid	-	(260,000)
Offering expenses paid	-	(366,857)
Proceeds from long term debt	-	23,300,000
Repayment of long-term debt	(7,456,000)	(9,506,000)
Net cash (used in) / provided by financing activities	**(8,813,986)**	**57,417,143**
Net (decrease) / increase in cash and cash equivalents	(10,245,318)	26,984,672

Cash and cash equivalents at beginning of period	33,374,960	11,400,237
Cash and cash equivalents at end of period	**23,129,642**	**38,384,909**

Euroseas Ltd.

Reconciliation of Adjusted EBITDA to

Net loss and Cash Flow Provided by Operating Activities

(All amounts expressed in U.S. Dollars)

	Three Months Ended June 30, 2013	**Three Months Ended June 30, 2014**	**Six Months Ended June 30, 2013**	**Six Months Ended June 30, 2014**
Net loss	(8,874,610)	(5,017,097)	(13,500,918)	(7,230,180)
Interest and finance costs, net (incl. interest income)	440,887	342,128	731,759	702,654
Depreciation	4,218,799	2,972,497	8,501,893	5,825,417
Unrealized and realized loss on derivatives, net	22,802	54,211	2,027	95,865
Loss on sale of vessel	3,191,678	-	3,191,678	-
Adjusted EBITDA	**(1,000,444)**	**(1,648,261)**	**(1,073,561)**	**(606,244)**

	Three Months Ended June 30, 2013	**Three Months Ended June 30, 2014**	**Six Months Ended June 30, 2013**	**Six Months Ended June 30, 2014**

Net cash flow provided by operating activities	1,266,355	3,164,759	2,881,608	2,930,071
Changes in operating assets / liabilities	(2,527,115)	(4,651,269)	(4,222,768)	(3,541,086)
Loss on derivatives (realized)	443,825	216,946	884,964	437,767
Equity loss in joint venture and Other investment income, net	(431,760)	(549,270)	(897,459)	(787,204)
Share-based compensation	(158,683)	(140,428)	(367,429)	(286,468)
Interest, net	406,934	311,001	647,523	640,676
Adjusted EBITDA	**(1,000,444)**	**(1,648,261)**	**(1,073,561)**	**(606,244)**

Adjusted EBITDA Reconciliation:
Euroseas Ltd. considers Adjusted EBITDA to represent net earnings / (loss) before interest, income taxes, depreciation, amortization, gain / loss in derivatives and loss on sale of vessel. Adjusted EBITDA does not represent and should not be considered as an alternative to net income /(loss) or cash flow from operations, as determined by United States generally accepted accounting principles, or U.S. GAAP, and the Company's calculation of Adjusted EBITDA may not be comparable to that reported by other companies. Adjusted EBITDA is included herein because it is a basis upon which the Company assesses its financial performance and liquidity position and because the Company believes that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness. The Company's definition of Adjusted EBITDA may not be the same as that used by other companies in the shipping or other industries.

Euroseas Ltd.

Reconciliation of Net loss to Adjusted net loss

(All amounts expressed in U.S. Dollars except share data and number of shares)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2014	Six Months Ended June 30, 2013	Six Months Ended June 30, 2014
Net loss	**(8,874,610)**	**(5,017,097)**	**(13,500,918)**	**(7,230,180)**
Unrealized gain on derivatives	(421,023)	(162,735)	(882,937)	(341,902)
Realized loss on derivatives	443,825	216,946	884,964	437,767
Loss on sale of vessel	3,191,678	-	3,191,678	-
Adjusted net loss	**(5,660,130)**	**(4,962,886)**	**(10,307,213)**	**(7,134,315)**
Preferred dividends	-	(387,055)	-	(651,416)
Adjusted net loss available to common shareholders	**(5,660,130)**	**(5,349,941)**	**(10,307,213)**	**(7,785,731)**
Adjusted net loss per share, basic and diluted	(0.12)	(0.09)	(0.23)	(0.15)
Weighted average number of shares, basic and diluted	45,319,605	56,888,123	45,319,605	52,446,850

Adjusted Net Loss and Adjusted Net Loss per share Reconciliation:

Euroseas Ltd. considers Adjusted Net Loss to represent net loss before gain / loss in derivatives and loss on sale of vessel. Adjusted Net loss and Adjusted Net loss per share is included herein because we believe it assists our management and investors by increasing the comparability of the Company s fundamental performance from period to period by excluding the potentially disparate effects between periods of gain / loss on derivatives and loss on sale of vessel, which items may significantly affect results of operations between periods.

Adjusted Net loss and Adjusted Net loss per share do not represent and should not be considered as an alternative to net loss or loss per share, as determined by U.S. GAAP, The Company s definition of Adjusted Net loss and Adjusted Net loss per share may not be the same as that used by other companies in the shipping or other industries

About Euroseas Ltd.

Euroseas Ltd. was formed on May 5, 2005 under the laws of the Republic of the Marshall Islands to consolidate the ship owning interests of the Pittas family of Athens, Greece, which has been in the shipping business over the past 136 years. Euroseas trades on the NASDAQ Global Market under the ticker ESEA since January 31, 2007.

Euroseas operates in the dry cargo, drybulk and container shipping markets. Euroseas' operations are managed by Eurobulk Ltd., an ISO 9001:2008 certified affiliated ship management company which is responsible for the day-to-day commercial and technical management and operations of the vessels. Euroseas employs its vessels on spot and period charters and through pool arrangements.

The Company has a fleet of 15 vessels, including 4 Panamax drybulk carriers and 1 Handymax drybulk carrier, 3 Intermediate containership, 5 Handysize containerships, 2 Feeder containerships. Euroseas` 5 drybulk carriers have a total cargo capacity of 338,540 dwt, its 10 containerships have a cargo capacity of 17,587 teu. The Company has also signed contracts for the construction of two Ultramax (63,500 dwt) fuel efficient drybulk carriers and two Kamsarmax (82,000 dwt) fuel efficient drybulk carriers. Including the four new-buildings, the total cargo capacity of the Company's drybulk vessels will be 629,540 dwt.

Forward Looking Statement

This press release contains forward-looking statements (as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) concerning future events and the Company s growth strategy and measures to implement such strategy; including expected vessel acquisitions and entering into further time charters. Words such as expects, intends, plans, believes, anticipates, hopes, esti variations of such words and similar expressions are intended to identify forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Company. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to changes in the demand for dry bulk vessels and container ships, competitive factors in the market in which the Company operates; risks associated with operations outside the United States; and other factors listed from time to time in the Company s filings with the Securities and Exchange Commission. The Company expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company s expectations with respect thereto or any change in events, conditions or circumstances on which any statement is based.

Visit our website www.euroseas.gr

Company Contact	**Investor Relations / Financial Media**
Tasos Aslidis	Nicolas Bornozis
Chief Financial Officer	President

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SIGNATURES

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, thereunto duly authorized.

EUROSEAS LTD.

Dated: August 8, 2014	By:	/s/ Dr. Anastasios Aslidis
	Name:	Dr. Anastasios Aslidis
	Title:	Chief Financial Officer and Treasurer

le="DISPLAY: inline; FONT-SIZE: 11pt; FONT-FAMILY: times new roman">

Net income

-

-

-

73,500

-

73,500
26,701
Changes in net unrealized gains on investments

-

-

-

-

146

146
-
Total comprehensive income

100,347

Restricted stock issued

390,468

4

(4
)
-

-

-
-
-

Stock issued for services

47,126

-

1,904

-

-

1,904
-
1,904

Amortized restricted stock

-

-

10,765

-

-

10,765
-
10,765

Repurchase of common stock

(93,763
)

(1
)

(3,430
)
-

-

(3,431
) -
(3,431
)
Cash dividends on common stock

-

-

-

(20,105
)
-

(20,105
) -
(20,105
)
Net tax benefit on stock-based compensation

-

-

632

-

-

632
-
632

Transactions with noncontrolling interests, net
- - - - - - (11,569) (11,569)
Stock options exercised and other

24,399

-

(269
)
-

-

(269
) -
(269
)
Balances at December 31, 2009

38,635,021

$
386

$
94,633

$
735,632

$
-

$
830,651
$ 51,905
$
882,556

The accompanying notes are an integral part of these consolidated financial statements.

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GRANITE CONSTRUCTION INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

Years Ended December 31,	2009	2008	2007
Operating activities			
Net income	$ 100,201	$ 165,738	$ 132,924
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment of real estate held for development and sale	1,686	4,500	3,000
Intangible impairment charge	3,873	-	-
Inventory written down	3,097	12,848	478
Depreciation, depletion and amortization	80,195	87,311	82,157
(Recovery of) provision for doubtful accounts	(4,404)	10,958	3,894
Gain on sales of property and equipment	(17,169)	(5,503)	(10,343)
Change in deferred income taxes	21,107	1,190	(7,822)
Stock-based compensation	10,765	7,463	7,342
Excess tax benefit on stock-based compensation	(828)	(851)	(3,659)
Acquisition expense	-	-	7,752
(Gain) loss from marketable securities	(485)	10,939	-
Equity in (income) loss of affiliates	(7,696)	1,058	(5,205)
Acquisition of noncontrolling interest	-	(16,617)	-
Gain on sale of investment in affiliate	-	(14,416)	-
Gain on early extinguishment of debt	-	(1,150)	-
Changes in assets and liabilities, net of the effects of acquisition and consolidations:			
Receivables	35,706	100,533	102,992
Inventories	6,326	(10,812)	(10,391)
Real estate held for development and sale	(17,263)	(15,225)	2,179
Equity in construction joint ventures	(23,012)	(10,341)	(2,428)
Other assets, net	2,590	40,870	(12,624)
Accounts payable	(43,480)	(38,956)	(44,502)
Accrued expenses and other liabilities, net	(18,261)	(28,378)	3,198
Billings in excess of costs and estimated earnings, net	(68,647)	(43,823)	(14,154)
Net cash provided by operating activities	64,301	257,336	234,788
Investing activities			
Purchases of marketable securities	(99,011)	(71,630)	(152,954)
Maturities of marketable securities	36,970	108,090	195,313
Proceeds from sale of marketable securities	7,966	22,499	-
Purchase of company owned life insurance	(8,000)	(8,000)	-
Release of funds for acquisition of noncontrolling interest	-	28,332	-
Additions to property and equipment	(87,645)	(94,135)	(118,612)
Proceeds from sales of property and equipment	23,020	14,539	17,777
Acquisition of businesses	-	(14,022)	(76,427)
Contributions to affiliates	(4,969)	(8,053)	(6,805)
Distributions from affiliates	-	3,895	-
Acquisition of noncontrolling interest	-	-	(28,495)
Issuance of notes receivable	(11,314)	-	-
Collection of notes receivable	13,104	728	3,683

Other investing activities, net		-		(500)		(224)
Net cash used in investing activities		(129,879)		(18,257)		(166,744)
Financing activities						
Proceeds from long-term debt		10,750		3,725		330,260
Long-term debt principal payments		(18,856)		(17,092)		(139,598)
Purchase of common stock		(3,431)		(45,540)		(98,014)
Cash dividends paid		(20,057)		(20,055)		(16,764)
Contributions from noncontrolling partners		420		5,026		33,287
Distributions to noncontrolling partners		(26,019)		(45,909)		(33,813)
Acquisition of noncontrolling interest		-		(11,716)		-
Excess tax benefit on stock-based compensation		828		851		3,659
Other financing activities		56		40		480
Net cash (used in) provided by financing activities		(56,309)		(130,670)		79,497
(Decrease) increase in cash and cash equivalents	$	(121,887)	$	108,409	$	147,541
Cash and cash equivalents at beginning of year		460,843		352,434		204,893
Cash and cash equivalents at end of year	$	338,956	$	460,843	$	352,434

The accompanying notes are an integral part of these consolidated financial statements.

