

## **LITHIA MOTORS**

### **Stock Ownership Policy for Officers**

The Board of Directors believes that the company's Section 16 reporting officers ("Executives") and other officers should hold sufficient shares of common stock of Lithia Motors to meaningfully share the risks and rewards of ownership with the company's shareholders, and to appropriately align the interests of officers with Lithia's long-term goals. To that end, the Board of Directors has adopted the following policy:

- Each Executive that is a named executive officer, as defined in Item 402 of Regulation S-K (each an "NEO"), or non-NEO officer that is a VP level or above is expected to acquire and hold, within seven years after becoming an NEO or VP, shares of Lithia common stock with an aggregate market value equal to the following multiple of base salary.

<b>Position:</b>	<b>Multiple of Salary:</b>
Chief Executive Officer	5
Executive Vice President	3
Senior Vice President	2
Vice President	1

- The following will be included for determining share ownership under this policy: (1) any shares with respect to which the person subject to this policy is the beneficial owner, as defined under SEC Rule 13d-3; (2) shares underlying restricted stock units that are vested or that are subject only to time-vesting; and (3) shares held under a retirement plan, including the Company's 401(k) plan. Shares underlying unexercised options shall not count when determining share ownership.
- The Company shall assess compliance with this policy at least annually. Until a person complies with the minimum stock ownership requirements under this policy the person is expected to retain 50% of the net after-tax shares received upon the settlement of any of the person's RSUs until the stock ownership minimums are attained.
- Once an Executive has met the guideline, the requirement is converted to a share-based guideline. As long as they hold at least that number of shares, they are compliant with the policy.
- An Executive may not pledge, or agree to pledge, Lithia stock or rights to purchase Lithia stock except: (1) as specifically approved by the Board of Directors and (2) that an Executive with stock pledged as of March 15, 2013 may continue to pledge such stock under existing or replacement arrangements.

- An Executive shall not effect puts, calls, short sales, sales against the box or any other derivative transaction involving Lithia common stock.
- An Executive shall not engage in hedging or monetization transactions with Lithia stock, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds.
- From time to time circumstances may arise that require special consideration. Therefore, the Chairman of the Compensation Committee may grant exceptions to this policy's stock ownership requirement for Executives in his or her sole discretion, and the Chief Executive Officer may grant exceptions to this policy's retention requirements below the level of Executive.