

Employees purchase majority interest in Granite Construction

By NANCY BARR

Granite Construction Co. has sold more than half its stock to its employees in an effort to prevent the firm from being sold to "outsiders."

The Watsonville-based company, one of the 10n largest heavy construction companies in the nation, came close to being sold to a German firm last year, Granite Vice President Al Otjen said this morning. But the deal fell through when the two sides couldn't come to terms. Granite has also "been courted by other companies," Otjen said.

Granite is owned by two family trusts, which Otjen did not identify. The trustees of those trusts have been receptive to offers to purchase the company, and that's what led to the establishment of an Employee Stock Ownership

Plan (ESOP), he said.

The ESOP was established "to continue local ownership, rather than transfer to outsiders," Otjen said. "If it remains in trust it could be sold."

Firms operating under an ESOP receive tax advantages not available to other businesses.

This is the second local business to establish an ESOP in six months. The refractories division of Kaiser Aluminum and Chemical Corp. — which operated the refractories plant in Moss Landing — was sold to its employees through an ESOP last year. But the difference between the two sales is that Kaiser had been losing money while Granite Construction is turning a profit, Otjen said.

The ESOP purchased 51 percent of Granite's stock for an

undisclosed price, using money contributed by the company and a loan from the Bank of America. The company will make yearly contributions to the ESOP — the law allows annual contributions equal to as much as 25 percent of the firm's payroll — and that money will be used to pay off the loan.

Granite now employs approximately 3,000 people, Otjen said. The sale of the Granite stock was completed Friday and announced this morning.

Although Granite employs a total of 3,000 people, only its 500 salaried employees, most of whom are in California, are members of the ESOP. When an employee leaves the firm, his or her share of the stock will be purchased by the ESOP.

No money was taken from the

(Continued on page 10)



Granite Construction headquarters on Beach Road.

Photo by Sam Vestal

(Continued from page 1)

current pension plan to purchase the ESOP's stock, Otjen said.

Although the establishment of the ESOP does not prevent the firm from being sold, any sale would have to be approved by the employees, Otjen said.

Richard Solari will continue as president and chief executive officer and other management will remain as is, Otjen said. No changes in the operation are planned.

Granite was founded in 1922 as an arm of the Granite Rock Co. to do street-paving. It split from its parent company, in 1936, under the ownership of H.B. Scott, W.J. Wilkinson and Arthur Wilson.

Upon Wilson's death, Wilkinson purchased his one-third interest in the firm, and in 1941 passed his two-thirds interest

along to his two sons, Jack and Walter A.

In 1970, Scott and Walter Wilkinson each became owners of half the company's stock. Scott served as president of Granite Construction from 1941-1979 and was succeeded by Solari.

Walter Wilkinson was vice president until his retirement in 1982, at which time Granite purchased all the stock held by the Wilkinson family.

Granite's start as a major contractor outside this area was a bumpy one. It handled a contract for the U.S. Bureau of Public Roads to construct the road to Glacier Point in Yosemite National Park in 1935 for less than \$400,000. Granite found the job was much more difficult than it expected — a tremendous amount of solid rock had to be removed before the road could be built — and the company took a big loss on the project.

Things improved for Granite

after that project, and the firm was the successful bidder for large highway projects, dams, breakwaters — including the ones at Moss Landing and Half Moon Bay — and the Washington D.C. subway built in the 1970s.

Granite has handled single contracts in excess of \$40 million, Otjen said, and joint ventures valued at more than \$200 million.

Granite Construction was the major partner in the three-firm consortium that built PG&E's Helms Hydroelectric Plant in Fresno County.

Granite's corporate headquarters are on Beach Road. Branch offices are located in Watsonville, Monterey, Salinas, Santa Cruz, Coalinga, Santa Barbara, Bakersfield, Sacramento, Stockton, Reno, and Tucson, Ariz. The company is currently involved in heavy construction projects in Oregon, Colorado, Texas and Mississippi.