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GRANITE CONSTRUCTION INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(in thousands)

Years Ended December 31,	2009	2008	2007
Supplementary Information			
Cash paid during the period for:			
Interest	$22,783	$ 12,700	$ 6,508
Income taxes	54,082	68,492	66,503
Non-cash investing and financing activities:			
Restricted stock issued for services, net	$18,405	$ 6,961	$ 11,190
Restricted stock units issued	52	3,237	-
Accrued cash dividends	5,023	4,975	5,129
Assets acquired through issuances of debt	-	-	3,202
Debt payments from sale of assets	-	2,652	9,237
Settlement of debt from release of assets	-	5,250	-

The accompanying notes are an integral part of these consolidated financial statements.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Description of Business: Granite Construction Incorporated is a heavy civil contractor and a construction materials producer. We are engaged in the construction of roads, highways, mass transit facilities, airport infrastructure, bridges, dams and canals. We are also diversified into real estate investment and development. We have offices in Alaska, Arizona, California, Florida, Nevada, New York, Oregon, Texas, Utah and Washington. Unless otherwise indicated, the terms “we”, “us”, “our”, “Company” and “Granite” refer to Granite Construction Incorporated and its consolidated subsidiaries.

Principles of Consolidation: The consolidated financial statements include the accounts of Granite Construction Incorporated and its wholly owned and majority owned subsidiaries. All material inter-company transactions and accounts have been eliminated. We use the equity method of accounting for affiliated companies where we have the ability to exercise significant influence, but not control. Additionally, we participate in joint ventures with other construction companies and various real estate ventures. We have consolidated these ventures where we have determined that through our participation we have a variable interest and are the primary beneficiary as defined by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 810, Consolidation, and related standards. We account for our share of the operations of jointly controlled construction joint ventures on a pro rata basis in the consolidated statements of income and as a single line item in the consolidated balance sheets. Real estate entities are accounted for under the equity method of accounting, as a single line item in both the consolidated statements of income and in the consolidated balance sheets where we have determined we are not the primary beneficiary but do exercise significant influence. Effective January 1, 2009, we adopted a new accounting standard that required noncontrolling interests, formerly known as minority interest, to be separately presented in both the consolidated balance sheets and consolidated statements of income. Prior years have been adjusted to conform to this new standard.

Subsequent Events: In preparing these financial statements, we have evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

Use of Estimates in the Preparation of Financial Statements: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Our estimates, judgments and assumptions are continually evaluated based on available information and experiences; however, actual amounts could differ from those estimates.

Revenue Recognition - Construction: Revenue and earnings on construction contracts, including construction joint ventures, are recognized under the percentage of completion method using the ratio of costs incurred to estimated total costs. Revenue in an amount equal to cost incurred is recognized prior to contracts reaching 25% completion, thus deferring the related profit. It is our judgment that until a project reaches 25% completion, there is insufficient information to determine the estimated profit on the project with a reasonable level of certainty. In the case of large, complex design/build projects we may defer profit recognition beyond the point of 25% completion based on an evaluation of specific project risks. The factors considered in this evaluation include the stage of design completion, the stage of construction completion, status of outstanding purchase orders and subcontracts, certainty of quantities of labor and materials, certainty of schedule and the relationship with the owner.

Revenue from contract claims is recognized when we have a signed agreement and payment is assured. Revenue from contract change orders, which occur in most large projects, is recognized when the owner has agreed to the change order in writing. Provisions are recognized in the consolidated statements of income for the full amount of estimated losses on uncompleted contracts whenever evidence indicates that the estimated total cost of a contract exceeds its estimated total revenue. All contract costs, including those associated with claims and change orders, are recorded as incurred and revisions to estimated total costs are reflected as soon as the obligation to perform is determined. Contract cost consists of direct costs on contracts, including labor and materials, amounts payable to subcontractors, direct overhead costs and equipment expense (primarily depreciation, fuel, maintenance and repairs).

GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The accuracy of our revenue and profit recognition in a given period is dependent on the accuracy of our estimates of the cost to complete each project. Cost estimates for all of our significant projects use a highly detailed “bottom up” approach and we believe our experience allows us to provide materially reliable estimates. There are a number of factors that can contribute to changes in estimates of contract cost and profitability. The most significant of these include:

- the completeness and accuracy of the original bid;
- costs associated with added scope changes;
- extended overhead due to owner, weather and other delays;
- subcontractor performance issues;
- changes in productivity expectations;
- site conditions that differ from those assumed in the original bid (to the extent contract remedies are unavailable);
- the availability and skill level of workers in the geographic location of the project; and
- a change in the availability and proximity of equipment and materials.

The foregoing factors as well as the stage of completion of contracts in process and the mix of contracts at different margins may cause fluctuations in gross profit between periods. Substantial changes in cost estimates, particularly in our larger, more complex projects have had, and can in future periods have, a significant effect on our profitability.

Revenue Recognition - Materials: Revenue from the sale of materials is recognized when delivery occurs and risk of ownership passes to the customer.

Revenue Recognition - Real Estate: Revenue from the sale of real estate is recognized when title passes to the new owner, receipt of funds is reasonably assured and we do not have substantial continuing obligations on the property. If the criteria for recognition of a sale are not met, we account for the continuing operations of the property by applying the deposit, finance, installment or cost recovery methods, as appropriate. We use estimates and forecasts to determine total costs at completion of the development project to calculate cost of revenue related to sales transactions.

Balance Sheet Classifications: Amounts receivable and payable under construction contracts (principally retentions) that may extend beyond one year are included in current assets and liabilities. Additionally, the cost of property purchased for development and sale is included in current assets. A one-year time period is used as the basis for classifying all other current assets and liabilities.

Cash and Cash Equivalents: Cash equivalents are securities having remaining maturities of three months or less from the date of purchase.

Marketable Securities: We determine the classification of our marketable securities at the time of purchase and re-evaluate these determinations at each balance sheet date. Debt securities are classified as held-to-maturity when we have the positive intent and ability to hold the securities to maturity. Held-to-maturity investments are stated at amortized cost. Amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, and is included in interest income. Realized gains and losses are included in other income, net. The cost of securities sold is based on the specific identification method.

Debt securities which we do not have the positive intent or ability to hold to maturity are classified as available-for-sale, along with any investments in equity securities. Securities available-for-sale are carried at fair value with the unrealized gains and losses, net of income taxes, reported as a separate component of other comprehensive income/loss until realized. Short-term marketable securities include trading securities and are carried at fair value with realized gains and losses reported in other income, net.

Financial Instruments: The carrying value of marketable securities approximates their fair value as determined by market quotes. Rates currently available to us for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt. The carrying value of receivables and other amounts arising out of normal contract activities, including retentions, which may be settled beyond one year, is estimated to approximate fair value.

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Fair Value of Financial Assets and Liabilities: We measure and disclose certain financial assets and liabilities at fair value. ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the active market approach to measure fair value for our financial assets and liabilities.

Concentrations of Credit Risk and Other Risks: Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of cash and cash equivalents, short-term and long-term marketable securities, and accounts receivable. We maintain our cash and cash equivalents and our marketable securities with several financial institutions. We invest with high credit quality financial institutions and, by policy, limit the amount of credit exposure to any one financial institution.

Our receivables are from customers concentrated in the United States and we have no foreign operations. We perform ongoing credit evaluations of our customers and generally do not require collateral, although the law provides us the ability to file mechanics' liens on real property improved for private customers in the event of non-payment by such customers. We maintain an allowance for doubtful accounts which has been within management's expectations.

A significant portion of our labor force is subject to collective bargaining agreements.

Inventories: Inventories consist primarily of quarry products valued at the lower of average cost or market. We write down the inventories based on estimated quantities of materials on hand in excess of estimated foreseeable use.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Property and Equipment: Property and equipment are stated at cost. Depreciation for construction and other equipment is primarily provided using accelerated methods over lives ranging from three to seven years, and the straight-line method over lives from three to twenty years for the remaining depreciable assets. We believe that accelerated methods best approximate the service provided by the construction and other equipment. Depletion of quarry property is based on the usage of depletable reserves. We frequently sell property and equipment that has reached the end of its useful life or no longer meets our needs, including depleted quarry property. Such property is held in property and equipment until sold. The cost and accumulated depreciation or depletion of property sold or retired is removed from the accounts and gains or losses, if any, are reflected in earnings for the period. Maintenance and repairs are charged to operations as incurred.

Long-lived assets: We review property and equipment, and amortizable intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows the assets are expected to generate. If the assets are considered to be impaired, an impairment charge will be recognized equal to the amount by which the carrying value of the asset exceeds its fair value.

Amortizable intangible assets include covenants not to compete, permits, trade names and customer lists which are being amortized on a straight-line basis over terms from three to thirty years.

Real Estate Held for Development and Sale: We assess impairment of our real estate held for development and sale at least annually or whenever events or changes in circumstances indicate that carrying values of these assets may not be recoverable. Events or changes in circumstances, which could trigger an impairment review include, but are not limited to:

- significant decreases in the market price of the asset;
- significant adverse changes in legal factors or the business climate;
- accumulation of costs significantly in excess of the amount originally expected for the acquisition, development or construction of the asset; and
- current period cash flow or operating losses combined with a history of losses, or a forecast of continuing losses associated with the use of the asset.

If events and changes in circumstances indicate that the carrying amounts of the real estate held for development and sale might not be fully recoverable, we compare projected undiscounted net cash flows associated with the related asset or group of assets against their respective carrying amounts. Future undiscounted cash flows are estimated based on entitlement status, market conditions, cost of construction, debt load, development schedules, status of joint venture partners and other factors applicable to the specific project. In the event that the projected undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair values. Fair value is estimated based on the expected future cash flows attributable to the asset or group of assets and on other assumptions that market participants would use in determining fair value, such as market discount rates, transaction prices for other comparable assets, and other market driven data. Our estimates of cash flows may differ from actual cash flows due to, among other things, fluctuations in interest rates, decisions made by jurisdictional agencies, economic conditions, or changes to our business operations.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Goodwill and Indefinite-Lived Intangible Assets: We perform impairment tests annually during the fourth quarter and more frequently when events and circumstances occur that indicate a possible impairment of goodwill and indefinite-lived intangible assets.

In determining whether there is an impairment of goodwill, we calculate the estimated fair value of the reporting unit in which the goodwill is recorded using a discounted future cash flow method. We then compare the resulting fair value to the net book value of the reporting unit, including goodwill. If the net book value of a reporting unit exceeds its fair value, we measure and record the amount of the impairment loss by comparing the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. Our assessment of goodwill impairment during the fourth quarter of 2009 indicated that the fair value of the reporting unit substantially exceeded its net book value and therefore goodwill was not impaired.

In determining whether there is an impairment of indefinite-lived intangible assets, we compare the fair value of the asset to the carrying value. We use internal discounted cash flow estimates, quoted market prices when available and independent appraisals, as appropriate, to determine fair value. If the carrying value exceeds the fair value, an impairment charge is recognized equal to the amount by which the carrying value of the asset exceeds its fair value. During 2009, we recognized an impairment charge of $1.7 million related to water use rights in Nevada.

Reclamation Costs: We account for the costs related to legal obligations to reclaim aggregate mining sites and other facilities by recording our estimated reclamation liability when incurred, capitalizing the estimated liability as part of the related asset's carrying amount and allocating it to expense over the asset's useful life.

Warranties: Many of our construction contracts contain warranty provisions covering defects in equipment, materials, design or workmanship that generally run from six months to one year after our customer accepts the contract. Because of the nature of our projects, including contract owner inspections of the work both during construction and prior to acceptance, we have not experienced material warranty costs for these short-term warranties and therefore, do not believe an accrual for these costs is necessary. Certain construction contracts carry longer warranty periods, ranging from two to ten years for which we have accrued an estimate of warranty cost. The warranty cost is estimated based on our experience with the type of work and any known risks relative to the project and was not material at December 31, 2009, 2008 or 2007.

Accrued Insurance Costs: We carry insurance policies to cover various risks, primarily general liability and workers compensation, under which we are liable to reimburse the insurance company for a portion of each claim paid. The amounts for which we are liable generally range from the first $0.5 million to $1.0 million per occurrence. We accrue for the estimated ultimate liability for incurred losses, both reported and unreported, using actuarial methods based on historic trends modified, if necessary, by recent events.

GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Stock-Based Compensation: We measure and recognize compensation expense for all share-based payment awards made. Share-based compensation is included in general and administrative expenses on our consolidated statements of income.

Restructuring Charges: Pursuant to an approved plan, we record severance cost when an employee has been notified, unless the employee provides future service, in which case severance costs are expensed ratably over the future service period. Other restructuring costs are recognized when the liability is incurred. In 2009, as part of our reorganization, we implemented a restructuring plan and recorded charges of $7.0 million in severance costs and an impairment of $2.5 million related to selected plant facilities in the Pacific Northwest. Of the total restructuring charges incurred, $3.0 million remained outstanding and was included in our consolidated balance sheets as of December 31, 2009.

Income Taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities on the consolidated financial statements and their respective tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest and penalties, if any, related to unrecognized tax benefits in other income (expense) in the consolidated statements of income.

Computation of Earnings Per Share: Basic and diluted earnings per share are computed using the two-class method. Under the two-class method, awards that accrue cash dividends (whether paid or unpaid) and those dividends do not need to be returned to the entity if the employee forfeits the award are considered participating securities. Our unvested restricted stock issued under the Amended and Restated 1999 Equity Incentive Plan carries nonforfeitable dividend rights and are considered participating securities.

In applying the two-class method, earnings are allocated to both common shares and the participating securities, except when in a net loss position. Diluted earnings per share is computed by giving effect to all potential dilutive shares that were outstanding during the period.

Reclassifications: Certain reclassifications have been made to prior years consolidated financial statements and footnote disclosures to conform to current year presentation. These reclassifications had no impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements:

Consolidation of Variable Interest Entities
In June 2009, the FASB issued a new standard requiring ongoing analysis to determine whether a company holds a controlling financial interest in a variable interest entity (“VIE”). The standard includes a new approach for determining who should consolidate a VIE, requiring a qualitative rather than a quantitative analysis. This standard also changes when it is necessary to reassess who should consolidate a VIE. Previously an enterprise was required to reconsider whether it was the primary beneficiary of a VIE only when specific events had occurred. The new standard requires

continuous reassessment of an enterprise's interest in the VIE to determine who is the primary beneficiary. This statement will be effective for us in 2010. We do not expect the adoption of this accounting standard to have a material effect on our consolidated financial statements.

Disclosures about Fair Value Measurements

In January 2010, the FASB issued a new accounting standard update ("ASU") which clarifies and provides additional disclosure requirements on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons for and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). This ASU is effective for us in 2010, except for the requirements to provide Level 3 activity which will become effective us in 2011. We do not expect the adoption of this ASU to have a material effect on our consolidated financial statements.

GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

2. Revisions in Estimates

Our profit recognition related to construction contracts is based on estimates of costs to complete each project. These estimates can vary in the normal course of business as projects progress and uncertainties are resolved. As explained in Note 1, we do not recognize revenue on contract change orders or claims until we have a signed agreement; however, we do recognize costs as incurred and revisions to estimated total costs are reflected as soon as the obligation to perform is determined. Approved change orders and claims, as well as changes in related estimates of costs to complete, are considered revisions in estimates. We use the cumulative catch-up option applicable to construction contract accounting to account for revisions in estimates. Under this option, revisions in estimates are accounted for in their entirety in the period of change. At December 31, 2009, we had no changes in estimates that are reasonably certain to affect future periods.

Granite West

The net effect on Granite West project profitability from revisions in estimates, both increases and decreases, that individually affected gross profit by $1.0 million or more was $44.6 million, $44.5 million and $7.8 million, including amounts attributable to noncontrolling interests of $0.8 million, $5.0 million and $1.0 million, for the years ended December 31, 2009, 2008 and 2007, respectively. These projects are summarized as follows (dollars in millions):

Increases

Years Ended December 31,	2009	2008	2007
Number of projects with upward estimate changes	25	16	7
Range of increase in gross profit from each project, net	$ 1.0 - 3.8	$ 1.0 - 20.1	$ 1.0 - 2.8
Effect on Granite West project profitability	$ 52.0	$ 50.5	$ 15.4

The increases in project profitability from revisions in estimates during the years ended December 31, 2009 and 2008 were due to the resolution of certain project uncertainties, higher productivity than originally estimated and settlement of outstanding issues with contract owners.

Decreases

Years Ended December 31,	2009	2008	2007
Number of projects with downward estimate changes	1	3	4
Range of reduction in gross profit from each project, net	$ 7.4	$ 1.7 - 2.2	$ 1.4 - 2.3
Effect on Granite West project profitability	$ (7.4)	$ (6.0)	$ (7.6)

The reduction in project profitability from revisions in estimates during the year ended December 31, 2009 was due to unanticipated costs, disputed materials performance issues and owner directed design and scope changes. The 2009 project was 88.9% complete and constituted 0.2% of Granite West contract backlog as of December 31, 2009. The reductions in project profitability from revisions in estimates during the year ended December 31, 2008 were due to changes in productivity and quantity estimates, site conditions that differed from expectations, design issues and changes in cost expectations.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Granite East

The net effect on Granite East project profitability from revisions in estimates, both increases and decreases, that individually affected gross profit by $1.0 million or more was $59.5 million, $50.5 million and $0.4 million, including amounts attributable to noncontrolling interests of $11.5 million, $11.0 million and $2.0 million, for the years ended December 31, 2009, 2008 and 2007, respectively. These projects are summarized as follows (dollars in millions):

Increases

Years Ended December 31,		2009		2008		2007
Number of projects with upward estimate changes		11		8		12
Range of increase in gross profit from each project, net	$	1.0 - 19.8	$	1.3 - 32.2	$	1.0 - 26.0
Effect on Granite East project profitability	$	65.3	$	66.2	$	54.4

The increases in project profitability due to revisions in estimates during the years ended December 31, 2009, 2008 and 2007 the settlement of outstanding issues with various contract owners, included resolution of project uncertainties and improved productivity on certain projects. These projects were complete or substantially complete at December 31, 2009, with the exception of two projects that were 52.8% and 85.9% complete. The 2009 increase included a negotiated settlement of claims with the owner on a project in Pennsylvania for approximately $18.3 million. The 2008 increases included a $32.2 million increase related to a significant claim associated with a large design/build project in southern California.

Decreases

Years Ended December 31,		2009		2008		2007
Number of projects with downward estimate changes		3		5		6
Range of reduction in gross profit from each project, net	$	1.3 - 2.4	$	1.8 - 4.9	$	1.6 - 31.5
Effect on Granite East project profitability	$	(5.8)	$	(15.7)	$	(54.0)

The decreased project profitability from revisions in estimates during the years ended December 31, 2009, 2008 and 2007 were due to issues with contract owners as well as job level productivity. The three projects that had downward estimate changes ranged from 73.6% to 98.8% complete and when aggregated constituted 2.8% of Granite East contract backlog as of December 31, 2009.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

3. Marketable Securities

The carrying amounts of marketable securities were as follows (in thousands):

December 31, 2009	Held-to-Maturity	Trading	Available-for-Sale	Total
U.S. Government and agency obligations	$ 14,508	$ -	$ -	$14,508
Commercial paper	4,993	-	-	4,993
Municipal bonds	21,019	-	-	21,019
Mutual funds	-	1,928	-	1,928
Total short-term marketable securities	40,520	1,928	-	42,448
U.S. Government and agency obligations	71,254	-	-	71,254
Municipal bonds	5,683	-	-	5,683
Total long-term marketable securities	76,937	-	-	76,937
Total marketable securities	$ 117,457	$ 1,928	$ -	$119,385
December 31, 2008				
U.S. Government and agency obligations	$ 20,194	$ -	$ -	$20,194
Municipal bonds	17,090	-	-	17,090
Mutual funds	-	-	1,036	1,036
Total short-term marketable securities	37,284	-	1,036	38,320
U.S. Government and agency obligations	43	-	-	43
Municipal bonds	21,196	-	-	21,196
Total long-term marketable securities	21,239	-	-	21,239
Total marketable securities	$ 58,523	$ -	$ 1,036	$59,559

Scheduled maturities of held-to-maturity investments were as follows (in thousands):

December 31, 2009	
Due within one year	$40,520
Due in one to five years	76,937
Total	$ 117,457

As of December 31, 2009, we had no available-for-sale securities, but we did during 2009. We realized $0.2 million and $10.9 million in losses during 2009 and 2008, respectively, associated with the divestiture of our available-for-sale securities and included these amounts in other income, net on our consolidated statements of income. The cost of our available-for-sale securities as of December 31, 2008 was $1.3 million and during 2008, we recognized an unrealized holding loss of $2.0 million ($1.2 million after tax) related to such securities as a component of other comprehensive income.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

4. Fair Value Measurement

The following tables summarize financial assets we measure at fair value on a recurring basis (in thousands).

	Fair Value Measurement at Reporting Date Using							
December 31, 2009	Level 11		Level 22		Level 33			Total
Money market funds		337,817		-		-		337,817
Trading securities		1,928		-		-		1,928
Total	$	339,745	$	-	$	-	$	339,745
December 31, 2008								
Money market funds		433,121		-		-		433,121
Available-for-sale securities		1,036		-		-		1,036
Total	$	434,157	$	-	$	-	$	434,157

1 Quoted prices in active markets for identical assets or liabilities.
2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Money market funds are included in cash and cash equivalents on our consolidated balance sheets.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

5. Receivables (in thousands)

December 31,	2009	2008
Construction contracts:		
Completed and in progress	$ 121,083	$ 164,104
Retentions	96,887	112,971
Total construction contracts	217,970	277,075
Construction material sales	22,817	25,874
Other	43,382	22,589
Total gross receivables	284,169	325,538
Less: allowance for doubtful accounts	(3,917)	(10,805)
Total net receivables	$ 280,252	$ 314,733

Receivables include amounts billed and billable for public and private contracts and do not bear interest. The balances billed but not paid by customers pursuant to retainage provisions in construction contracts generally become due upon completion and acceptance of the contract by the owners. Retainage amounts of $96.9 million at December 31, 2009 are expected to be collected as follows: $83.5 million in 2010 and $13.4 million in 2011. The decrease of $6.9 million in the allowance for doubtful accounts at December 31, 2009 compared to December 31, 2008 was primarily due to the collection of $4.6 million on one account with a real estate developer that had been reserved for in 2008. Included in other receivables at December 31, 2009 was $22.9 million for income tax receivables, $7.4 million for notes receivable and $4.0 million for fuel tax refunds. At December 31, 2008 other receivables included $18.6 million related to the sale of an investment in an affiliate.

Revenue earned by Granite West and Granite East from federal, state and local government agencies was approximately $1.7 billion (85.6% of our total revenue) in 2009 and $2.1 billion (78.3% of our total revenue) in 2008. Revenue from the California Department of Transportation represented $234.0 million (11.9% of our total revenue) in 2009 and $257.9 million (9.6% of our total revenue) in 2008. At December 31, 2009 and 2008, no customer had a receivable balance in excess of 10% of our total net receivables.

GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

6. Construction and Line Item Joint Ventures

We participate in various construction joint venture partnerships. We also participate in various "line item" joint venture agreements under which each partner is responsible for performing certain discrete items of the total scope of contracted work.

Our agreements with our joint venture partners for both construction joint ventures and line item joint ventures provide that each party will assume and pay its share of any losses resulting from a project. If one of our partners is unable to pay its share, we would be fully liable under our contract with the project owner. Circumstances that could lead to a loss under our joint venture arrangements beyond our stated ownership interest include a partner's inability to contribute additional funds to the venture in the event the project incurs a loss, or additional costs that we could incur should a partner fail to provide the services and resources toward project completion that had been committed to in the joint venture agreement.

At December 31, 2009, we had approximately $1.5 billion of construction work to be completed on unconsolidated construction joint venture contracts of which $562.2 million is our portion and the remaining $915.4 million represents our partners' proportionate share. Due to the joint and several liability under our joint venture arrangements, if one of our joint venture partners fails to perform, we and the remaining joint venture partners would be responsible for the outstanding work. We are not able to estimate other amounts that may be required beyond the remaining cost of the work to be performed. These costs could be offset by billings to the customer or performance bonds.

Construction Joint Ventures

Generally, each construction joint venture is formed to accomplish a specific project and is jointly controlled by the joint venture partners. The joint venture agreements typically provide that our interests in any profits and assets, and our respective share in any losses and liabilities that may result from the performance of the contract is limited to our stated percentage interest in the project. We have no significant commitments beyond completion of the contracts.

We have determined that certain of these joint ventures are variable interest entities as defined by ASC Topic 810 and related standards. Under our contractual arrangements, we provide capital to these joint ventures and in return we receive an ownership interest in these entities. Under the "by design model," as specified in ASC Topic 810, these entities' risks are designed to be passed along to the holders of variable interests. As we absorb these risks, our investments in these entities are exposed to potential losses. Typically the determining factor in whether we are the primary beneficiary is the extent of our exposure to variability in the expected cash flows of the entity. Other important criteria that affect the outcome of the analysis are the relationship of activities of the variable interest entity ("VIE") with each party; the significance of the VIE's activity to each of the parties; and the amount of equity investment as a percentage of total capitalization.

If we have determined that we are the primary beneficiary, we have consolidated these joint ventures in our consolidated financial statements. The construction joint ventures we have consolidated are engaged in two active projects with total contract values ranging from $438.0 million to $466.5 million. Our proportionate share of these consolidated joint ventures ranges from 52.5% to 57.3%.

We account for our share of the operations of construction joint ventures in which we have determined we are not the primary beneficiary on a pro rata basis in the consolidated statements of income and as a single line item in the consolidated balance sheets. The joint ventures in which we hold a significant interest but are not the primary beneficiary are engaged in seven active construction projects with total contract values ranging from $0.3 million to $962.3 million. Our proportionate share of equity in these joint ventures ranges from 20.0% to 42.5%.

Each quarter, we evaluate whether certain “reconsideration events” have occurred which cause us to reevaluate our conclusions as to whether an entity is a VIE and whether we are the primary beneficiary. During the year ended December 31, 2009, there were no entities for which we became the primary beneficiary, and accordingly, there were no new entities consolidated in our consolidated financial statements.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The combined assets, liabilities and net assets of unconsolidated joint ventures in which we have determined we are not the primary beneficiary are as follows (in thousands):

December 31,	2009	2008
Assets:		
Total	$ 337,959	$ 272,954
Less other partners’ interest	219,777	193,153
Company’s interest	118,182	79,801
Liabilities:		
Total	168,114	151,656
Less other partners’ interest	117,625	116,536
Company’s interest	50,489	35,120
Company’s interest in net assets	$ 67,693	$ 44,681

The revenue and costs of revenue of unconsolidated joint ventures in which we have determined we are not the primary beneficiary are as follows (in thousands):

December 31,	2009	2008	2007
Revenue:			
Total	$ 420,190	$ 539,898	$ 479,901
Less other partners’ interest	316,984	420,473	364,663
Company’s interest	103,206	119,425	115,238
Cost of revenue:			
Total	382,665	505,733	446,000
Less other partners’ interest	287,244	393,150	337,785
Company’s interest	95,421	112,583	108,215
Company’s interest in gross profit	$ 7,785	$ 6,842	$ 7,023

Line Item Joint Ventures

The revenue for each line item joint venture partner’s discrete items of work is defined in the contract with the project owner and each venture partner bears the profitability risk associated with its own work. There is not a single set of books and records for a line item joint venture. Each partner accounts for its items of work individually as it would for any self-performed contract. We account for our portion of these contracts as project revenues and costs in our accounting system and include receivables and payables associated with our work in our consolidated financial statements.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

7. Real Estate Entities and Investments in Affiliates

We are participants in real estate entities through our Granite Land Company ("GLC") subsidiary. Generally, each entity is formed to accomplish a specific real estate development project. We have determined that substantially all of these entities are variable interest entities as defined by ASC Topic 810 and related standards. When we have determined we are the primary beneficiary of a VIE, as described in Note 6, we consolidate that entity in our consolidated financial statements. We account for our share of the operating results of real estate entities in which we have determined we are not the primary beneficiary as investments in affiliates in our consolidated balance sheets and in other income (expense) in our consolidated statements of income.

As discussed in Note 6, each quarter, we evaluate whether certain "reconsideration events" have occurred which cause us to reevaluate our conclusions as to whether an entity is a VIE and whether we are the primary beneficiary. During the year ended December 31, 2009, we determined that an entity we had previously accounted for under the equity method required additional capital contributions beyond what had previously been forecasted, and that our partner in that entity was unable to contribute its proportionate share of the additional capital required to complete the project. Consequently, we contributed $0.6 million to the entity. The need to make this contribution constituted a reconsideration event that caused us to re-evaluate our financial interest in the entity. As a result of our reconsideration, we concluded that we had become the primary beneficiary of the entity. Accordingly, during the year ended December 31, 2009, we consolidated this entity in our financial statements. This consolidation resulted in an increase of $44.5 million in current assets, primarily real estate held for development and sale, a decrease in investments in affiliates of $7.9 million, an increase of $21.5 million in liabilities, primarily current maturities of long-term debt, and an increase of $15.1 million in noncontrolling interest at the time of consolidation.

GLC routinely assists its consolidated and equity-method real estate entities in securing debt financing from various sources. The amount of financial support to be provided by GLC to consolidated VIEs was increased by $8.8 million in 2009 and by $7.5 million in 2008 as a result of changes in the entities' business plans. These amounts represent additional financial support in the form of current or future cash contributions to the consolidated entities, beyond what GLC had previously committed to provide. As of December 31, 2009, we contributed $10.4 million of the total increased commitment of $16.3 million to the consolidated entities.

The carrying amounts of all real estate development assets are evaluated for recoverability in accordance with ASC Topic 360 as discussed in Note 1. Based on our evaluations, we recognized a pre-tax, non-cash impairment charge on assets classified as real estate held for development and sale of $1.7 million and $4.5 million in 2009 and 2008, respectively. We recorded the charge in cost of revenue in our consolidated statements of income in our GLC segment. In 2008, we extinguished $5.3 million in debt in exchange for real property held as collateral. We recognized a gain of $1.2 million on this transaction as the face value of the debt exceeded the carrying amount of the real property. This gain is included in other income on our consolidated statements of income for the year ended December 31, 2008.

Our agreements with our partners in our real estate entities define the management role of each partner and each partner's financial responsibility in a residential and commercial project. If one of our partners is unable to make its required contribution or fulfill its management role, we may assume full financial and management responsibility for the project. For entities that are currently accounted for under the equity method, this may result in their consolidation in our financial statements.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Consolidated Real Estate Entities

At December 31, 2009, the entities we have consolidated were engaged in residential and commercial development projects with total assets ranging from approximately $0.9 million to $46.2 million.

The breakdown by type and location of our real estate held for development and sale is summarized below (in thousands):

December 31,		2009		2008
Residential1	$	121,101	$	65,298
Commercial		18,348		9,791
Total	$	139,449	$	75,089

Washington	$	80,703	$	30,126
Oregon		29,280		25,804
California		20,848		11,155
Texas		8,618		8,004
Total	$	139,449	$	75,089

1The balances at December 31, 2009 and 2008 include $46.7 million and $25.8 million related to two entities that were consolidated during those respective periods.

Additionally, at December 31, 2009 we had $14.9 million in real estate held for use included in property and equipment on our consolidated balance sheet related to consolidated real estate entities. Of the combined total of real estate held for development, sale and use of $154.3 million, approximately $142.7 million was pledged as collateral for the obligations of the real estate entities. The related debt totaled $63.5 million of which $44.0 million is included in current maturities of long-term debt and $19.5 million is included in long-term debt on our consolidated balance sheet as of December 31, 2009. All outstanding debt of the real estate entities is recourse only to our real estate affiliates that incurred the debt, the limited partnership or limited liability company, of which we are a limited partner. Our proportionate share of the results of these entities varies depending on the ultimate profitability of the entities.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Investments in Affiliates

We account for entities where we have determined we are not the primary beneficiary as investments in affiliates. At December 31, 2009, these entities were engaged in real estate development projects with total assets ranging from approximately $6.5 million to $49.4 million. Our proportionate share of the operating results of these entities varies depending on the ultimate profitability of the entities. At December 31, 2009, we had approximately $13.3 million recorded on our consolidated balance sheet related to our investment in these real estate entities.

Additionally we have non-real estate investments in affiliates that are accounted for using the equity method. The most significant of these investments is a 50% interest in a limited liability company which owns and operates an asphalt terminal in Nevada. Committed and outstanding advances to the asphalt terminal limited liability company totaled $0.9 million at December 31, 2009.

Our investments in affiliates balance consists of the following (in thousands):

December 31,	2009	2008
Equity method investments in real estate affiliates	$13,325	$16,308
Equity method investments in other affiliates	11,319	3,688
Total investments in affiliates	$24,644	$19,996

The breakdown by type and location of our investments in real estate ventures is summarized below (in thousands):

December 31,	2009	2008
Residential	$ 8,759	$ 11,648
Commercial	4,566	4,660
Total	$ 13,325	$ 16,308
Texas	$ 13,325	$ 12,283
Washington	-	4,025
Total	$ 13,325	$16,308

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table provides summarized balance sheet information for our affiliates on a combined 100% basis, which primarily relates to our real estate affiliates accounted for under the equity method (in thousands):

December 31,	2009	2008
Balance sheet data:		
Current assets	$ 34,108	$ 147,234
Long-term assets	135,217	49,468
Total assets	169,325	196,702
Current liabilities	4,671	8,138
Long-term liabilities	79,715	97,697
Total liabilities	84,386	105,835
Net assets	$ 84,939	$ 90,867

Our interest in affiliates' net assets was $24.6 million and $20.0 million at December 31, 2009 and 2008, respectively.

Substantially all the assets of these real estate entities in which we are participants through GLC are classified as real estate held for sale or use. All outstanding debt of these entities is non-recourse to Granite. However, there is recourse to our real estate affiliates that incurred the debt. Our real estate affiliates include a limited partnership or limited liability company of which we are a limited partner or shareholder.

The following table provides summarized statement of operations information for our affiliates on a combined 100% basis, which primarily relates to our real estate affiliates accounted for under the equity method (in thousands):

Years Ended December 31,	2009	2008	2007
Earnings data:			
Revenue	$ 64,956	$ 57,225	$ 56,912
Gross profit	21,905	6,372	32,797
Income (loss) before taxes	13,508	(3,813)	20,502
Net income (loss)	13,508	(3,813)	20,502

Our interest in affiliates' net income (loss) was $7.7 million, $(1.1) million and $5.2 million for the years ended December 31, 2009, 2008 and 2007, respectively.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

8. Property and Equipment, net (in thousands)

December 31,		2009		2008
Land and land improvements	$	126,162	$	119,576
Quarry property		160,618		141,638
Buildings and leasehold improvements		96,725		94,579
Equipment and vehicles		829,195		843,045
Office furniture and equipment		38,096		35,021
Property and equipment		1,250,796		1,233,859
Less: accumulated depreciation and depletion		730,018		716,181
Property and equipment, net	$	520,778	$	517,678

Depreciation and depletion expense for the years ended December 31, 2009, 2008 and 2007 was $74.7 million, $84.1 million and $81.3 million, respectively. We capitalized interest costs related to certain self-constructed assets of $10.1 million in 2009 and $4.7 million in 2008.

We have recorded liabilities associated with our legally required obligations to reclaim owned and leased quarry property and related facilities. As of December 31, 2009 and 2008, approximately $3.1 million and $7.0 million, respectively, of our asset retirement obligations are included in accrued expenses and other current liabilities and approximately $16.6 million and $14.6 million, respectively, are included in other long-term liabilities on our consolidated balance sheets.

The following is a reconciliation of these asset retirement obligations (in thousands):

December 31,		2009			2008
Beginning balance	$	21,627		$	19,529
Revisions to estimates		(1,210	)		318
Liabilities incurred		777			783
Liabilities settled		(2,675	)		(71)
Accretion		1,196			1,068
Ending balance	$	19,715		$	21,627

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

9. Intangible Assets

The balances of the following intangible assets from our Granite West segment are included in other noncurrent assets on our consolidated balance sheets at carrying value (in thousands):

Indefinite-lived Intangible Assets:

December 31,	2009	2008
Goodwill	$ 9,900	$ 9,900
Use rights and other	1,319	2,954
Total unamortized intangible assets	$ 11,219	$ 12,854

Amortized Intangible Assets:

December 31, 2009	Gross Value	Accumulated Amortization	Net Value
Permits	$ 33,582	(5,151)	$ 28,431
Trade names	158	(59)	99
Covenants not to compete	1,588	(1,106)	482
Customer lists and other	3,122	(1,818)	1,304
Total amortized intangible assets	$ 38,450	$ (8,134)	$ 30,316

December 31, 2008			
Permits	$ 36,070	(3,698)	$ 32,372
Trade names	1,583	(1,352)	231
Covenants not to compete	1,588	(695)	893
Customer lists and other	3,725	(1,684)	2,041
Total amortized intangible assets	$ 42,966	$ (7,429)	$ 35,537

Amortization expense related to these intangible assets for the years ended December 31, 2009, 2008 and 2007 was $3.0 million, $3.4 million and $2.2 million, respectively. Based on the amortized intangible assets balance at December 31, 2009, amortization expense expected to be recorded in the future is as follows: $2.4 million in 2010, $2.2 million in 2011, $2.1 million in 2012, $1.8 million in 2013, $1.7 million in 2014 and $20.1 million thereafter.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

10. Accrued Expenses and Other Current Liabilities (in thousands)

December 31,	2009	2008
Payroll and related employee benefits	$ 46,313	$ 55,088
Accrued insurance	31,876	36,000
Performance guarantees	26,261	18,899
Loss job reserves	11,693	22,798
Other	43,700	52,154
Total	$ 159,843	$ 184,939

Performance guarantees relate to our construction joint venture partnerships in which we have contract provisions for joint and several liability related to the performance of the joint ventures. Under these arrangements, we would be required to perform in the event our partners are not able to complete their portion of the construction contract.

11. Long-Term Debt and Credit Arrangements (in thousands)

December 31,	2009	2008
Senior notes payable	$ 240,000	$ 255,000
Mortgages payable	63,666	35,033
Other notes payable	-	346
Total debt	303,666	290,379
Less current maturities	58,978	39,692
Total long-term debt	$ 244,688	$ 250,687

The aggregate minimum principal maturities of long-term debt for each of the five years following December 31, 2009 are as follows (in thousands): 2010 - $58,978; 2011 - $18,858; 2012 - $8,536; 2013 - $8,549; 2014 - $229; and beyond 2015 - $208,516.

Senior notes payable in the amount of $6.7 million are due to a group of institutional holders in nine equal annual installments which began in 2002 and bear interest at 6.54% per annum. Additional senior notes payable in the amount of $33.3 million are due to a second group of institutional holders in nine equal annual installments which began in 2005 and bear interest at 6.96% per annum. A third set of senior notes payable in the amount of $200.0 million are due to a third group of institutional holders in five equal installments beginning in 2015 and bear interest at 6.11% per annum. Based on the borrowing rates currently available to us for bank loans with similar terms, average maturities and credit risk, the fair value of the senior notes payable was approximately $249.2 million as of December 31, 2009 and $200.9 million as of December 31, 2008.

We have a $150.0 million bank revolving line of credit (“LOC”), which allows for unsecured borrowings through June 24, 2011. Borrowings under the LOC bear interest at LIBOR plus an applicable margin based upon certain financial ratios calculated quarterly. The margin was 0.80% at December 31, 2009. The unused and available portion of the LOC was $145.8 million at December 31, 2009. We have standby letters of credit (“Letters”) totaling approximately $4.2 million outstanding at December 31, 2009, all of which will expire between March 2010 and October 2010. These Letters will be replaced upon expiration.

Mortgages payable consist primarily of notes incurred in connection with the purchase of properties connected with our GLC subsidiary. These notes are collateralized by the properties purchased and bear interest at 3.75% to 9.5% per annum with principal and interest payable in installments through 2010. The carrying amount of properties pledged as collateral was approximately $142.7 million at December 31, 2009.

Restrictive covenants under the terms of our senior notes and revolving line of credit require the maintenance of certain levels of working capital and cash flow, financial ratios, and the maintenance of tangible net worth (as defined by the debt agreements). We were in compliance with these covenants at December 31, 2009.

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12. Employee Benefit Plans

Profit Sharing and 401(k) Plan: The plan is a defined contribution plan covering all employees except employees covered by collective bargaining agreements and employees of our consolidated construction joint ventures. Each employee can elect to have up to 50% of gross pay, not to exceed $16,500, contributed to the 401(k) plan on a before-tax basis. Matching contributions of up to 6% of an employee's gross pay are available at the discretion of the Board of Directors. Our contributions to the 401(k) Plan for the years ended December 31, 2009, 2008 and 2007 were $9.9 million, $11.0 million and $10.1 million, respectively. We did not make contributions to the Profit Sharing Plan for the years ended December 31, 2009, 2008 or 2007.

Effective April 1, 2008, certain prior Wilder employees became eligible for the Profit Sharing and 401(k) Plan. Prior to April 1, 2008, Wilder provided a 401(k) plan covering all of its employees. Effective January 1, 2009, the Wilder 401(k) plan was merged into the Profit Sharing and 401(k) Plan and no contributions were made to the former Wilder 401(k) plan during 2009. Wilder's contributions under these plans totaled approximately $1.7 million and $1.2 million in the years ended December 31, 2008 and 2007, respectively.

Non-Qualified Deferred Compensation Plan: We offer a Non-Qualified Deferred Compensation Plan ("NQDC Plan") to a select group of our highly compensated employees. The NQDC Plan provides participants the opportunity to defer payment of certain compensation as defined in the Plan and provides for a company matching contribution. As of December 31, 2009, there were approximately 69 active participants in the NQDC Plan. NQDC Plan obligations were $28.5 million as of December 31, 2009 and $25.2 million as of December 31, 2008. In October 2008, a Rabbi Trust was established to fund our NQDC Plan obligation. The Rabbi Trust will be funded with historical deferrals over a four year period, beginning October 1, 2008. Effective October 2008, all new participant deferrals were transferred to the trust. The assets held by the Rabbi Trust at December 31, 2009 are substantially in the form of company owned life insurance.

Other: Two of our wholly owned subsidiaries, Granite Construction Company and Granite Construction Northeast, Inc. (formerly Granite Halmar Construction Company, Inc.) also contribute to various multi-employer pension plans on behalf of union employees. Under the Employee Retirement Income Security Act, a contributor to a multi-employer plan is liable, upon termination or withdrawal from a plan, for its proportionate share of a plan's unfunded vested liability. We currently have no intention of withdrawing from any of the multi-employer pension plans in which we participate. Contributions to these plans for the years ended December 31, 2009, 2008 and 2007 were $20.2 million, $21.4 million and $24.3 million, respectively.

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13. Shareholders' Equity

Stock-based Compensation: We maintain our Amended and Restated 1999 Equity Incentive Plan which provides for the issuance of restricted stock and stock units to eligible employees. This plan also provides for the issuance of restricted stock, restricted stock units, stock units and stock options to members of our Board of Directors. A total of 4,250,000 shares of our common stock have been reserved for issuance of which approximately 1,550,751 remained available as of December 31, 2009.

Restricted Stock: As noted above, restricted stock can be issued to eligible employees and members of our Board of Directors. Restricted stock is issued for services to be rendered and may not be sold, transferred or pledged for such a period as determined by our Compensation Committee. Restricted stock compensation cost is measured at our common stock's fair value based on the market price at the date of grant. We recognize compensation cost only to restricted stock that will ultimately vest. We estimate the number of shares that will ultimately vest at each grant date based on our historical experience and adjust compensation cost and the carrying amount of unearned compensation based on changes in those estimates over time.

Restricted stock compensation cost is recognized ratably over the shorter of the vesting period (generally three to five years) or the period from grant date to the first maturity date after the holder reaches age 62 and has completed certain specified years of service, when all restricted stock becomes fully vested. Vesting of restricted stock is not subject to any market or performance conditions and vesting provisions are at the discretion of the Compensation Committee. An employee may not sell or otherwise transfer unvested stock and, in the event employment is terminated prior to the end of the vesting period, any unvested stock is surrendered to us. We have no obligation to purchase restricted stock. A summary of the changes in our restricted stock during the years ended December 31, 2009, 2008 and 2007 are as follows (shares in thousands):

December 31,	2009		2008		2007	
	Shares	Weighted-Average Grant-Date Fair Value per Share	Shares	Weighted-Average Grant-Date Fair Value per Share	Shares	Weighted-Average Grant-Date Fair Value per Share
Restricted stock outstanding, beginning balance	830	$ 37.83	807	$ 35.62	877	$ 27.06
Restricted stock granted	504	40.42	284	30.73	227	57.47
Restricted stock vested	(277)	33.22	(224)	20.75	(239)	25.99
Restricted stock forfeited	(66)	41.29	(37)	38.37	(58)	31.31
Restricted stock outstanding, ending balance	991	$ 40.31	830	$ 37.83	807	$ 35.62

Compensation cost related to restricted stock was approximately $10.8 million ($7.8 million net of tax), $7.0 million ($5.0 million net of tax) and $6.2 million ($4.2 million net of tax) for the years ended December 31, 2009, 2008 and 2007, respectively. The grant date fair value of restricted stock vested during the years ended December 31, 2009, 2008 and 2007 was approximately $9.2 million, $4.6 million and $6.2 million, respectively. As of December 31, 2009 there was $21.5 million of unrecognized compensation cost related to restricted stock which will be recognized over a remaining weighted-average period of 1.4 years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Options, Restricted Stock Units and Stock Units: In 2009, restricted stock units were granted to our Board of Directors and no stock units or stock options were granted. These grants did not have a material affect on our financial statements. As of December 31, 2009, there were 107,111 restricted stock units and stock units outstanding and 38,949 options outstanding.

Employee Stock Ownership Plan: Effective January 1, 2007, our Employee Stock Ownership Plan (“ESOP”) was amended to effectively freeze the plan. Under the amended plan, no new participants were added and no further contributions were made for the years ended December 2009, 2008 and 2007. As of December 31, 2009 the ESOP owned 3,927,495 shares of our common stock. Dividends on shares held by the ESOP are charged to retained earnings and all shares held by the ESOP are treated as outstanding in computing our earnings per share.

Share Repurchase Program: In 2007, our Board of Directors authorized us to purchase, at management’s discretion, up to $200.0 million of our common stock. Under this repurchase program, the Company may repurchase shares from time to time on the open market or in private transactions. The specific timing and amount of repurchases will vary based on market conditions, securities law limitations and other factors. The share repurchase program may be suspended or discontinued at any time without prior notice. During the year ended December 31, 2009, we did not purchase shares under the share purchase program. From the inception of this program in 2007 through December 31, 2009, we have purchased a total of 3.8 million shares of our common stock for an aggregate price of $135.9 million. The purchase price of our common stock repurchased and retired in excess of par value is allocated between additional paid-in capital and retained earnings. All shares were retired upon acquisition. At December 31, 2009, $64.1 million of the $200.0 million authorization was available for additional share purchases.

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GRANITE CONSTRUCTION INCORPORATED
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14. Weighted Average Shares Outstanding

A reconciliation of the weighted average shares outstanding used in calculating basic and diluted net income per share in the accompanying consolidated statements of income is as follows (in thousands):

Years Ended December 31,	2009	2008	2007
Weighted average shares outstanding:			
Weighted average common stock outstanding	38,584	38,430	41,699
Less: weighted average unvested restricted stock outstanding	1,018	824	833
Total basic weighted average shares outstanding	37,566	37,606	40,866
Diluted weighted average shares outstanding:			
Weighted average common stock outstanding, basic	37,566	37,606	40,866
Effect of dilutive securities:			
Common stock options and units	117	103	43
Total weighted average shares outstanding assuming dilution	37,683	37,709	40,909

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

15. Earnings Per Share

The following is a reconciliation of net income attributable to Granite and weighted average shares of common stock outstanding, for calculating basic and diluted net income per share using the two-class method (in thousands, except per share amounts):

Years Ended December 31,	2009	2008	2007
Basic			
Numerator:			
Net income attributable to Granite	$73,500	$ 122,404	$112,065
Less: net income allocated to participating securities	1,921	2,607	2,231
Net income allocated to common shareholders for basic calculation	$71,579	$ 119,797	$109,834
Denominator:			
Weighted average common shares outstanding	37,566	37,606	40,866
Net income per share, basic	$1.91	$ 3.19	$2.69
Diluted			
Numerator:			
Net income attributable to Granite	$73,500	$ 122,404	$112,065
Less: net income allocated to participating securities	1,915	2,600	2,228
Net income allocated to common shareholders for diluted calculation	$71,585	$ 119,804	$109,837
Denominator:			
Weighted average common shares outstanding	37,683	37,709	40,909
Net income per share, diluted	$1.90	$ 3.18	$2.68

16. Comprehensive Income

The components of comprehensive income are as follows (in thousands):

Years Ended December 31,	2009	2008	2007
Net income	$ 100,201	$ 165,738	$ 132,924
Amount attributable to noncontrolling interests	(26,701)	(43,334)	(20,859)
Net income attributable to Granite	73,500	122,404	112,065
Other comprehensive income (loss):			
Changes in unrealized gain (loss) on investments	238	(2,042)	(2,502)
Tax (provision) benefit on unrealized losses and gains	(92)	798	969
Total comprehensive income attributable to Granite	$ 73,646	$ 121,160	$ 110,532

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GRANITE CONSTRUCTION INCORPORATED
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17. Income Taxes

Following is a summary of the provision for income taxes (in thousands):

Years Ended December 31,	2009	2008	2007
Federal:			
Current	$ 10,288	$ 56,364	$ 61,189
Deferred	22,574	(838)	(7,313)
Total federal	32,862	55,526	53,876
State:			
Current	5,381	12,326	12,417
Deferred	407	(160)	(823)
Total state	5,788	12,166	11,594
Total provision for income taxes	$ 38,650	$ 67,692	$ 65,470

Following is a reconciliation of the statutory to effective tax rate:

Years Ended December 31,	2009	2008	2007
Federal statutory tax rate	35.0%	35.0%	35.0%
State taxes, net of federal tax benefit	2.7	3.4	3.7
Percentage depletion deduction	(1.2)	(0.9)	(1.7)
Domestic production deduction	(0.6)	(1.5)	(1.9)
Noncontrolling interests	(6.7)	(6.6)	(3.5)
Other	(1.4)	(0.4)	1.4
Effective tax rate	27.8%	29.0%	33.0%

Our effective tax rate decreased to 27.8% in 2009 from 29.0% in 2008. The decrease was primarily due to lower estimated state taxes in 2009, an increased benefit of percentage depletion in 2009, and higher nontaxable gains from investments in our company owned life insurance compared to the prior year. The tax benefit related to company owned life insurance is included in “Other” in the reconciliation of the statutory-to-effective tax rate. Our tax rate is also affected by discrete items that may occur in any given year, but are not consistent from year to year. Noncontrolling interests are generally not subject to income taxes on a stand-alone basis and are deducted from income before provision for income taxes in arriving at our effective tax rate for the year. The change from 2007 to 2008 in the effective tax rate related to noncontrolling interests reflects the increased profitability of joint venture work and an increase in the volume and size of our joint venture contracts.

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Following is a summary of the deferred tax assets and liabilities (in thousands):

December 31,	2009	2008
Deferred tax assets:		
Receivables	$ 3,876	$ 6,393
Inventory	9,745	9,157
Insurance	2,574	2,914
Deferred compensation	17,966	15,488
Other accrued liabilities	12,698	11,514
Contract income recognition	9,743	16,101
Other	580	941
Net operating loss carryforward	11,714	10,307
Valuation allowance	(13,018)	(11,649)
Total deferred tax assets	$ 55,878	$ 61,166
Deferred tax liabilities:		
Property and equipment	$ 52,064	$ 35,790
Total deferred tax liabilities	$ 52,064	$ 35,790

The deferred tax asset for other accrued liabilities relates to various items including accrued vacation and accrued reclamation costs which are deductible in future periods.

Our deferred tax asset for net operating loss carryforward relates to state and local net operating loss carryforwards which expire between 2021 and 2029. We have provided a valuation allowance on the net deferred tax assets for certain state and local jurisdictions because of uncertainty regarding their realizability due to recent losses.

The following is a summary of the change in valuation allowance (in thousands):

December 31,	2009	2008	2007
Beginning balance	$ 11,649	$ 10,591	$ 8,805
Additions	1,369	1,058	1,786
Ending balance	$ 13,018	$ 11,649	$ 10,591

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Uncertain tax positions: We file income tax returns in the U.S. and various state and local jurisdictions. We are currently under examination by the Internal Revenue Service for the years 2005 through 2007. The federal statute of limitations for 2005 has been extended to August 15, 2010. We are also under examination by various state taxing authorities for the years 2006 and 2007. We do not anticipate that any of these audits will result in a material change in our financial position or results of operations. With few exceptions, we are no longer subject to U.S. federal or state and local examinations by tax authorities for years before 2005.

We had approximately $7.0 million and $4.3 million of total gross unrecognized tax benefits as of December 31, 2009 and 2008, respectively. There were approximately $2.1 million of unrecognized tax benefits that would affect the effective tax rate in any future period at December 31, 2009, and none at December 31, 2008. We believe that it is reasonably possible that a decrease in unrecognized tax benefits may be necessary within the coming year due to the lapse of the statutes of limitation for 2005 and 2006. However, since these years are under examination and the statutes of limitation may be extended further, and the outcomes are uncertain, we cannot estimate the amount of the decrease.

The following is a tabular reconciliation of unrecognized tax benefits (in thousands) the balance of which is included in other long-term liabilities on the consolidated balance sheets:

December 31,	2009	2008	2007
Beginning balance	$ 3,888	$ 4,378	$ 4,726
Gross increases – current period tax positions	1,107	1,556	859
Gross decreases – current period tax positions	(1,851)	(1,213)	-
Gross increases – prior period tax positions	3,537	321	338
Gross decreases – prior period tax positions	(677)	-	(118)
Lapse of statute of limitations	(122)	(1,154)	(1,427)
Ending balance	$ 5,882	$ 3,888	$ 4,378

We record interest related to uncertain tax positions as interest expense in our consolidated statement of income. During the years ended December 31, 2009, 2008 and 2007, we recognized approximately $0.7 million, $0.1 million, and $0.2 million of interest expense, respectively. Approximately $1.1 million and $0.4 million of accrued interest were included in our consolidated balance sheets at December 31, 2009 and 2008, respectively.

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18. Commitments, Contingencies and Guarantees

Leases: Minimum rental commitments and minimum royalty requirements under all noncancellable operating leases, primarily quarry property, in effect at December 31, 2009 were (in thousands):

Years Ending December 31,		
2010	$	9,225
2011		6,505
2012		4,500
2013		3,204
2014		2,985
Later years (through 2053)		17,357
Total	$	43,776

Operating lease rental expense was $13.6 million in 2009, $11.7 million in 2008 and $16.6 million in 2007.

Performance Guarantees

As discussed in Note 6, we participate in various construction joint venture partnerships. All partners in these joint ventures are jointly and severally liable for completion of the total project under the terms of the contract with the project owner. Although our agreements with our joint venture partners provide that each party will assume and pay its share of any losses resulting from a project, if one of our partners was unable to pay its share we would be fully liable under our contract with the project owner. Circumstances that could lead to a loss under these guarantee arrangements include a partner's inability to contribute additional funds to the venture in the event that the project incurred a loss or additional costs that we could incur should the partner fail to provide the services and resources toward project completion that had been committed to in the joint venture agreement. At December 31, 2009, we had approximately $1.5 billion of construction work to be completed on unconsolidated construction joint venture contracts of which $562.2 million is our portion and the remaining $915.4 million represents our partners' proportionate share. Due to the joint and several liabilities of joint venture arrangements, if one of our joint venture partners fails to perform, we and the remaining joint venture partners would be responsible for the outstanding work. We are not able to estimate other amounts that may be required beyond the remaining cost of the work to be performed. These costs could be offset by billings to the customer or performance bonds.

Surety Bonds

We may provide contract guarantees related to our services or work. These guarantees are backed by various types of surety bonds, instruments that ensure we will perform our contractual obligations pursuant to the terms of our contract with the client. If our services or work under a guaranteed contract are later determined to have a material defect or deficiency, we may be responsible for repairs, monetary damages or other legal remedies. When sufficient information about a material defect or deficiency on a guaranteed contract is determined to be probable, we recognize the cost of repairs and monetary damages. Currently, we have no material defects or deficiencies for which losses have or need to be recognized.

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19. Legal Proceedings

Silica Litigation

Our wholly-owned subsidiary Granite Construction Company (“GCCO”) is one of approximately 100 to 300 defendants in six active California Superior Court lawsuits. Of the six lawsuits, four were filed against GCCO in 2005 and two were filed against GCCO in 2006, in Alameda County (Dominguez vs. A-1 Aggregates, et al.; Guido vs. A. Teichert & Son, Inc.; Williams vs. A. Teichert & Son, Inc.; Horne vs. Teichert & Son, Inc.; Kammer vs. A-1 Aggregates, et al.; and Solis vs. The 3M Company et al.). Each lawsuit was brought by a single plaintiff who is seeking money damages by way of various causes of action, including strict product and market share liability, and alleges personal injuries caused by exposure to silica products and related materials during the plaintiffs’ use or association with sand blasting or grinding concrete. The plaintiff in each lawsuit has categorized the defendants as equipment defendants, respirator defendants, premises defendants and sand defendants. We have been identified as a sand defendant, meaning a party that manufactured, supplied or distributed silica-containing products. Our investigation revealed that we have not knowingly sold or distributed abrasive silica sand for sandblasting, and therefore, we believe the probability of these lawsuits resulting in an incurrence of a material liability is remote. We have been dismissed from eighteen other similar lawsuits.

Hiawatha Project DBE Issues

The Hiawatha Light Rail Transit (“HLRT”) project was performed by Minnesota Transit Constructors (“MnTC”), a joint venture that consisted of GCCO and other unrelated companies. GCCO was the managing partner of the joint venture, with a 56.5% interest. The Minnesota Department of Transportation (“MnDOT”) is the contracting agency for this federally funded project. The Metropolitan Council is the local agency conduit for providing federal funds to MnDOT for the HLRT project. MnDOT and the U.S. Department of Transportation Office of Inspector General (“OIG”) each conducted a review of the Disadvantaged Business Enterprise (“DBE”) program maintained by MnTC for the HLRT project. In addition, the U.S. Department of Justice (“USDOJ”) is conducting an investigation into compliance issues with respect to MnTC’s DBE Program for the HLRT project. MnDOT and the OIG (collectively, the “Agencies”) have initially identified certain compliance issues in connection with MnTC’s DBE Program and, as a result, have determined that MnTC failed to meet the DBE utilization criteria as represented by MnTC. Although there has been no formal administrative subpoena issued, nor has a civil complaint been filed in connection with the administrative reviews or the investigation, MnDOT has proposed a monetary sanction of $4.3 million against MnTC and specified DBE training for personnel from the members of the MnTC joint venture as a condition of awarding future projects to joint venture members of MnTC on MnDOT and Metropolitan Council work. MnTC is fully cooperating with the Agencies and the USDOJ and has presented its detailed written responses to the initial determinations of the Agencies as well as the investigation by the USDOJ. On September 17, 2009, the USDOJ replied to MnTC’s responses. MnTC and the USDOJ are continuing to engage in informal discussions in an attempt to resolve this matter. Such discussions, if successful, are expected to include resolution of issues with the USDOT and with the state agencies. We cannot, however, rule out the possibility of civil or criminal actions being brought against MnTC or one or more of its members which could result in civil and criminal penalties.

US Highway 20 Project

GCCO and our wholly-owned subsidiary, Granite Northwest, Inc. are the members of a joint venture known as Yaquina River Constructors (“YRC”) which is currently constructing a new road alignment of US Highway 20 near Eddyville, Oregon under contract with the Oregon Department of Transportation (“ODOT”). The project involves constructing seven miles of new road through steep and forested terrain in the Coast Range Mountains. During the fall and winter of 2006, extraordinary rain events produced runoff that overwhelmed erosion control measures installed at the project and resulted in discharges to surface water in alleged violations of YRC’s stormwater permit. In June 2009, YRC was informed that the USDOJ had assumed the criminal investigation that the Oregon Department of Justice had previously been conducting in connection with stormwater runoff from the project. YRC and its members are fully cooperating in the investigation. We do not know whether any criminal charges or civil lawsuits will be brought or against whom, as a result of the investigation. Therefore, we cannot estimate what, if any, criminal or civil penalty or conditional assessment may result from this investigation.

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City of San Diego Fire Debris Cleanup
In the aftermath of the 2007 San Diego County wildfires, GCCO bid for and was awarded a fixed unit price, variable quantity contract with the City of San Diego (the "City") to perform specified debris cleanup work. GCCO began work in November 2007 and completed the work in April 2008. In August 2008, the City announced that it would conduct an independent audit of the project. In December 2008, the City's audit report was released with findings that, while some GCCO billings contained mistakes, rates paid to GCCO appear to be generally reasonable. GCCO has reimbursed the City for the undisputed overbilled amount of less than $3,000. The former San Diego City Attorney, after conducting a separate investigation of GCCO's work on the project, filed a civil lawsuit in California Superior Court, County of San Diego on October 17, 2008 against GCCO and another contractor that had been awarded a similar cleanup contract with the City. In the complaint, the City alleges that both contractors knowingly presented to the City false claims for payment in violation of the California False Claims Act. The City seeks trebled damages in an amount to be determined, and a civil penalty in the amount of $10,000 for each false claim made. After the November 2008 election in which a new City Attorney was elected, GCCO and the City Attorney agreed to stay the lawsuit in order to allow the City Attorney time to complete its investigation. The stay expired in January 2010, and the parties have agreed to jointly request a further stay. GCCO believes the allegations in the City's complaint to be without factual or legal basis and, therefore, the City's entitlement to relief sought under the California False Claims Act is remote.

Grand Avenue Project DBE Issues
On March 6, 2009, the U.S. Department of Transportation, Office of Inspector General ("OIG") served upon our wholly-owned subsidiary, Granite Construction Northeast, Inc. ("Granite Northeast"), a United States District Court Eastern District of New York subpoena to testify before a grand jury by producing documents. The subpoena seeks all documents pertaining to a Granite Northeast Disadvantaged Business Enterprise ("DBE") subcontractor (the "Subcontractor"), and the Subcontractor's non-DBE lower tier subcontractor/consultant, relating to the Subcontractor's work on the Grand Avenue Bus Depot and Central Maintenance Facility for the Borough of Queens Project (the "Grand Avenue Project"). The subpoena also seeks all documents regarding Granite Northeast's use of the Subcontractor as a DBE on the Grand Avenue Project and all documents related to the Subcontractor as a DBE on any other contract including other public works construction projects. We have complied with the subpoena and are fully cooperating with the OIG's investigation. To date, Granite Northeast has not been notified that it is either a subject or target of the OIG's investigation. As a result, we do not know whether any criminal charges or civil lawsuits will be brought or against whom, as a result of the investigation. Therefore, we cannot estimate what, if any, criminal or civil penalty or conditional assessment may result from this investigation.

Other Legal Proceedings/Government Inquiries
We are a party to a number of other legal proceedings arising in the normal course of business. From time to time, we also receive inquiries from public agencies seeking information concerning our compliance with government construction contracting requirements and related laws and regulations. We believe that the nature and number of these proceedings and compliance inquiries are typical for a construction firm of our size and scope. Our litigation typically involves claims regarding public liability or contract related issues. While management currently believes, after consultation with counsel, that the ultimate outcome of pending proceedings and compliance inquiries, individually and in the aggregate, will not have a material adverse affect on our financial position or overall trends in results of operations or cash flows, litigation is subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse affect on our results of operations, cash flows and/or financial position for the period in which the ruling occurs. While any one of our pending legal proceedings is subject to early resolution as a result of our ongoing efforts to settle, whether or when any legal proceeding will be resolved through settlement is neither predictable nor guaranteed.

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20. Business Segment Information

Through December 31, 2009, our business was organized and operated under three reportable segments: Granite West, Granite East, and Granite Land Company.

Granite West has offices in the western United States that perform various heavy civil construction projects with a large portion of the work focused on new construction and improvement of streets, roads, highways, airport infrastructure and bridges as well as site preparation for housing and commercial development. Although most Granite West projects are started and completed within a year, the segment also has the capability of constructing larger projects and had four active projects at December 31, 2009, each with total contract revenue greater than $50.0 million. All of our revenue from the sale of construction materials is generated by Granite West, which mines aggregates and operates plants that process aggregates into construction materials for internal use and for sale to others. These activities are vertically integrated into the Granite West business, providing both a source of profits and a competitive advantage to our construction business.

Granite East operates out of three regional offices in the eastern portion of the United States. Its focus is on large, complex infrastructure projects, primarily east of the Rocky Mountains, and includes major highways, mass transit facilities, bridges, tunnels, waterway locks and dams, pipelines, canals and airport infrastructure. Granite East construction contracts are typically greater than two years in duration.

GLC purchases, develops, operates, sells and otherwise invests in real estate developments as well as provides real estate services for other Granite operations. GLC’s current portfolio consists of residential, retail and office site development projects for sale to home and commercial property developers or held for rental income in Washington, Oregon, California and Texas.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies (see Note 1). We evaluate performance based on operating profit or loss (excluding gain on sales of property and equipment), and do not include income taxes, interest income, interest expense or other income (expense). Unallocated other corporate expenses are principally comprised of corporate general and administrative expenses. Segment assets include property and equipment, real estate held for development and sale and intangibles.

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Summarized segment information is as follows (in thousands):

Years Ended December 31,	Granite West	Granite East	GLC	Total
2009				
Revenues from external customers	$1,410,964	$ 550,241	$ 2,274	$ 1,963,479
Intersegment revenue transfer	52	(52)	-	-
Net revenue	1,411,016	550,189	2,274	1,963,479
Depreciation, depletion and amortization	65,538	4,806	557	70,901
Gross profit (loss)	236,868	110,823	(1,318)	346,373
Operating income (loss)	126,509	85,657	(5,000)	207,166
Segment assets	516,656	12,260	154,415	683,331
2008				
Revenues from external customers	$ 1,967,698	$ 697,533	$ 9,013	$ 2,674,244
Intersegment revenue transfer	2,498	(2,498)	-	-
Net revenue	1,970,196	695,035	9,013	2,674,244
Depreciation, depletion and amortization	74,584	7,922	385	82,891
Gross profit (loss)	348,818	121,425	(1,523)	468,720
Operating income (loss)	205,958	94,181	(4,143)	295,996
Segment assets	503,655	18,599	93,268	615,522
2007				
Revenues from external customers	$ 1,923,686	$ 773,516	$ 40,712	$ 2,737,914
Intersegment revenue transfer	5,065	(5,065)	-	-
Net revenue	1,928,751	768,451	40,712	2,737,914
Depreciation, depletion and amortization	68,561	9,889	44	78,494
Gross profit	369,080	25,824	15,840	410,744
Operating income	228,842	766	12,031	241,639

A reconciliation of segment operating income to consolidated income before provision for income taxes is as follows (in thousands):

Years Ended December 31,	2009	2008	2007
Total operating income for reportable segments	$207,166	$ 295,996	$ 241,639
Other income	9,672	16,739	23,509
Gain on sales of property and equipment	17,169	5,503	10,343
Unallocated other corporate expenses	(95,156)	(84,808)	(77,097)
Income before provision for income taxes	$138,851	$ 233,430	$ 198,394

A reconciliation of segment assets to consolidated total assets is as follows (in thousands):

December 31,	2009	2008
Total assets for reportable segments	$ 683,331	$ 615,522
Assets not allocated to segments:		

Cash and cash equivalents		338,956		460,843
Short-term and long-term marketable securities		119,385		59,559
Receivables, net		280,252		314,733
Deferred income taxes		31,034		43,637
Other current assets		174,579		169,941
Property and equipment		18,429		25,636
Other assets		63,609		53,584
Consolidated total assets	$	1,709,575	$	1,743,455

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

21. Acquisitions

Superior Group of Companies

On April 3, 2007, we acquired certain assets of the Superior Group of Companies, a Pacific Northwest-based construction materials producer and asphalt paving company, for approximately $58.6 million in cash. The acquisition agreement also provides for the payment of an additional $3.0 million for the assumption of a certain lease and related intangible assets which was completed during 2009. The acquired business operates under the name Granite Northwest, Inc. as a wholly owned subsidiary of Granite Construction Incorporated and operates as the Columbia River Branch in our Granite West segment. The purchased assets include 16 asphalt plants and related permits, more than 50 million tons of permitted aggregate reserves (owned and leased), construction equipment and rolling stock and all associated shops and buildings. The total purchase price was allocated to the net tangible and identifiable intangible assets based on their estimated fair values as of April 3, 2007. The results of the acquired business' operations were included in our consolidated financial statements as of April 3, 2007.

Wilder

In November 2007, we received approval from the noncontrolling shareholders of Wilder to purchase the 25% of the outstanding Wilder shares not owned by us for approximately $28.0 million in cash, which was approximately $7.8 million higher than the then-current contractual redemption price. The purchase price was deposited with an exchange agent for the benefit of the noncontrolling shareholders in December 2007 and was paid to the noncontrolling shareholders in January 2008. The excess of the amount paid for these shares over the redemption liability was recorded in our consolidated statement of income for the year ended December 31, 2007, as a one-time charge of approximately $7.8 million, and the purchase liability was reclassified from long-term to current at December 31, 2007.

Other Acquisitions

In January 2008, we purchased certain assets and assumed certain liabilities of a construction materials supplier in Nevada for a purchase price of approximately $14.0 million in cash. The effect of the operating results of the acquired business on our consolidated operating results was not material. The estimated fair value of the assets acquired approximated the purchase price; therefore, no goodwill was recorded.

In June 2007, we purchased certain assets and assumed certain liabilities of an asphalt concrete manufacturer near Santa Clara, California for cash consideration of approximately $17.8 million. The results of the acquired business's operations are included in our consolidated Granite West results as of June 1, 2007, the date of acquisition. The estimated fair value of the assets acquired approximated the purchase price; therefore, no goodwill was recorded.

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Quarterly Results

The following table sets forth selected unaudited financial information for the eight quarters in the two-year period ended December 31, 2009. This information has been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, contains all adjustments necessary for a fair statement thereof.

QUARTERLY FINANCIAL DATA
(unaudited - in thousands, except per share data)

2009 Quarters Ended	December 31,	September 30,	June 30,	March 31,
Revenue	$ 434,748	$ 720,284	$ 461,075	$ 347,372
Gross profit	89,943	105,172	83,245	68,013
As a percent of revenue	20.7 %	14.6%	18.1%	19.6%
Net income	$ 27,009	$ 36,538	$ 22,667	$ 13,987
As a percent of revenue	6.2 %	5.1 %	4.9 %	4.0 %
Net income attributable to Granite	$ 16,033	$ 30,598	$ 17,949	$ 8,920
As a percent of revenue	3.7 %	4.2%	3.9%	2.6%
Net income per share attributable to common shareholders:				
Basic	$ 0.41	$ 0.79	$ 0.46	$ 0.23
Diluted	$ 0.41	$ 0.79	$ 0.46	$ 0.23

2008 Quarters Ended	December 31,	September 30,	June 30,	March 31,
Revenue	$ 627,324	$ 897,788	$ 694,332	$ 454,800
Gross profit	116,698	144,302	109,026	98,694
As a percent of revenue	18.6%	16.1%	15.7%	21.7%
Net income	$ 44,201	$ 52,332	$ 33,587	$ 35,618
As a percent of revenue	7.0 %	5.8 %	4.8 %	7.8 %
Net income attributable to Granite	$ 31,925	$ 51,738	$ 25,618	$ 13,123
As a percent of revenue	5.1%	5.8%	3.7%	2.9%
Net income per share attributable to common shareholders:				
Basic	$ 0.83	$ 1.35	$ 0.67	$ 0.34
Diluted	$ 0.83	$ 1.35	$ 0.67	$ 0.34

Net income per share calculations are based on the weighted average common shares outstanding for each period presented. Accordingly, the sum of the quarterly net income per share amounts may not equal the per share amount reported for the year.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRANITE CONSTRUCTION INCORPORATED

By: /s/ LeAnne M. Stewart
LeAnne M. Stewart, Senior Vice President and
Chief Financial Officer

Date: February 25, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 25, 2010, by the following persons on behalf of the Registrant in the capacities indicated.

/s/ William G. Dorey
William G. Dorey, President, Chief Executive
Officer and Director

/s/ LeAnne M. Stewart
LeAnne M. Stewart, Senior Vice President and
Chief Financial Officer (Principal Accounting and
Financial Officer)

/s/ William H. Powell
William H. Powell, Chairman of the Board and
Director

/s/ Claes G. Bjork
Claes G. Bjork, Director

/s/ James W. Bradford
James W. Bradford, Director

/s/ Gary M. Cusumano
Gary M. Cusumano, Director

/s/ David H. Kelsey
David H. Kelsey, Director

/s/ Rebecca A. McDonald
Rebecca A. McDonald, Director

/s/ J. Fernando Niebla
J. Fernando Niebla, Director

/s/ William H. Powell
William H. Powell, Director

/s/ David H. Watts
David H. Watts, Director

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SCHEDULE II

GRANITE CONSTRUCTION INCORPORATED
SCHEDULE OF VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Description	Balance at Beginning of Year	Charged (Credited) to Expenses or Other Accounts, Net	Deductions and Adjustments1	Balance at End of Year
YEAR ENDED DECEMBER 31, 2009				
Allowance for long-term note receivable	3,500	-	-	3,500
Allowance for doubtful accounts	10,805	(4,404)	(2,484)	3,917
YEAR ENDED DECEMBER 31, 2008				
Allowance for long-term note receivable	3,500	-	-	3,500
Allowance for doubtful accounts	2,389	10,958	(2,542)	10,805
YEAR ENDED DECEMBER 31, 2007				
Allowance for long-term note receivable	3,500	-	-	3,500
Allowance for doubtful accounts	2,427	3,894	(3,932)	2,389

1 Deductions and adjustments for the allowances primarily relate to accounts written off.

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INDEX TO 10-K EXHIBITS

Exhibit No.		Exhibit Description
3.1	*	Certificate of Incorporation of Granite Construction Incorporated [Registration Statement on Form S-1, File No. 33-33795]
3.1.a	*	Amendment to the Certificate of Incorporation of Granite Construction Incorporated [Exhibit 3.1.a to 10-K for year ended December 31, 1998]
3.1.b	*	Amendment to Certificate of Incorporation of Granite Construction Incorporated [Exhibit 3.1.b to 10-K for year ended December 31, 2000]
3.1.c	*	Certificate of Correction of Certificate of Incorporation of Granite Construction Incorporated effective January 31, 2001 [Exhibit 3.1.c to 10-K for year ended December 31, 2000]
3.1.d	*	Certificate of Correction of Certificate of Incorporation of Granite Construction Incorporated filed May 22, 1998, effective January 31, 2001 [Exhibit 3.1.d to 10-K for year ended December 31, 2000]
3.1.e	*	Certificate of Correction of Certificate of Incorporation of Granite Construction Incorporated filed May 23, 2000, effective January 31, 2001 [Exhibit 3.1.e to 10-K for year ended December 31, 2000]
3.1.f	*	Amendment to the Certificate of Incorporation of Granite Construction Incorporated effective May 25, 2001 [Exhibit 3.1 to 10-Q for quarter ended June 30, 2001]
3.1.g	*	Certificate of Incorporation of Granite Construction Incorporated as Amended effective May 25, 2001 [Exhibit 3.1.a to 10-Q for quarter ended June 30, 2001]
3.1.h	*	Certificate of Amendment to Granite's Certificate of Incorporation, filed with the Delaware Secretary of State on May 25, 2006 [Exhibit 3.1.a to 10-Q for quarter ended June 30, 2006]
3.1.i	*	Amendment to Certificate of Incorporation of Granite Construction Incorporated effective May 21, 2007 [Proxy Statement filed April 13, 2007]
3.2.a	*	Bylaws of Granite Construction Incorporated, as amended and restated effective February 27, 1991 [Exhibit 3.2 to 10-K for year ended December 31, 1991]
3.2.b	*	Bylaws of Granite Construction Incorporated, as amended effective November 30, 2007 [Exhibit 3.2 to 8-K filed December 4, 2007]
3.2.c	†	Bylaws of Granite Construction Incorporated, as amended effective November 5, 2009

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10.1	**	Key Management Deferred Compensation Plan II [as amended and restated] dated August 31, 2009 [Exhibit 10.1 to 10-Q for quarter ended September 30, 2009]
10.2	**	Granite Construction Incorporated Amended and Restated 1999 Equity Incentive Plan as Amended and Restated effective May 15, 2009 [Exhibit 10.1 to 10-Q for quarter ended June 30, 2009]
10.2.a	†	Amendment No. 1, dated as of November 7, 2009, to the Granite Construction Incorporated Amended and Restated 1999 Equity Incentive Plan as Amended and Restated effective May 15, 2009
10.3	*	Credit Agreement dated as of June 24, 2005 [Exhibit 10.1 to 10-Q for quarter ended June 30, 2005]
10.3.a	*	Amendment No. 1 to the June 24, 2005 Credit Agreement dated as of June 23, 2006 [Exhibit 10.1 to 10-Q for quarter ended June 30, 2006]
10.3.b	*	Amendment No. 2 to the June 24, 2005 Credit Agreement dated as of December 7, 2007 [Exhibit 10.1 to 8-K filed February 1, 2008]
10.3.c	*	Amendment No. 3 to the June 24, 2005 Credit Agreement dated as of August 28, 2009 [Exhibit 10.2 to 10-Q for quarter ended September 30, 2009]
10.4	*	Guaranty Agreement dated as of June 24, 2005 from the Subsidiaries of Granite Construction Incorporated as Guarantors of financial accommodations pursuant to the terms of the Credit Agreement dated June 24, 2005 [Exhibit 10.2 to 10-Q for quarter ended June 30, 2005]
10.5	*	Note Purchase Agreement between Granite Construction Incorporated and certain purchasers dated May 1, 2001 [Exhibit 10.3 to 10-Q for quarter ended June 30, 2001]
10.5.a	*	First Amendment to Note Purchase Agreement between Granite Construction Incorporated and certain purchasers dated June 15, 2003 [Exhibit 10.4 to 10-Q for quarter ended June 30, 2003]
10.6	*	Subsidiary Guaranty Agreement from the Subsidiaries of Granite Construction Incorporated as Guarantors of the Guaranty of Notes and Note Agreement and the Guaranty of Payment and Performance dated May 1, 2001 [Exhibit 10.4 to 10-Q for quarter ended June 30, 2001]
10.7	*	Amendment to and Restated Note Purchase Agreement between Granite Construction Incorporated and certain purchasers dated November 1, 2001 [Exhibit 10.12 to 10-K for year ended December 31, 2001]
10.7.a	*	First Amendment to Amended and Restated Note Purchase Agreement between Granite Construction Incorporated and certain purchasers dated June 15, 2003 [Exhibit 10.3 to 10-Q for quarter ended June 30, 2003]

10.8	*	Subsidiary Guaranty Supplement from the Subsidiaries of Granite Construction Incorporated as Guarantors of the Guaranty of Notes and Note Agreement and the Guaranty of Payment and Performance dated November 15, 2001 [Exhibit 10.13.a to 10-K for year ended December 31, 2001]
10.9	*	Note Purchase Agreement between Granite Construction Incorporated and Certain Purchasers dated December 12, 2007 [Exhibit 10.1 to 8-K filed January 31, 2008]
10.10	*	Subsidiary Guaranty Supplement from the Subsidiaries of Granite Construction Incorporated as Guarantors of the Guaranty of Notes and Note Agreement and the Guaranty of Payment and Performance dated December 12, 2007 [Exhibit 10.10 to 10-K for year ended December 31, 2007]
10.11	* **	Executive Retention and Severance Plan effective as of September 20, 2007 [Exhibit 99.1 to 8-K filed October 22, 2007]
10.12	* **	International Swap Dealers Association, Inc. Master Agreement between BNP Paribas and Granite Construction Incorporated dated as of February 10, 2003 [Exhibit 10.5 to 10-Q for quarter ended June 30, 2003]
10.13	*	International Swap Dealers Association, Inc. Master Agreement between BP Products North America Inc. and Granite Construction Incorporated dated as of May 15, 2009 [Exhibit 10.3 to 10-Q for quarter ended September 30, 2009]
10.14	*	International Swap Dealers Association, Inc. Master Agreement between Wells Fargo Bank, N.A. and Granite Construction Incorporated dated as of May 22, 2009 [Exhibit 10.4 to 10-Q for quarter ended September 30, 2009]
10.15	*	International Swap Dealers Association, Inc. Master Agreement between Merrill Lynch Commodities, Inc. and Granite Construction Incorporated dated as of May June 2, 2009 [Exhibit 10.5 to 10-Q for quarter ended September 30, 2009]
10.16	* **	Form of Amended and Restated Director and Officer Indemnification Agreement [Exhibit 10.10 to 10-K for year ended December 31, 2002]
21	†	List of Subsidiaries of Granite Construction Incorporated
23.1	†	Consent of PricewaterhouseCoopers, LLP
31.1	†	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	†	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	††	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Incorporated by reference

** Compensatory plan or management contract
† Filed herewith
†† Furnished herewith